Fonterra Special Meeting 2025

Notice of Special Meeting of Shareholders and Explanatory Notes in relation to the proposed sale of Mainland Group Holdings Limited

Fonterra
Dairy for life

Your Co-op, Your Vote.

Your Directors unanimously recommend that Shareholders vote in favour of the resolution to approve the sale.

The Special Meeting of Shareholders to consider and vote on the sale of Mainland Group Holdings Limited will be held online at:
https://fonterra.brandlive.com/Fonterra-Special-Meeting/en
at 10.30am on Thursday, 30 October 2025

IMPORTANT:
This is an important document and requires your urgent attention. You are encouraged to vote and have your say on the sale. You should read this Booklet in its entirety before deciding whether or not to vote in favour of the sale.

Important Information

Purposes of this Booklet

In addition to serving as a Notice of Meeting for a Special Meeting of Shareholders, the purposes of this Booklet are to provide you with:

a) information about the proposed sale of 100% of the shares in MGHL to Lactalis (or a direct or indirect wholly-owned subsidiary of Lactalis). MGHL is currently an indirect wholly-owned subsidiary of Fonterra and is (or will be, following an internal restructure) the holding company of a number of subsidiaries comprising the "**Mainland Group**". The Mainland Group undertakes, or is to undertake, the business as described in Part Two, Section A: Rationale for the Transaction and Section B: Description of the Business of Mainland Group of this Booklet;

b) the material terms and conditions of the proposed Transaction and, if approved, how the Transaction will be implemented;

c) information as to Fonterra's on-going business, if the Mainland Group is disposed of; and

d) other information that could reasonably be expected to be material to your decision whether to vote in favour of, or against, the Resolution to approve the Transaction.

This Booklet does not take into account your individual investment objectives, financial situation or needs. You must make your own decisions and seek your own advice in this regard. The information and recommendations contained in this Booklet do not constitute, and should not be taken as constituting, financial advice, financial product advice, investment advice, tax advice or legal advice. In particular, this Booklet does not constitute a recommendation or offer to buy or sell securities in Fonterra or the Fonterra Shareholders' Fund. If you are in any doubt as to what you should do, you should seek advice from your financial, investment, taxation or legal advisers before making any decision regarding the Transaction.

NZX

NZX does not accept any responsibility for any statement in this Booklet. NZX is a licensed market operator, and the NZX Main Board is a licensed market under the Financial Markets Conduct Act 2013.

Forward looking statements

This Booklet contains certain forward-looking statements. You should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, market conditions, results, performance or achievements of Fonterra to be materially different from the future conduct, market conditions, results, performance or achievements expressed or implied by the forward looking statements, or that could cause future conduct to be materially different from historical conduct. Deviations as to future conduct, market conditions, results, performance and achievements are both normal and to be expected.

Forward looking statements generally may be identified by the use of forward looking words such as 'target', 'targeting', 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'potential', 'should', or other similar words.

Any estimates or projections as to events that may occur in the future (including EBITDAF, revenue, profit, underlying profit, dividends, margin, expenses, earnings, assets, liabilities and performance) are based upon the best judgement of Fonterra from the information available as of the date of this Booklet. A number of factors could cause actual results or performance to vary materially from the estimates or projections. No person (including Fonterra and its Directors, officers, employees and advisers) gives or makes any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Booklet will actually occur and except to the extent (if any) required by applicable law or any applicable listing rules, assumes any obligation to provide any additional information or update these forward looking statements for events or circumstances that occur subsequent to the date of this Booklet. No reliance should be placed on any forward looking statements.

Non-NZ GAAP financial information

This Booklet includes certain financial measures that are 'non-GAAP (generally accepted accounting practice) financial information' under Guidance Note 2017: 'Disclosing non-GAAP financial information' published by the New Zealand Financial Markets Authority. Non-GAAP measures can be useful for investors and other users of this information as they can provide additional insight into an entity's financial performance, financial condition and/or cash flow. Such financial information and financial measures (including EBITDAF and normalised EBITDAF, operating free cash flow, stay-in-business capex and net debt) do not have standardised meanings prescribed under NZ IFRS and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with NZ IFRS.

The non-GAAP measures have not been subject to assurance by an auditor or third party. No reliance should be placed on any such non-NZ GAAP financial information included in this Booklet.

Pro forma financial information

This Booklet includes certain pro forma financial information. The pro forma financial information is provided for illustrative purposes only and is not represented as being indicative of Fonterra's future financial position and/or performance. An independent assurance provider's report on both the Fonterra reported historical financial information and the historical pro forma financial information for Fonterra and the Mainland Group is provided in Appendix B.

No internet site forms part of this Booklet

Any references in this Booklet to any website are for informational purposes only. No information contained on any website forms part of this Booklet. To the maximum extent permitted by law, Fonterra and its Directors, officers, employees and advisers do not assume any responsibility for the contents of any website referenced in this Booklet.

Responsibility for information

Other than as set out below, this Booklet has been prepared by, and is the responsibility of, Fonterra:

- the Purchaser Information in Section E: Details of the Purchaser of Part Two of this Booklet. Fonterra and its Directors, officers, employees and advisers have not been involved in preparing or verifying any of the Purchaser Information and do not assume any responsibility for the accuracy or completeness of the Purchaser Information. The Purchaser and its affiliated entities and their respective directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of any information in this Booklet other than the Purchaser Information.
- the Fonterra Co-operative Council Chair's letter included in this Booklet has been prepared by, and is the responsibility of, the Fonterra Co-operative Council. The Fonterra Co-operative Council is not responsible for any other information in this Booklet.

Times and dates

All references to times and dates in this Booklet are to New Zealand time, unless otherwise stated.

Currency

Unless expressly specified, all references to currency in this Booklet are to New Zealand dollars.

Diagrams, charts, maps, graphs and tables

Any diagrams, charts, maps, graphs and tables appearing in this Booklet are illustrative only and may not be to scale.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Booklet are subject to the effect of rounding. Accordingly, actual calculations may differ from amounts set out in this Booklet and figures in charts and tables may not add to totals.

Defined terms

Capitalised terms set out in this Booklet have the meanings given to them in the Glossary in Part Three of this Booklet.

Contents

Fonterra Co-operative Group Limited 2025 Special Meeting – Procedural Notes

This Special Meeting will be held as a virtual meeting at **10.30am on Thursday, 30 October 2025**. Shareholders may join online using the instructions set out below.

Special Meeting documents

This Booklet includes the Notice of Meeting on page 8 and provides information in relation to the Resolution, the sale of all the shares of MGHL, and the reasons for proposing this sale. A Voting/Proxy Form accompanies this Booklet.

The voting threshold for approval of the Resolution is an ordinary resolution, that is, more than 50% of the votes of Shareholders who are entitled to vote and who actually vote, must be voted in favour of the Resolution.

The voting entitlements of Shareholders are set out on page 5. If you are eligible to vote on the Resolution, you can vote as follows:

a) **By post:** You can submit your vote by post.

   Please complete the Voting/Proxy Form and post it to the address on the Voting/Proxy Form (or use the enclosed freepost envelope).

b) **Online prior to the Special Meeting:** You can submit your vote online prior to the Special Meeting by logging in to the Farm Source website and following the link to the voting site: www.nzfarmsource.co.nz/haveyoursay

c) **Online during the Special Meeting:** You can attend the Special Meeting online, ask questions and vote using the following link to the virtual meeting platform: https://fonterra.brandlive.com/Fonterra-Special-Meeting/en

   Information on how to attend online (including how to vote and ask questions virtually during the Special Meeting) is available on the Fonterra website: https://view.publitas.com/fonterra-comms/online-meeting-guide-special-meeting-2025/

d) **By proxy:** See the details on page 5 on appointing a proxy and how they may vote.

e) **By corporate representative:** A corporation which is a Shareholder may appoint a corporate representative to vote on its behalf in the same manner as that in which it could appoint a proxy.

You cannot attend the Special Meeting or vote on the Resolution in person. The Special Meeting will be held online only.

The Returning Officer will contact each proxy or corporate representative ahead of the Special Meeting to provide them with the necessary information required to enable them to participate in, and vote during, the Special Meeting.

In respect of voting by post or online prior to the Special Meeting, electionz.com Limited has been authorised by the Board to receive and count all votes as well as all online votes cast prior to the Special Meeting. All such votes must be received by the Returning Officer by 10:30am on Tuesday, 28 October 2025.

Questions

While Shareholders will be able to ask questions via the online platform during the Special Meeting, we encourage Shareholders to submit questions online as early as possible prior to the Special Meeting to ensure that as many questions as possible are received and addressed at the appropriate time during the Special Meeting.

Meeting attendees

The Special Meeting is held for the benefit of Shareholders and their authorised proxies and corporate representatives. Fonterra management will also be in attendance, as well as the auditors, Fonterra's legal advisors and invited members of the media.

Voting

The Special Meeting, which is the meeting at which Shareholders will vote on the Resolution, is to be held online at 10:30am on Thursday, 30 October 2025. The Board encourages all Shareholders to vote on the Resolution. If you are unable to attend the Special Meeting online, you are encouraged to vote by post or online before the Special Meeting or appoint a proxy (or corporate representative if the Shareholder is a corporation) to vote on your behalf.

Voting entitlements

A Shareholder's voting entitlement is based on their Share backed milk supply.

'Supplying Shareholders' receive one vote for every 1,000 kilograms of milksolids backed by Shares that they supplied to Fonterra during the season ended 31 May 2025. The voting entitlement of 'Secondary Shareholders' is based on Share backed milk supply, up to the 'agreed percentage' in relation to Fonterra's share standard for the relevant supplying farm. By way of example:

a) if a Supplying Shareholder supplied 100,000 kilograms of milksolids but held only 75,000 Shares, they would have only 75 votes, whereas if they held 100,000 or more Shares they would have 100 votes; and

b) if the 'agreed percentage' for a Secondary Shareholder is 50% and the supplying farm supplied 100,000 kilograms of milksolids but the Secondary Shareholder held only 45,000 Shares, they would have only 45 votes, whereas if they held 50,000 or more Shares they would have 50 votes.

If a Supplying Shareholder did not supply last season but now owns an existing farm that supplied last season, the voting entitlement for that Supplying Shareholder and any Secondary Shareholder will be based on that farm's milksolids supply last season or on the Board's estimate of milksolids production for this season.

In the case of a dry farm conversion and farm amalgamations / divisions, voting entitlement is based on one vote for every estimated 1,000 kilograms of milksolids to be supplied during the season ending 31 May 2026. Milk supplied on Contract Supply and milk which is not backed by Shares is excluded from milksolids production when calculating voting entitlements.

In accordance with the Companies Act 1993, the Board has fixed Wednesday, 1 October 2025 (following close of trading) as the time for determining voting entitlements of Shareholders for the Special Meeting.

Accordingly, those persons who are, at the Voting Entitlement Time, registered as Shareholders will be entitled to vote at the Special Meeting in respect of their milk supply, as noted above, backed by Shares registered in their name at the Voting Entitlement Time.

A Shareholder's voting entitlement is shown on their Voting/ Proxy Form, which is enclosed with this pack (if applicable). This voting entitlement has been determined at the latest practicable date before printing the Voting/Proxy Form, however, a Shareholder's actual voting entitlement may change and will be determined as at the Voting Entitlement Time. If a Shareholder appoints a proxy or corporate representative, the proxy or corporate representative will exercise that Shareholder's voting entitlement as described above.

Shareholder questions or requests for corrections relating to voting entitlements should be sent to electionz.com (email: info@electionz.com or phone: +64 3 377-3530).

Proxies or corporate representatives

Proxies

Shareholders may appoint a proxy to attend, and vote at, the Special Meeting on their behalf. If a Shareholder wishes to appoint a proxy, the Shareholder must ensure that the Returning Officer receives their completed Voting/Proxy Form by no later than 10:30am on Tuesday, 28 October 2025. Shareholders can submit their completed Voting/Proxy Forms:

a) online:
   - Login to the Farm Source website (www.nzfarmsource.co.nz) using your Farm Source login and password.
   - Follow the voting links from the homepage.
   - Enter your Personal Identification Number (PIN) and password provided to you.

   or

b) by post: please post the completed Voting/Proxy Form to the address on the Voting/Proxy Form (or use the enclosed freepost envelope).

If a Shareholder appoints a proxy, the Shareholder can either direct the proxy how to vote or let them decide on the Shareholder's behalf by ticking the box marked "discretion". If the Shareholder does not tick a box for the Resolution, then their proxy will have discretion on how to vote on the Shareholder's behalf.

A proxy need not be a Shareholder. A Shareholder may, if they wish, appoint the Chair or any other Director as their proxy. The Chair and all other Directors intend to vote undirected proxies in favour of the Resolution.

If, in appointing a proxy, the Shareholder does not name a person to be their proxy (either online or on the enclosed Voting/Proxy Form), or their named proxy does not attend the Special Meeting, the Chair will be their proxy and will vote in accordance with the Shareholder's express direction. If the Shareholder has not included an express direction (either online or in the enclosed Voting/Proxy Form), the Chair will exercise that Shareholder's vote in favour of the Resolution.

Once appointed, a proxy can be changed or the Shareholder's voting direction to their proxy can be changed by lodging a new Voting/Proxy Form online or by post as set out above, provided this is received before 10:30am on Tuesday 28 October 2025. A Shareholder may revoke the appointment of any proxy by written notice to Fonterra at its registered office (addressed to the Returning Officer) by no later than 7:30am on Thursday, 30 October 2025. If you attend the Special Meeting online you may, but are not required to, revoke your proxy by voting on the Resolution.

Corporate representatives

A corporation which is a Shareholder may appoint a corporate representative to vote on its behalf in the same manner as that in which it could appoint a proxy.

Quorum

The quorum for the Special Meeting is met if not fewer than 50 Shareholders have cast postal votes (including by electronic means) or are present in person (for this meeting, by being present online) or by a representative, who between them hold or represent the holder or holders of not less than two per cent of the voting rights entitled to be exercised on the Resolution.

Results of voting

The results of voting at the Special Meeting will be posted on NZX, the Farm Source website and the My Co-op app as soon as vote counting is complete and the Chair has declared the result.

Fonterra Board Chair's Letter

Kia ora tātou

On behalf of the Fonterra Board, I'm pleased to share with farmer Shareholders a unanimous recommendation to divest the Co-operative's global Consumer and associated businesses to Lactalis for $4.22 billion.

Contained within this Notice of Meeting is the strategic rationale for the divestment, a description of the assets to be divested, and the expected financial shape of Fonterra following the divestment. It also contains important information on how to record your vote.

The decision to divest the Consumer and associated businesses is significant and one we don't 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 (IPO) 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.

Alongside a strong valuation for the businesses being divested, the sale allows for a full divestment of these assets, is lower risk, and a faster return of capital to the Co-op's owners when compared with an IPO.

As the world's largest dairy company, Lactalis has the scale required to take the Consumer brands and associated businesses to the next level.

On completion of the divestment, Co-op farmers will continue to benefit from the success of these businesses, with Lactalis to become one of our most significant Ingredients customers who we'll partner with through a long-term supply relationship.

At the same time, the divestment removes a significant level of complexity from Fonterra, allowing us to focus on our world-leading Ingredient and Foodservice businesses, which we believe will flourish.

The Board has considered the implications of a divestment on Fonterra's financial performance.

The targets and policy settings Fonterra released alongside its strategy in September 2024 are unchanged by a divestment. Specifically, Fonterra is targeting:

- A capital return of $2.00 per Share, equivalent to $3.2 billion, to farmer Shareholders and unit holders following completion of the sale.
- Maintaining the highest sustainable Farmgate Milk Price.
- Earnings to be back at FY25 levels within three years, offsetting the earnings impact of divestment.
- A target average return on capital of 10-12%, above our 5 year average.
- Returning more of the Co-op's earnings to Shareholders, through a dividend policy of 60-80%.

These targets are subject to a number of risks and assumptions and no assurance is given as to any level of earnings, dividends or returns.

The Board intends to make a final decision on the amount and timing of the capital return once the Sale Agreement is unconditional, the Transaction completes and cash proceeds are received in New Zealand and having regard to other relevant factors including Fonterra's debt and earnings outlook at the time, and any capital return will be subject to a further Shareholder vote.

The sale is subject to various Conditions, including approval from farmer Shareholders, certain regulatory approvals, and separation of the businesses from Fonterra.

Subject to satisfaction of all Conditions, Fonterra is targeting completion of the Transaction in the first quarter of the 2026 calendar year.

The Board is seeking a strong mandate from farmer shareholders in support of the divestment – including a high level of voter participation. We strongly encourage you to read the detail contained within this Notice of Meeting and cast your vote.

The Directors **unanimously recommend** that you **vote in favour of the resolution** to approve the sale of the Consumer and associated businesses.

Ngā mihi

Peter McBride
Chairman

Fonterra Co-operative Council Chair's Letter

Dear Shareholders

The decision whether Fonterra should divest the Consumer and associated businesses ('Mainland') to Lactalis is significant for farmer shareholders. This will represent a substantial structural change for our Co-operative, and we need to be considered in our decision making. Our Board of Directors is looking for strong support from farmer shareholders in the vote.

The divestment proposal does not require Council's support. However, given the magnitude of the decision on the future of Fonterra, Councillors agreed to the Board's request to provide shareholders with this letter advising whether Councillors support the Resolution to sell Mainland.

Your Council has:

- carefully considered the information in this Booklet and in previous communications from Fonterra
- attended shareholder meetings hosted by directors and / or management
- had many conversations with farmer shareholders
- discussed the divestment proposal with the Board
- commissioned our independent analyst Northington Partners to provide an independent assessment of the merits of the proposal
- met with Northington Partners to discuss their report, and
- discussed and debated the proposal among ourselves.

We strongly encourage you to read Northington Partners' report. It is an independent assessment of the proposed divestment of Mainland. You can find it on the Fonterra website: www.fonterra.com/fcc.

Northington Partners are of the view the divestment of Mainland is in the best interests of Fonterra shareholders.

In their view:

- the price that will be received for Mainland is attractive and consistent with peer companies and transactions
- the commercial case for divestment is sound
- the sale will make Fonterra a better business, and
- Fonterra has the balance sheet strength to fund the proposed capital return and its near-term investment plans.

A key area of discussion within Council was the expected financial performance of Fonterra after any divestment. Councillors note:

- that Fonterra is targeting earnings to be back at FY25 levels within three years, offsetting the earnings impact of divestment, and
- the target average return on capital of 10 – 12% and dividend policy of 60 – 80% are unchanged by the divestment.

I can advise that 96% (26 of 27) Councillors support the proposal to sell Mainland to Lactalis.

Ultimately, however, the mandate to sell must come from supplying farmer shareholders.

I urge you to use your right of control, and vote.

A well informed and participating group of farmer shareholders is critical to the success of our Co-operative. This vote concerns the future of our Co-operative. Deciding what that future looks like is a responsibility that we all share.

Tātou, tātou

John Stevenson
Chair, Fonterra Co-operative Council

PART ONE

Notice of Special Meeting of Shareholders of Fonterra Co-operative Group Limited

Notice is given that the Special Meeting of the Shareholders of Fonterra Co-operative Group Limited will be held online at 10.30am on Thursday, 30 October 2025. Shareholders may join online using the instructions set out in this Booklet.

Business

To consider and, if thought fit, to pass the following ordinary resolution:

> *That the sale of all the shares in Mainland Group Holdings Limited pursuant to the sale and purchase agreement with B.S.A. SAS dated 22 August 2025 as described in the Explanatory Notes, is approved, including for the purposes of NZX Listing Rule 5.1.1(b).*

Voting will be by way of a poll.

Peter McBride

Chair, on behalf of the Board

28 September 2025

PART TWO

Explanatory Notes to Notice of Special Meeting

Overview of the Transaction and Key Dates

The Transaction involves the sale by Fonterra of MGHL, the parent entity of the Mainland Group, to B.S.A. SAS, a member of the Lactalis group, or (if B.S.A. SAS so nominates) a direct or indirect wholly-owned subsidiary of B.S.A. SAS, for a purchase price that is currently estimated to be $4,220,000,000, subject to some specific adjustments described below. Mainland Group refers to the entities that together operate the global Consumer and associated businesses currently operated by Fonterra (other than the Consumer business in Greater China). On Completion of the Transaction, Fonterra will enter into various agreements with members of the Mainland Group (which at that point will be owned by the Purchaser), including:

- A Raw Milk Supply Agreement, which governs the basis on which raw (unprocessed) milk is supplied by Fonterra to the Mainland Group in New Zealand for use in the manufacture of consumer food products.
- A Global Supply Agreement, which governs the manufacturing and supply of both ingredients and finished products by Fonterra for the Mainland Group (and vice versa).
- A Distribution Agreement to enable the Mainland Group and Fonterra to each have continued access to the territories in which it currently sells its products, but where it does not otherwise have its own sales function or distribution network.

Lactalis, headquartered in Laval, France, is a family-owned business, the largest dairy group in the world and the 9th largest food group in the world. The Lactalis group employs more than 85,500 people and had reported revenue of €30.3 billion (approximately NZ$60 billion) in 2024. The strong international reputation for New Zealand milk and dairy products, means that Fonterra will be an essential long-term supplier and partner to Lactalis, with Lactalis becoming among Fonterra's top customers following the Transaction. Lactalis acknowledges the importance of this aspect of the Transaction for Fonterra and Fonterra's Shareholders, and is proud to partner with Fonterra over the long-term, including through the agreements referenced above and described further in Section D of this Part Two below.

The Transaction is conditional on a number of Conditions, including Shareholder approval by ordinary resolution, certain regulatory approvals, and separation of the businesses from Fonterra (which is largely within Fonterra's control), as well as no material adverse change having occurred in respect of the Mainland Group prior to Completion. These conditions are described in more detail in Section D: Summary of the Transaction in this Part Two of this Booklet.

If the Conditions are satisfied and Completion occurs, Fonterra currently expects to make a tax free capital return to Shareholders from the sale proceeds and is targeting a return amount of $2.00 per Share. The balance of the sale proceeds will be used to retire debt or applied as working capital. Payment of the capital return would be subject to a separate Shareholder vote following Completion. The amount of the capital return would be confirmed ahead of the capital return Shareholder vote.

Key Dates relevant for the special shareholder meeting and the Transaction are set out in the timetable below.

Event	Date
Record date for determining voting entitlements at the Special Meeting of Shareholders	1 October 2025 (following close of trading)
Latest time for receipt of proxy appointments	10:30am on 28 October 2025
Special Meeting of Shareholders (online only)	10:30am on 30 October 2025
Targeted date for satisfaction of all Positive Conditions*	Q1 2026
Targeted Completion Date*	Q1 2026

* These dates are indicative only and are very likely to change. They are dependent upon a number of matters outside of Fonterra's control.

Fonterra will provide an announcement through NZX when all Positive Conditions are satisfied. The Board will also update Shareholders on the likely timing of a Shareholder meeting to vote to approve a capital return following Completion of the Transaction.

The following explanatory notes provide more detail in respect of the Transaction and the business of Fonterra following Completion of the Transaction.

A. Rationale for the Transaction

Context

To date Fonterra has created value through three key channels – Ingredients, Foodservice and Consumer. The Ingredients and Foodservice sales channels have consistently utilised the majority of farmers' milk and generated the majority of the Co-op's returns to farmer Shareholders through both the Farmgate Milk Price and dividends.

Ingredients	Foodservice	Consumer
This business comprises the sale, marketing and distribution of products in bulk format to other manufacturers. Products range from high-quality powders through to premium protein solutions.	This business comprises the sale, marketing and distribution of products in wholesale format to customers that focus on out-of-home consumption, including, for example, quick service restaurants, hotels, restaurants, caterers, bakeries, cafes, and institutional providers (such as healthcare services) for use in production of meals and other food consumables. Top selling products include cream cheese, UHT cream and mozzarella.	This business comprises the sale, marketing and distribution of branded dairy products in consumer ready formats, where the products are packaged for, and intended to be sold to, individual consumers (end users). The consumer product range includes staples such as fresh milk, cheese, yoghurt and butter.
In FY25: • Fonterra's Ingredients channel represented ~79% of Fonterra's New Zealand milk solids sold. • It contributed $17.6b in revenue and $2.3b in gross profit. • Return on capital 10.6%	In FY25: • Fonterra's Foodservice channel represented ~14% of Fonterra's New Zealand milk solids sold. • It contributed $4.8b in revenue and $892m in gross profit. • Return on capital 13.2%	In FY25: • Fonterra's Consumer channel represented ~7% of Fonterra's New Zealand milk solids sold. • It contributed $4.0b in revenue and $996m in gross profit. • Return on capital 9.4%
Four-year average return on capital FY22 – FY25: 11.5%	Four-year average return on capital FY22 – FY25: 13.4%	Four-year average return on capital FY22 – FY25: 3.0%

Fonterra's Ingredients and Foodservice businesses have complementary products, manufacturing processes and go-to-market approaches. The Consumer business utilises different product formats and requires specialised expertise and marketing approaches to reach consumers around the globe.

Ingredients and Foodservice is where Fonterra can best apply its expertise in dairy science and innovation, along with its manufacturing and customer partnering capability. These businesses are strong and growing, with ample customer demand.

The Board's view is that Fonterra does not need the Consumer business to process and distribute all milk profitably. Given this, the Consumer business must generate an economic return or deliver other strategic benefits to justify Fonterra's continued and incremental investment and ownership of the Consumer business.

The Consumer business has not delivered against this benchmark and continues to be Fonterra's lowest returning channel. It has consistently delivered a return on capital below 10%, whereas the Foodservice and Ingredients channels deliver returns on capital greater than 10%.

Even taking into account recent improved performance for the Consumer business, allocating milk to the Ingredients and Foodservice businesses and releasing capital from the Consumer business is expected to generate more value for Shareholders than retaining and continuing to invest in the Consumer business.

While Fonterra has a scale position in some Consumer markets, overall performance is inferior to alternative uses of milk and capital. As a Co-op – with farmer Shareholders – Fonterra also has a higher cost of capital. This raises the bar further in terms of the cost of holding under-performing assets.

Competitors do not face these same challenges. For example, some competitors are publicly listed or government backed with lower costs of capital. These players may accept lower returns than Fonterra or pay more of a premium when it comes to acquisitions. In this circumstance, it is logical that a competitor could view the Consumer sector as a value creating opportunity, even while Fonterra does not.

For other competitors, a strong Consumer business may already be in their portfolio, providing scale and competitive position such that superior returns are more likely. Additional acquisitions for these players have the potential to leverage capabilities and generate synergies, thereby achieving greater returns.

Strategic review

In 2023, Fonterra received unsolicited interest from potential purchasers of the Consumer business. As part of assessing the materiality and implications of a potential divestment of this business, the Board instigated a strategic review that took into account the above context on the performance and role of Fonterra's three sales channels, as well as the Co-op's operating context today and into the future.

The strategic review reinforced the strength of Fonterra's core business, which is to work alongside farmers to collect milk and efficiently manufacture products to deliver strong returns to farmers and unit holders.

It also gave the Board confidence in the role Fonterra plays in the dairy nutrition value chain, with one of the Co-op's greatest strengths being the production of world-class, innovative dairy products sold to customers globally from Fonterra's home-base in New Zealand.

Off the back of this work, in May 2024 Fonterra announced a step change in its strategic direction. This included a decision to focus on the Co-op's Ingredients and Foodservice businesses and explore divestment options for the Consumer business as well as the integrated businesses Fonterra Oceania and Fonterra Sri Lanka.

The Co-op's revised strategy, released in September 2024, shows that Fonterra can deliver further value for farmer Shareholders and unit holders by focusing on the following strategic choices:

- Deliver the strongest farmer offering
- Invest in operations for the future
- Unleash the Ingredients engine
- Keep momentum in Foodservice
- Build on our sustainability position
- Innovation to drive our advantage

Dual-track divestment process

On 10 November 2024, after a scoping study, the Board approved pursuing a dual track sale process for the Consumer and associated businesses, exploring both a trade sale and an Initial Public Offering (known as an IPO) as divestment options.

The divestment objectives were to:

- Maximise value
- Position Fonterra to deliver on its strategy
- Minimise complexity
- Enhance Fonterra's licence to operate in New Zealand
- Be executable
- Create a strong Consumer business

The dual-track divestment process culminated with the announcement in August 2025 that Fonterra has agreed the sale of its Consumer and associated businesses to Lactalis for a total of $4.22 billion, subject to farmer Shareholder approval, separation of the businesses from Fonterra, and certain regulatory approvals.

The Board's view is that this agreement is preferable to an IPO as, alongside a strong valuation for the businesses being divested, the sale would allow for a full divestment of these assets by Fonterra, and a faster return of capital to the Co-op's owners when compared with an IPO.

The Board has also given consideration to the fact that, as the world's largest dairy company, Lactalis has the scale required to take the Consumer brands and associated businesses to the next level. The Co-op will continue to benefit from their success, with Lactalis to become one of our most significant Ingredients customers and the Co-op partnering with Lactalis through long-term supply arrangements with the Mainland Group.

B. Description of the business of the Mainland Group

The Mainland Group

The Mainland Group business includes the global Consumer business currently operated by the Fonterra Group (other than the Consumer business in Greater China) and a number of associated businesses. Generally, the associated businesses are operationally integrated with the Consumer business, such that it is not practical to remove them from the Mainland Group.

Mainland Group's Consumer business is the most significant, contributing 74% of the Mainland Group's gross profit in the financial year ended 31 July 2025, with the Foodservice and Ingredients (Australia only) businesses contributing 16% and 10% respectively.

Specifically, the businesses that will be operated by the Mainland Group on Completion of the transaction ("**Mainland Business**") comprise:

(a) in Oceania:

  (i) the Consumer and Foodservice businesses in New Zealand, including three manufacturing sites; and

  (ii) the Consumer, Foodservice and Ingredients businesses in Australia, including eight manufacturing sites;

(b) in Southeast Asia (Singapore, Malaysia, Indonesia, the Philippines, Thailand and Vietnam), the Consumer business including three manufacturing sites;

(c) in Sri Lanka, the Consumer and Foodservice businesses, including one manufacturing site;

(d) in the Middle East & Africa, the Consumer and Foodservice businesses, including one manufacturing site; and

(e) export Consumer, Foodservice and Ingredients businesses carried on by certain Mainland Group members in export regions including the Pacific Islands, the Caribbean and certain Middle East and Indian Ocean territories.

The Mainland Group's dairy portfolio spans a wide range of products, which can be categorised into the (non-exhaustive) subcategories below:

- Milk powder: Concentrated dairy product made from fresh milk into a versatile, shelf-stable powder. Products are branded and range from consumer to bulk ingredients formats, including WMP, SMP, and specialty and nutritional powders (e.g. maternal, infant and healthy ageing powders).
- Cheese: Mainstream cheese (ie cheese in block form), slice, grated and snacking formats, spreadable and specialty varieties (including cottage cheese, cream cheese, feta cheese and jar cheese), and bulk cheese.
- Butter and spreads: Butter (from consumer to bulk ingredients formats), spreadable butter, flavoured butter and flavoured spreads.
- Cream: Fresh cream, UHT cream and sour cream.
- Liquid milks: Fresh white milk, UHT milk and flavoured milk.
- Yoghurt: Natural yoghurt, Greek yoghurt, drinking yoghurt and flavoured yoghurt.

The Mainland Group also sells a range of other products that have contributed less than 3% of gross profit in each of FY24 and FY25. These include whey products, milk protein concentrate, casein, animal nutrition and non-dairy products.

Table 1 - Key metrics by region[1]

	Oceania	Southeast Asia	Sri Lanka	Middle East & Africa
Manufacturing sites	3 NZ sites; 8 Australian sites	3 sites	1 site	1 site
Sales channels	• Consumer • Foodservice • Ingredients[2]	• Consumer	• Consumer • Foodservice	• Consumer • Foodservice
Key consumer brands[3]	Anchor, Mainland, Fresh 'n Fruity, Bega, Kapiti, Perfect Italiano, Western Star	Anchor, Mainland, Fernleaf, Anlene, Anmum Materna, Perfect Italiano, Chesdale	Anchor, Ratthi, Anlene	Anchor, Anlene, Falcon الصقر
Key product subcategories (%)	• Cheese (34%) • Butter and cream (27%) • Liquid milks (24%) • Culinary cultured and yoghurt (8%) • Milk powder (5%)	• Specialty and nutritional powders (72%) • Liquid milks (8%) • Cheese (6%) • Whole milk powder (6%)	• Milk powder (94%) • Butter and cream (3%)	• Milk powder (62%) • Cheese (24%) • Butter and cream (13%)
Volume (MT '000s)	758	78	59	66
Revenue (NZD m)	3,878	614	587	523

Further financial information about the effect of the sale on the Fonterra Group is set out in Section F: Fonterra Going Forward in this Part Two of this Booklet.

[1] All metrics and financials presented are based on the Mainland Group's performance in FY25. Percentages for key product subcategories reflect proportion of FY25 gross profit for the region. List of product subcategories is not exhaustive, with subcategories with a 3% share or below not presented.

[2] Australia only.

[3] The Bega brand is licenced in Australia from Bega group companies.

C. Overview of the Sale Process

As has previously been announced, Fonterra has progressed a dual-track process to determine whether to sell the Mainland Group by a trade sale or by way of an initial public offering of the shares of MGHL and the listing of MGHL on a recognised stock exchange (such as the NZX and ASX). Fonterra ultimately determined to sell the Mainland Group by way of a trade sale by entering into a sale and purchase agreement with Lactalis to sell to Lactalis all the shares in MGHL. A summary of that transaction is set out in Section D: Summary of the Transaction in this Part of this Booklet. The Board elected to proceed by way of a trade sale rather than by a public offering of the shares of MGHL because, in summary:

- there was a strong level of interest from potential purchasers;
- the trade sale price was superior to what was indicated as likely offer proceeds under an initial public offering;
- the trade sale enables Fonterra to partner with Lactalis through the long-term supply arrangements with the Mainland Group, as a key Ingredients customer;
- the sale price by way of the initial public offering of the shares of MGHL was uncertain, with this depending upon varying market conditions;
- the trade sale has fewer risks to Fonterra than an initial public offering; and
- Fonterra can fully dispose of its interest in MGHL, whereas with an initial public offering, there was a risk that Fonterra may have been required to retain a significant shareholding in MGHL, at least for a period of time. The trade sale therefore allows a faster return of capital to Fonterra Shareholders, when compared with an IPO.

D. Summary of the Transaction

The Transaction involves the sale by Fonterra Equities Limited (a wholly-owned subsidiary of Fonterra) of all of the shares in Mainland Group Holdings Limited under a sale and purchase agreement that Fonterra entered into on 22 August 2025 (the "**Sale Agreement**"). Fonterra Co-operative Group Limited is a party to the Sale Agreement, agreeing to undertake certain actions, including in relation to satisfying the Conditions of the Sale Agreement.

The Purchaser is B.S.A. SAS, the parent company of the Lactalis group. Details of the Purchaser and the Lactalis group more generally are set out in Section E: Details of the Purchaser of this Part of this Booklet.

The key details of the Transaction are noted below.

Purchase Price

The Purchase Price is currently estimated to be $4,220,000,000 but this is subject to adjustments to reflect the actual cash amount, actual debt amount, and actual working capital of the Mainland Group at Completion. As announced on 26 August 2025, Bega Cheese Limited has now consented to the change of control in respect of the Transaction, so the Purchase Price referred to above includes the additional payment of $375,000,000 allocated to the Bega licences.

As is typical for a transaction of this nature, the Purchaser will pay an amount at Completion based on estimates of the cash, debt and working capital of the Mainland Group at Completion. After the above sums have been determined, an adjustment payment will be made to reflect the actual cash amount, actual debt amount and actual working capital at Completion. Accordingly, the final purchase price may increase or decrease as a result.

Conditions

The material conditions in the Sale Agreement that apply before Completion can occur are:

a) Fonterra's Shareholders approving the Transaction by ordinary resolution (the "**Shareholder Approval Condition**");

b) the Purchaser receiving all consents required under the New Zealand Overseas Investment Act (commonly referred to as Overseas Investment Office (OIO) approval);

c) the requirements of the Australian Foreign Acquisitions and Takeovers Act being satisfied (commonly referred to as Foreign Investment Review Board (FIRB) approval);

d) satisfaction of the requirements of the merger approval (antitrust/competition law) authorities in each of COMESA (the Common Market for Eastern and Southern Africa), French Polynesia, Kuwait, Vietnam, the Kingdom of Saudi Arabia and New Caledonia;

e) separation of the Mainland Group from the Fonterra Group,

(the above five conditions are collectively called the "**Positive Conditions**" for the purposes of this Booklet); and

f) no material adverse change having occurred in respect of Mainland Group prior to Completion.

If all the Conditions are not satisfied or waived (to the extent able to be waived) by 16 June 2026 (or such other date as Fonterra and the Purchaser may agree), the Sale Agreement can be terminated by either Fonterra or the Purchaser.

There is no assurance that all of the Conditions will be satisfied or waived, so it is possible that Completion does not occur.

If the Resolution to be considered by Fonterra's Shareholders at this Special Meeting is passed, the Shareholder Approval Condition will be satisfied.

Completion is not conditional on obtaining any third party consents other than those listed above.

Completion Date

Completion will occur on the last business day of the calendar month in which the last of the Positive Conditions is satisfied or waived, provided that if the last Positive Condition is satisfied or waived on a date that is less than 10 business days from the end of a calendar month, Completion will occur on the last business day of the immediately following calendar month. Fonterra and the Purchaser can also agree a different Completion date.

Fonterra is targeting Completion in the first quarter (Q1) of 2026.

Restraints of Trade

Fonterra has agreed that, for a period of three years following Completion, it will not:

- carry on, operate, own or hold an equity interest in, or otherwise have a legal or beneficial interest in, any business in the nature of the Mainland Business which is being sold (i.e. a global Consumer business, an Ingredients business in Australia and a Foodservice business in certain countries); or
- solicit or employ any senior employee of the Mainland Group, subject to various usual exceptions.

There are some exceptions to the restraint, including to permit Fonterra to operate a Consumer business in Greater China, a Foodservice business anywhere in the world (other than New Zealand, Australia, Sri Lanka, Saudi Arabia or the United Arab Emirates) and/or an Ingredients business anywhere in the world (other than Australia).

Warranties and Indemnities

Under the Sale Agreement, as is customary, Fonterra provides various warranties and indemnities to the Purchaser in relation to the Mainland Group and the Mainland Business and tax liabilities of the Mainland Group and which relate to the period prior to Completion.

To mitigate risks of warranty claims against Fonterra, the Purchaser has obtained a warranty and indemnity insurance policy from a series of insurers. The Sale Agreement provides that the Purchaser will not have any claim or remedy against Fonterra under the warranties or under the tax indemnity and can only claim against the warranty and indemnity insurance policy. There are some exceptions relating to circumstances of fraud, claims relating to the title of the shares and for some specific indemnities or other specific risks.

The intended effect of this is that, while Fonterra gives the warranty and indemnity assurances to the Purchaser about the Mainland Group and the Mainland Business in the Sale Agreement, as described above, if any of the assurances given by Fonterra prove to be inaccurate, the Purchaser should only be able to claim against its warranty and indemnity insurance policy and should not have any claim against Fonterra, except if Fonterra has been fraudulent, there is a problem with title to the shares, or for the specific matters which Fonterra has agreed to remain responsible and liable to the Purchaser.

The specific matters that Fonterra has agreed to remain responsible predominantly relate to matters which occurred or arose during Fonterra's period of ownership of the Mainland Business or which were identified during the due diligence process in respect of the Transaction, including certain tax matters, and some other risks or liabilities which would have been borne (financially) by Fonterra if it were to retain the Mainland Business. There are specific caps set on Fonterra's liability for any claims for those matters. They are not expected to result in material liability to Fonterra.

Other Agreements

Fonterra and entities in the Mainland Group have entered into, or will enter into, a number of agreements as a result of entering into the Sale Agreement. These include the following:

- A **Separation Agreement**, which governs the practical steps to achieve overall separation of the Mainland Group from the Fonterra Group.
- A **Transitional Services Agreement**, which sets out the terms on which certain IT and "back-office" services are provided by the Fonterra Group to the Mainland Group (and vice versa) for a defined period following Completion, to allow each party to transition from the relevant group arrangements to their own arrangements on a separate basis.
- **Intellectual Property licenses** to provide for each party to transition away from the use of the other party's brands and trade marks within 36 months after Completion, for the licence of certain other technical and brand related intellectual property, and for the co-existence for the use of the "Anchor" and "Anchor Food Professionals" brands going forward. The Mainland Group will only use the "Anchor" brand in the Consumer channel (except in New Zealand where it is used in the Foodservice channel). Fonterra retains ownership of the "Anchor Food Professionals" brand globally, but Fonterra cannot use it in the Consumer channel.

Under the Sale Agreement, Fonterra and Lactalis have agreed to finalise some of the details in these agreements prior to Completion. Fonterra and Mainland Group will also enter into the following supply and distribution agreements on Completion:

Raw Milk Supply Agreement

The Raw Milk Supply Agreement governs the basis on which raw (unprocessed) milk is supplied by Fonterra to the Mainland Group in New Zealand for use in the manufacture of consumer food products. This agreement also governs Fonterra's right to purchase any excess cream and raw (unprocessed) milk back from the Mainland Group. The Raw Milk Supply Agreement includes the following key terms:

- The initial term is ten years. The Raw Milk Supply Agreement automatically renews until it is terminated in accordance with its terms. Either party can terminate the Raw Milk Supply Agreement for convenience on 36 months' written notice after the first seven years of the term.
- The Raw Milk Supply Agreement is non-exclusive. Fonterra may supply raw milk to other parties, and the Mainland Group may source raw milk from other providers.

- The Raw Milk Supply Agreement contains an agreed pricing framework that applies for the life of the contract, unless renegotiated. The base price payable is based on the Farm Gate Milk Price, plus a premium (dependent on the volume of milk ordered). A collection and delivery charge is payable in addition to the base price. A further premium is payable for winter milk (being milk supplied from 1 June to 31 July or such other period as may be prescribed by the Dairy Industry Restructuring (Raw Milk) Regulations 2012 (as amended or replaced from time to time)).
- The Mainland Group is required to pay the winter milk premium for any shortfall in winter milk purchased (as against the forecast it gives for winter milk).
- It is expected that the Mainland Group will likely purchase a similar volume of raw milk as is currently supplied or made available to the Mainland Business, however, the Mainland Group can only purchase up to 350 million litres of raw milk per 12-month season (plus an additional 200 million litres per 12-month season, at a higher premium), in each case excluding any volume of raw milk supplied to Fonterra in accordance with the Global Supply Agreement (see below).

Global Supply Agreement

The Global Supply Agreement governs the manufacturing and supply of both ingredients and finished products by Fonterra for the Mainland Group (and vice versa). The Global Supply Agreement includes the following key terms:

- The initial term is three years. Following the initial term, the Global Supply Agreement automatically renews until it is terminated. Either party can terminate the Global Supply Agreement on 36 months' written notice after the first three years of the term, unless otherwise specified on a product-by-product basis.
- The Global Supply Agreement is non-exclusive, and either party may source ingredients or finished products from other providers. It is expected that the Mainland Group will likely purchase a similar volume of ingredients or finished products as is currently supplied or made available to the Mainland Business by the broader Fonterra business.
- The Global Supply Agreement contains an agreed pricing methodology for each product type, which will remain fixed for the first three years of the term. Thereafter, the pricing methodology may be reviewed and reset every three years. The pricing methodology incorporates a commercial, arm's length premium (which includes a commercial margin) that aligns with prevailing rates charged to other customers purchasing ingredients of comparable scale.
- After the first year, an untaken volume fee may be incurred by the buyer (which may be Mainland Group or Fonterra) where the buyer places orders in any quarter below its forecast volumes for that quarter less the applicable agreed tolerances.

Distribution Agreement

The Distribution Agreement provides for each of the Mainland Group and Fonterra Group to have continued access to the territories in which it currently sells its products, but where it does not otherwise have its own sales function or distribution network. The Distribution Agreement includes the following key terms:

- The initial term is three years. Following the initial term, the Distribution Agreement automatically renews unless it is terminated (either party can terminate the Distribution Agreement for convenience on 36 months' written notice after the first three years of the term, and the Distribution Agreement will automatically terminate if the Global Supply Agreement is terminated).
- The Distribution Agreement is non-exclusive, except as otherwise agreed in any particular territory on a case-by-case basis.
- The products to be distributed under the Distribution Agreement in a particular territory are to be purchased and supplied under the terms of the Global Supply Agreement.

The above is a summary only. Nothing in this Booklet will have the effect of varying or affecting the interpretation of the Sale Agreement or any other agreement referred to.

E. Details of the Purchaser

About Lactalis

Fonterra has agreed to sell all the shares in MGHL to Lactalis. Lactalis is the largest dairy group in the world and the 9th largest food group in the world, having 266 production sites across over 50 countries in the Americas, Europe, Africa and Asia Pacific, employing more than 85,500 people and having reported revenue in 2024 of €30.3 billion (approximately NZ$60 billion). The global headquarters of the Lactalis group are located in Laval, France.

Lactalis is a family-owned business which was founded in France by André Besnier in 1933 with the name 'Société Laitière de Laval A. Besnier et Cie', where it first produced camembert cheese under the 'Le Petit Lavallois' brand name. André Besnier's son Michel Besnier took over the family business in 1955 and expanded operations throughout France and Europe, including under the 'Président' brand of brie and camembert cheeses. The business name 'Lactalis' was adopted in 1999.

Today, under the leadership and vision of André's grandson, Emmanuel Besnier, Lactalis Chairman, Lactalis remains at its heart a family business with roots in the rural and agricultural world and a long-term vision to continue dairy traditions. Lactalis has a strong conviction that dairy products have a great future. The Lactalis group strives to enhance the natural goodness of milk in all its forms and provide high-quality and delicious dairy products that consumers around the world can enjoy.

Lactalis' mission – "Nurturing the Future" – reflects its commitment to delivering healthy, delicious, and affordable dairy products, while supporting local communities, preserving artisanal know-how, and investing in initiatives to manage and mitigate the impacts of climate change. Lactalis transforms over 22.8 billion litres of milk annually into trusted dairy products enjoyed worldwide. Working with over 400,000 milk producers worldwide, Lactalis promotes responsible farming, animal welfare and environmental transition.

Lactalis produces a wide range of dairy-based products across all dairy product categories including cheese, liquid milk, chilled dairy, butter, cream, dairy ingredients and other products. Lactalis is fundamentally focused on consumer goods, with iconic brands such as Président and Galbani, which cater to millions of consumers worldwide. Lactalis' other well-known international brands include Parmalat, Kraft Natural Cheese, Leerdammer, Siggi's Dairy, Skånemejerier, and Stonyfield Farm.

Lactalis' growth and development strategies

From its French base, Lactalis has been pursuing an international growth strategy. In addition to its operations in over 50 countries, Lactalis exports its products to over 150 countries. In 2024, 52% of Lactalis' global revenue was in Europe, 33% in the Americas and 15% in Africa and Asia Pacific. Closer to New Zealand, Lactalis has consistently expanded its footprint in Australia through successful acquisitions, including Parmalat acquired in 2011 and which allowed the French group to take control of its Australian operations. This acquisition marked a strategic turning point for Lactalis. Other acquisitions include of the Lemnos, Longwarry Food Park, Harvey Fresh and Jalna brands, strengthening its consumer offering and production capabilities in Australia. Lactalis now employs approximately 2,800 employees in Australia. Lactalis knows Fonterra well from this international growth strategy, having previously acquired Fonterra's Australian yoghurt and dairy dessert business in 2016 and Fonterra and Nestlé's Dairy Partners Americas (DPA) Brazil joint venture in 2023. As part of its multi-local strategy, Lactalis works to promote local cultures and customs, with Lactalis' products and operations in each market being tailored to the relevant market and respecting regional identities and consumer expectations.

Innovation is central to Lactalis' development strategy. To keep pace with changing consumer behaviours and to reduce its environmental footprint, Lactalis strives to innovate constantly. Lactalis seeks to create and develop solutions for every life stage, from infant to medical nutrition, fresh products to sports supplements, and collaborates with numerous external parties as part of its innovation activities, including with INRA (the French National Institute for Agricultural Research), engineering schools, universities and suppliers. Recent innovations by Lactalis have included protein branded yoghurts in Australia, probiotic Probio2 yoghurts in Brazil, basil- and oregano-infused mozzarella cheese in Italy and vitamin-fortified milk in France.

Lactalis also makes significant investments in the markets in which it operates. In 2024, Lactalis invested more than €1 billion (approximately NZ$2 billion) in its manufacturing facilities, to support its development and improve industrial capacities, including in Australia. Lactalis sees these investments as essential to reducing its environmental footprint, and key examples of its recent investments include installation of more than 65,000 square metres of solar panels in India and Spain and modernisation of wastewater treatment plants in Brazil.

Lactalis' attraction to the Mainland Group, and a long-term partnership with Fonterra

The acquisition of the Mainland Group is a strategic priority for Lactalis. Lactalis considers there is significant opportunity for its business to grow in the Oceania, Asia, Middle East and Africa regions, which, as noted above, currently only represent a small portion of Lactalis' global revenue. Combining the Mainland Business and its iconic brands with Lactalis' market leading brands and existing footprint in Australia and Asia will enable Lactalis to achieve that growth. More generally, Lactalis identified significant potential in the Mainland Business and its brands and, as Fonterra has noted, considers it has the experience and global scale required to take those to the next level, developing and growing them in New Zealand and internationally. Through the due diligence process and its visits to Mainland Group sites including in New Zealand, Lactalis was impressed with the Mainland Business and the quality of its assets, the high-level of expertise within the business and the professionalism of its employees. Lactalis commends Fonterra on its stewardship of the Mainland Business and its brands to date.

Lactalis is also proud to become a key partner to Fonterra over the long term. This will include as an acquirer of raw milk from Fonterra, and indirectly, Fonterra's Shareholders, and as a supplier of Fonterra's other products, under the terms of the Raw Milk Supply Agreement, Global Supply Agreement and Distribution Agreement outlined above. The strong international reputation of New Zealand milk, and dairy products of New Zealand provenance generally, mean that Fonterra will be an essential long-term supplier and partner to Lactalis. As a result of the Transaction, Lactalis will become among Fonterra's top customers. Lactalis recognises that this is an important aspect of the Transaction for Fonterra and Fonterra's Shareholders.

Lactalis' proposed expansion into the New Zealand market under the Transaction

Lactalis currently has limited operations and sales in New Zealand. Lactalis exports a small volume of consumer dairy products to New Zealand from its operations outside of New Zealand (including the Lemnos haloumi, feta and cream cheese varieties and lactose-free UHT milk available in New Zealand supermarkets) and has an existing New Zealand subsidiary, New Zealand New Milk, an Auckland-based consumer ready infant formula manufacturer with two manufacturing facilities. The acquisition of the Mainland Group is a valuable opportunity for Lactalis to establish a greater presence in the New Zealand market.

Upon Completion occurring, New Zealand will become among the top 20 countries (by global revenue) in which the Lactalis group operates. The Transaction will result in Lactalis establishing a more significant presence and operations in New Zealand. Following Completion, Lactalis intends to establish a New Zealand central office for its New Zealand activities. Lactalis considers this an exciting opportunity for it and for New Zealand.

About the Purchaser entity

B.S.A. SAS is the member of the Lactalis group that has entered into the Sale Agreement as purchaser of all of the shares of MGHL.

B.S.A. SAS is the parent company of the Lactalis group. B.S.A. SAS is a *société par actions simplifiée* (simplified joint-stock company) incorporated in France and registered with the Paris trade and companies register (*Registre du Commerce et des Sociétés du Tribunal de Commerce de Paris*) under registration number 557 350 253 and having its registered office at Tour Maine Montparnasse, 33 Avenue du Maine, 75015 Paris, France. As noted above, Lactalis' global headquarters are in Laval, France. The Chairman (*Président*) of B.S.A. SAS is Emmanuel Besnier.

Under the Sale Agreement, B.S.A. SAS is entitled to nominate another member of the Lactalis group to purchase all of the shares of MGHL at Completion. If B.S.A. SAS wishes to exercise such nomination right, it must do so by giving notice to Fonterra prior to Completion. B.S.A. SAS has not exercised this right as at the date of finalisation of this Notice of Special Meeting, but if it does so prior to Completion, the nominated purchaser will be an existing or newly incorporated subsidiary of the Lactalis group.

Further information

Further information about the Lactalis group is available at its English-language website: https://www.lactalis.com/en/le-groupe-lactalis.

F. Fonterra going forward

As noted in Section A: Rationale for the Transaction and Section B: Description of the business of the Mainland Group of this Booklet, after Completion Fonterra will focus on its Ingredients and Foodservice businesses. The Ingredients and Foodservice businesses have been the most significant businesses of Fonterra and, with the divestment of the Mainland Group, there can be greater focus on these businesses going forward.

René Dedoncker, who is part of the senior management team of Fonterra and was appointed as the Chief Executive Officer of the Mainland Group, will leave Fonterra to continue his role with the Purchaser at the Mainland Group. It is currently not expected that there will be any further changes to the senior management team of Fonterra as a result of the Transaction.

Fonterra has circa 15,700 employees worldwide. Of these, circa 4,300 are employed by the Mainland Group and will cease to therefore be part of the Fonterra Group upon Completion of the sale.

Fonterra's annual audited accounts for the financial year ended 31 July 2025 record the Mainland Business as "held for sale". As a result, these accounts provide detail as to the financial effect on Fonterra's Statement of Financial Position as a result of the sale of the Mainland Group. A copy of Fonterra's annual audited accounts for the year ended 31 July 2025 can be found in Fonterra's annual report for 2025 under the heading "Annual Results 2025" at https://www.fonterra.com/nz/en/investors/results-and-reporting/archived-reports.html

Set out below is certain financial information drawn from the 31 July 2025 annual audited accounts and showing pro forma information as if the Mainland Group had been sold at that date:

Historical Pro Forma Financial Information

This section shows historical pro forma financial information for Fonterra and the Mainland Group, as if the Transaction had already happened. The purpose is to help Fonterra Shareholders understand the estimated financial impact of the Transaction on Fonterra's past financial performance and position, as if the Transaction had already happened. It is not intended to represent the actual or future financial performance or position of either Fonterra or the Mainland Group.

The total Fonterra reported historical financial information ("Fonterra Reported") has been extracted from Fonterra Group's audited financial statements for the years ended 31 July 2025 and 31 July 2024. These financial statements were audited by KPMG in line with International Standards on Auditing (New Zealand), with unmodified opinions. These audited financial statements are available on Fonterra's website (www.fonterra.com) and the NZX website (www.nzx.com).

The historical pro forma financial information has been prepared using data from Fonterra's accounting records, which are the basis of the audited consolidated financial statements. Pro forma adjustments have been made to reflect the impacts of the Sale Agreement, and associated agreements entered into with Lactalis. All pro forma intra-group transactions and balances between Fonterra and the Mainland Group have been eliminated to align the pro forma information with Fonterra Reported numbers ("**Pro Forma Group Eliminations**").

Details of the basis of preparation of historical pro forma financial information and pro forma adjustments made are included in Appendix A.

An independent assurance provider's report on both the Fonterra reported historical financial information and the historical pro forma financial information for Fonterra and the Mainland Group is provided in Appendix B.

Historical Reported and Pro Forma Statements of Profit or Loss

NZD $m	For the year ended 2025				For the year ended 2024			
	Fonterra Reported	Fonterra Historical Pro Forma	Pro Forma Group Eliminations	Mainland Group Historical Pro Forma	Fonterra Reported	Fonterra Historical Pro Forma	Pro Forma Group Eliminations	Mainland Group Historical Pro Forma
Revenue from sale of goods	26,450	23,758	(2,909)	5,601	22,822	20,154	(2,394)	5,062
Cost of goods sold (excluding depreciation and amortisation)	(21,818)	(20,203)	2,909	(4,524)	(18,560)	(16,854)	2,394	(4,100)
Gross profit	**4,632**	**3,555**	-	**1,077**	**4,262**	**3,300**	-	**962**
Operating expenses (excluding depreciation and amortisation)	(2,392)	(1,656)	-	(736)	(2,182)	(1,585)	-	(597)
Other	127	113	-	14	107	93	-	14
EBITDA	**2,367**	**2,012**	-	**355**	**2,187**	**1,808**	-	**379**
Depreciation and amortisation[1]	(635)	(532)	-	(103)	(627)	(521)	-	(106)
Operating profit (EBIT)	**1,732**	**1,480**	-	**252**	**1,560**	**1,287**	-	**273**
Net finance costs	(186)	(184)	-	(2)	(157)	(156)	-	(1)
Profit before tax	**1,546**	**1,296**	-	**250**	**1,403**	**1,131**	-	**272**
Tax expense[2]	(467)	(360)	-	(107)	(235)	(135)	-	(100)
Profit after tax	**1,079**	**936**	-	**143**	**1,168**	**996**	-	**172**
Normalisation adjustments[3]	106	-	-	106	-	-	-	-
Normalised operating profit (EBIT)	**1,838**	**1,480**	-	**358**	**1,560**	**1,287**	-	**273**
Normalised profit after tax	**1,185**	**936**	-	**249**	**1,168**	**996**	-	**172**

[1] Depreciation and amortisation presented above have been extracted from cost of goods sold and operating expenses line items within Fonterra reported statement of profit or loss.

[2] Tax treatment change effective from FY25, Fonterra has exhausted its NZ tax losses and NZ tax expenses will generate imputation credits from FY25 onwards. As part of the change, dividends on supply backed shares are no longer treated as a business expense by Fonterra.

[3] Includes $106 million of divestment transaction costs for the year ended 31 July 2025.

Historical Pro Forma Statements of Financial Position as at 31 July 2025

NZD $m	Fonterra Reported	Fonterra Historical Pro Forma	Pro Forma Group Eliminations	Mainland Group Historical Pro Forma
Total assets	17,527	13,710	(197)	4,014
Total liabilities	(9,189)	(8,145)	197	(1,241)
Net assets	**8,338**	**5,565**	**-**	**2,773**

Historical Pro Forma Financial Ratios as at 31 July 2025

NZD $m	Fonterra Reported	Fonterra Historical Pro Forma	Mainland Group Historical Pro Forma
Adjusted net debt	2,620	2,614	6
Gearing ratio	**23.9%**	**32.0%**	
Debt to EBITDA ratio	**1.1x**	**1.3x**	
Average capital employed (13 month rolling average)	12,348	9,347	3,001
Return on capital	**10.9%**	**11.6%**	**8.8%**

Unless stated otherwise, all amounts are shown in New Zealand dollars (NZD), rounded to the nearest million. Totals may not always add up due to rounding.

The proceeds from the Transaction are not included in the historical pro forma financial information and ratios presented above.

Supplementary adjusted historical pro forma financial ratios have been presented below to illustrate the likely impact of the proceeds from the Transaction on these ratios as at 31 July 2025.

Supplementary Adjusted Historical Pro Forma Financial Ratios as at 31 July 2025

NZD $m	Fonterra Adjusted Historical Pro Forma
Adjusted net debt	1,814
Gearing ratio	**22.2%**
Debt to EBITDA ratio	**0.9x**

The supplementary adjusted historical pro forma financial ratios have been prepared on the basis that the remaining proceeds from the Transaction, amounting to approximately $800 million, are applied to debt repayment as at 31 July 2025. The remaining proceeds are calculated as total Transaction proceeds of $4.22 billion, less a $3.2 billion distribution to Fonterra Shareholders and estimated transaction costs of $200 million yet to be incurred. Debt repayments are assumed to occur on 31 July 2025. Accordingly, the above calculations do not reflect any potential impact on finance costs or the associated tax effects. In addition, the calculations do not incorporate any potential settlement adjustments (for example, in relation to working capital or net debt).

Fonterra currently intends to return $3.2 billion ($2.00 per share) to Fonterra Shareholders as a tax-free capital return from the sale proceeds. This payment will require Shareholder approval once the Transaction is complete, and the proceeds are received. The final amount will be confirmed and communicated to Shareholders before a Shareholder vote on the capital return. The remaining sale proceeds, expected to be approximately $1 billion less transaction costs yet to be incurred, will be used for growth initiatives, debt reduction, or working capital.

Key assumptions supporting pro forma adjustments

a) Proceeds from the Transaction: The proceeds from the Transaction are not included in the historical pro forma financial information, and as a result not included in the pro forma historical financial ratios presented. A supplementary table has been provided to illustrate the likely impact of the proceeds from the Transaction on the historical pro forma ratios as at 31 July 2025.

b) Raw Milk Supply Agreement, Global Supply Agreement and Distribution Agreement: Pro forma adjustments reflect the estimated impact of these agreements (see Part Two, Section D). Pro forma adjustments do not include changes to trading terms. Actual results may differ from these estimates.

c) Transitional Services Agreement: A Transitional Services Agreement (see Part Two, Section D) will be entered into for a defined period. The costs of delivering these services have been included in discontinued operations in Fonterra's financial statements.

d) Standalone Corporate Costs: Standalone corporate cost pro forma adjustments have not been made in the Mainland Group's historical pro forma statement of profit or loss, as Lactalis will set up its own corporate structure and cost base.

e) Divestment costs: A normalisation adjustment of $106 million of divestment transaction costs has been made to the 31 July 2025 Fonterra reported results and the Mainland Group historical pro forma results.

f) Intercompany Borrowings: Intercompany borrowings between Fonterra and Mainland Group are fully eliminated in Fonterra's consolidated financial statements. As a result, repayment or restructuring is not reflected in the historical pro forma financial information. The Transaction is assumed to settle on a debt-free basis.

g) Dividend Policy: The Transaction is not expected to change Fonterra's current dividend policy of distributing 60–80% of reported net profit after tax (excluding abnormal gains).

G. Risks of the Transaction

Below is a summary of the key risks identified which relate to the Transaction. These risks relate to the Transaction and should not be regarded as a summary of the risks that apply to Fonterra or its business generally, whether before or after Completion of the Transaction:

a) Transaction risk:

Risk: The Transaction carries risks such as delays in the satisfaction of Positive Conditions (including separation) or final price adjustments that may prevent or reduce the value of the sale of the Mainland Group. It is also possible that the Conditions are not satisfied and the Transaction does not proceed to Completion.

Mitigant: Proceeding with a trade sale removes market risk (which is inherent in an IPO process). Other risks have been considered and sought to be minimised during the Transaction (for example, advancing regulatory approvals) and its execution (for example, by agreeing adjustment mechanisms and protections) to maximise certainty of outcome. The parties are required to endeavour to satisfy the Positive Conditions. If the Conditions are not satisfied the Transaction will not proceed to Completion and Fonterra will remain the owner of the Mainland Group and the Mainland Business for the time being.

b) Milk placement risk:

Risk: The Mainland Group may choose to make consumer products with milk which is supplied by competitors, reducing volumes purchased from Fonterra earlier than anticipated.

Potential mitigant: Fonterra considers that it can place all of its milk without the Mainland Business by redirecting product to other sales channels. The Mainland Business uses a small proportion (around 9%) of Fonterra's New Zealand-sourced milk. Shifting placement of the remainder to be sold through the Ingredients and Foodservice channels, in the event Mainland Group no longer purchased milk from Fonterra, is unlikely to have a noticeable effect on global commodity prices.

c) Increased volatility in business performance:

Risk: Divesting the Consumer channel theoretically removes a "natural hedge" to commodity price cycles.

Potential mitigant: Historically, the Consumer channel has been Fonterra's lowest-return channel based on return on capital and has not provided a material hedge; reallocating milk to high-return Ingredients and Foodservice channels and using financial hedging tools is a more effective way to hedge commodity price risk.

d) Future Foodservice competitor:

Risk: Mainland Group, and/or Lactalis, may enter the Foodservice channel as a competitor of Fonterra in markets such as Southeast Asia.

Mitigant: This risk exists today as Lactalis already operates a global Foodservice division. Fonterra cannot and does not seek to prevent competition and will focus on delivering on its Foodservice strategy.

e) Brand risk:

Risk: The Mainland Group will own (with some limited exceptions, e.g., not in Greater China) and use the "Anchor" brand. The Fonterra Group will own and use the "Anchor Food Professionals" brand. The use by each party of the same "Anchor" name in these relevant contexts may create risks (e.g., if a party damages the reputation of the brand).

Mitigant: While Anchor Food Professionals and Anchor share a name, they are not identical brands and the co-existence arrangements under the Trade Mark Agreement set out clear guardrails around how each of the Mainland Group and Fonterra Group can use their respective brands. Both parties are committed to maintaining high standards to protect the reputation of the brands.

f) Post-sale Transaction risk:

Risk: Unforeseen liabilities or claims might emerge after the sale, potentially resulting in costs for or liability to (including as a damages payment) Fonterra.

Mitigant: The requirement for the Purchaser to have a warranty and indemnity insurance policy in place, which is specified as the sole means of recourse for the Purchaser for most warranty and tax indemnity claims, is intended to largely shield Fonterra from this risk. Fonterra should only be liable where specific indemnities apply or in the unlikely event of an issue with title or for fraud. In respect of those specific indemnities, certain limitations and contractual protections have been put in place, and Fonterra is comfortable that the risk retained or assumed by Fonterra is appropriate in the circumstances.

Fonterra's role in the New Zealand Consumer market

Fonterra is mindful of the role that the Consumer business and its products fulfil in the New Zealand consumer market, many of which are household names. The sale of these brands and Consumer business under the Transaction may give rise to concerns and sentiment in New Zealand. Fonterra has had careful regard to this and considers Lactalis to be a reputable and responsible custodian of the brands and long term supplier to New Zealand consumers.

The Transaction will allow Fonterra to focus on its core co-operative activities (collecting and processing milk for B2B sales). The sale of the Mainland Group is intended to strengthen Fonterra and deliver better returns to farmers, and in turn benefit the New Zealand economy and support Fonterra's ongoing commitment to New Zealand dairy.

H. NZX Listing Rules requirements – acquisition or disposal of assets

Under NZX Listing Rule 5.1.1 a listed issuer must obtain shareholder approval for an acquisition or disposal of assets where the transaction or related series of transactions (a) would significantly change the nature of the issuer's business or (b) involves a "Gross Value" which exceeds 50% of the issuer's "Average Market Capitalisation" (as each of those terms are defined in the NZX Listing Rules).

The Gross Value of the assets being acquired in connection with the Transaction exceeds 50% of Fonterra's Average Market Capitalisation as at 22 August 2025 (being the date that Fonterra entered into the Sale Agreement and announced the Transaction through NZX). Accordingly, Shareholder approval for the Transaction is required under NZX Listing Rule 5.1.1(b). The Board does not consider that the Transaction will significantly change the nature of Fonterra's business.

I. Consequences if the Resolution is not passed

If Shareholders do not approve the Resolution, then:

- The Transaction will not proceed;
- A capital return will not be made;
- Fonterra will continue to own the Consumer and associated businesses and bear the risks and financial outcomes of its performance; and
- The Share price may change.

J. Board Recommendation

The Board of Fonterra **unanimously recommends** that Shareholders **vote in favour** of the Resolution to approve the sale of all the shares of MGHL to Lactalis. All Directors who hold Shares intend to cast their votes in favour of the Resolution.

PART THREE

Glossary

Board means the board of directors of Fonterra.

Booklet means this Notice of Special Meeting and explanatory notes in Part Two of this Booklet in relation to the proposed sale of MGHL, the parent company for the Mainland Group.

Chair means the chair of the Board.

Completion means the time at which completion takes place under the Sale Agreement.

Conditions means the conditions of the Sale Agreement that must be satisfied (or waived) before Completion can occur, with the material list of those conditions described in Section D of Part Two of this Booklet under the sub-heading "Conditions".

Consumer means the consumer business channel described in Section A of Part Two of this Booklet.

Director means a director of Fonterra.

Distribution Agreement means the Distribution Agreement described in Section D of Part Two of this Booklet.

Fonterra, the **Co-operative** or **Co-op** means Fonterra Co-operative Group Limited. Where the context requires it means the relevant Fonterra subsidiary which will be part of the Fonterra Group after the sale of the Mainland Group.

Fonterra Group means Fonterra and its subsidiaries and, after Completion, excludes the Mainland Group.

Foodservice means the foodservice business channel described in Section A of Part Two of this Booklet.

FY means financial year.

Global Supply Agreement means the Global Supply Agreement described in Section D of Part Two of this Booklet.

Ingredients means the ingredients business channel described in Section A of Part Two of this Booklet.

Lactalis or **Purchaser** means B.S.A. SAS, a *société par actions simplifiée* (simplified joint-stock company) incorporated in France and registered with the Paris trade and companies register (*Registre du Commerce et des Sociétés du Tribunal de Commerce de Paris*) under registration number 557 350 253, and being a member of the Lactalis group of companies.

Mainland Business means the business of the Mainland Group after Completion as described in Section B of Part Two of this Booklet.

Mainland Group means MGHL and its subsidiaries.

MGHL means Mainland Group Holdings Limited.

Notice of Meeting means this notice of meeting, including the explanatory notes.

NZ IFRS means New Zealand equivalents to International Financial Reporting Standards.

NZX means NZX Limited.

NZX Listing Rules means the NZX Main Board listing rules in force from time to time, as they apply to Fonterra.

NZX Main Board means the main board equity securities market operated by NZX.

Positive Conditions means the Conditions described in paragraphs (a) to (e) of Section D of Part Two of this Booklet under the sub-heading "Conditions".

Purchaser Information means information about the Purchaser provided given by the Purchaser to Fonterra in writing for inclusion in this Booklet, and is contained in Section E of Part Two of this Booklet.

Raw Milk Supply Agreement means the Raw Milk Supply Agreement described in Section D of Part Two of this Booklet.

Resolution means the ordinary Shareholder resolution set out on page 8 of this Booklet to approve the Transaction.

Sale Agreement means the agreement for sale and purchase of the shares of MGHL between Fonterra Equities Limited, Fonterra and B.S.A. SAS dated 22 August 2025.

Share means a co-operative share in the capital of Fonterra.

Shareholder means a person recorded in Fonterra's register of shareholders as a holder of a Share at the Voting Entitlement Time.

Special Meeting means the special meeting described on page 8 of this Booklet.

Transaction means the sale of all the shares of MGHL pursuant to the Sale Agreement, as described in this Booklet.

Voting Entitlement Time means Wednesday, 1 October 2025 (following close of trading).

Appendix A
Historical Pro Forma Financial Information

This appendix sets out the basis of preparation and detailed supporting schedules and pro forma adjustments made in preparing the historical pro forma financial information and Fonterra reported historical financial information as set out in Section F: Fonterra Going Forward of Part Two of this Booklet.

Historical pro forma financial information for Fonterra and Mainland Group post Transaction, comprises of:

- Fonterra historical pro forma statements of profit or loss for the years ended 31 July 2025 and 31 July 2024;
- Mainland Group historical pro forma statements of profit or loss for the years ended 31 July 2025 and 31 July 2024;
- Fonterra historical pro forma statement of financial position as at 31 July 2025; and
- Mainland Group historical pro forma statement of financial position as at 31 July 2025.

Fonterra reported historical financial information, comprises of:

- Fonterra reported historical statements of profit or loss for the years ended 31 July 2025 and 31 July 2024; and
- Fonterra reported historical statements of financial position as at 31 July 2025.

Basis Of Preparation

The historical pro forma financial information is intended to assist Fonterra Shareholders in understanding the likely estimated financial effect of the Transaction on Fonterra Group's historical financial performance and position. It is not intended to represent the actual or future financial performance or position of either Fonterra or Mainland Group. When marketing the Mainland business for sale, additional standalone costs of $49 million (FY24: $39 million) and further quality of earnings adjustments that reduce earnings by $15 million (FY24: $11 million) were factored in. These amounts are not included in the Mainland Group pro forma adjustments.

By its nature, historical pro forma financial information is illustrative and does not purport to represent:

- the actual or future financial performance of Fonterra or Mainland Group for the periods presented; or
- the financial performance or financial position that would have resulted had Fonterra operated without Mainland Group as a subsidiary during those periods presented, principally because:
  - Fonterra did not operate independently of Mainland Group during the periods for which the financial information is presented;
  - the historical pro forma financial information may not reflect the strategies or operational decisions that Fonterra might have pursued without Mainland Group; and
  - Fonterra may have been exposed to different financial and business risks had it operated without Mainland Group as a subsidiary.

The Fonterra reported historical financial information has been extracted from Fonterra Group's audited financial statements for the years ended 31 July 2025 and 31 July 2024. These financial statements were audited by KPMG in line with International Standards on Auditing (New Zealand), with unmodified opinions. These audited financial statements are available on Fonterra's website (www.fonterra.com) and the NZX website (www.nzx.com).

The historical pro forma financial information has been prepared using data from Fonterra's accounting records, which are the basis of the audited consolidated financial statements. Pro forma adjustments have been made to reflect the impacts of the Sale Agreement, and associated agreements entered into with Lactalis.

This appendix sets out the basis of preparation and detailed supporting schedules describing the pro forma adjustments made to the Fonterra reported historical financial information in order to present the historical pro forma financial information.

The independent assurance provider has prepared an independent assurance provider's report on the Fonterra reported historical financial information and the Fonterra and Mainland Group historical pro forma financial information. A copy of this report is included in Appendix B.

Unless stated otherwise, all amounts are shown in New Zealand dollars (NZD), rounded to the nearest million. Totals may not always add up due to rounding.

Detailed supporting schedules and descriptions of pro forma adjustments

Fonterra reported historical statements of profit or loss
For the years ended 31 July 2025 and 31 July 2024

Compiled by combining the extracted results of:

- continuing operations from Fonterra Group's Statement of profit or loss and other comprehensive income; and
- discontinued operations from note 2(b) of the Fonterra Group financial statements (discontinued operations).

For the year ended 31 July 2024, the Fonterra Group reported historical financial information excludes a $40 million post-tax loss on sale (equivalent to a $33 million pre-tax operating loss) relating to DPA Brazil. As a result, these amounts will not reconcile directly to discontinued operations.

NZD $m	For the year ended 2025			For the year ended 2024		
	Fonterra Reported	Continuing operations	Discontinued operations	Fonterra Reported	Continuing operations	Discontinued operations
Revenue from sale of goods	26,450	24,111	2,339	22,822	20,423	2,399
Cost of goods sold (excluding depreciation and amortisation)	(21,818)	(20,460)	(1,358)	(18,560)	(17,062)	(1,498)
Gross profit	**4,632**	**3,651**	**981**	**4,262**	**3,361**	**901**
Operating expenses (excluding depreciation and amortisation)	(2,392)	(1,672)	(720)	(2,182)	(1,591)	(591)
Other	127	113	14	107	93	14
EBITDA	**2,367**	**2,092**	**275**	**2,187**	**1,863**	**324**
Depreciation and amortisation[1]	(635)	(532)	(103)	(627)	(521)	(106)
Operating profit (EBIT)	**1,732**	**1,560**	**172**	**1,560**	**1,342**	**218**
Net finance costs	(186)	(184)	(2)	(157)	(156)	(1)
Profit before tax	**1,546**	**1,376**	**170**	**1,403**	**1,186**	**217**
Tax expense	(467)	(372)	(95)	(235)	(139)	(96)
Profit after tax	**1,079**	**1,004**	**75**	**1,168**	**1,047**	**121**

[1] Depreciation and amortisation presented above have been extracted from cost of goods sold and operating expenses line items within Fonterra reported statement of profit or loss.

Fonterra reported historical pro forma statements of profit or loss
For the years ended 31 July 2025 and 31 July 2024

Compiled by extracting the results of continuing operations. Pro forma adjustments have been made to:

- remove the effects of Fonterra's existing transfer pricing arrangements related to Mainland Group that will cease post divestment;
- recognise the impact of the Raw Milk Supply Agreement, Global Supply Agreement, and Distribution Agreement (the "**LTSAs**"); and
- reflect changes to the Transaction perimeter not presented in discontinued operations.

Year ended 31 July 2025

NZD $m	Fonterra Reported - Continuing operations	Pro Forma Adjustments	Fonterra Historical Pro Forma
Revenue from sale of goods	24,111	(353)	23,758
Cost of goods sold (excluding depreciation and amortisation)	(20,460)	257	(20,203)
Gross profit	**3,651**	**(96)**	**3,555**
Operating expenses (excluding depreciation and amortisation)	(1,672)	16	(1,656)
Other	113	-	113
EBITDA	**2,092**	**(80)**	**2,012**
Depreciation and amortisation[1]	(532)	-	(532)
Operating profit (EBIT)	**1,560**	**(80)**	**1,480**
Net finance costs	(184)	-	(184)
Profit before tax	**1,376**	**(80)**	**1,296**
Tax expense	(372)	12	(360)
Profit after tax	**1,004**	**(68)**	**936**

[1] Depreciation and amortisation presented above have been extracted from cost of goods sold and operating expenses line items within Fonterra reported statement of profit or loss.

Year ended 31 July 2024

NZD $m	Fonterra Reported - Continuing operations	Pro Forma Adjustments	Fonterra Historical Pro Forma
Revenue from sale of goods	20,423	(269)	20,154
Cost of goods sold (excluding depreciation and amortisation)	(17,062)	208	(16,854)
Gross profit	**3,361**	**(61)**	**3,300**
Operating expenses (excluding depreciation and amortisation)	(1,591)	6	(1,585)
Other	93	-	93
EBITDA	**1,863**	**(55)**	**1,808**
Depreciation and amortisation[1]	(521)	-	(521)
Operating profit (EBIT)	**1,342**	**(55)**	**1,287**
Net finance costs	(156)	-	(156)
Profit before tax	**1,186**	**(55)**	**1,131**
Tax expense	(139)	4	(135)
Profit after tax	**1,047**	**(51)**	**996**

[1] Depreciation and amortisation presented above have been extracted from cost of goods sold and operating expenses line items within Fonterra reported statement of profit or loss.

Mainland Group historical pro forma statements of profit and loss
For the years ended 31 July 2025 and 31 July 2024

Compiled by extracting the results of discontinued operations. Pro forma adjustments and pro forma eliminations were made to:

- remove $8 million post-tax profit in relation to Soprole (FY24: $40 million post-tax loss in relation to DPA Brazil (equivalent to a $33 million pre-tax operating loss);
- reverse historical intercompany eliminations;
- remove the effects of Fonterra's existing transfer pricing arrangements related to Mainland Group which will cease post divestment;
- recognise the impact of the LTSAs; and
- reflect changes to the Transaction perimeter not presented in discontinued operations.

Following these pro forma adjustments, the Mainland Group historical pro forma (pre eliminations) statements of profit or loss were derived.

Discontinued operations results include $106 million of divestment transaction costs that have not been normalised in the Mainland Group historical pro forma statements of profit or loss. Normalising these costs would increase Mainland Group's operating profit (EBIT) for the year ended 31 July 2025 by $106 million.

Year ended 31 July 2025

NZD $m	Fonterra Reported - Discontinued operations	Pro Forma Adjustments	Mainland Group Historical Pro Forma (Pre Eliminations)
Revenue from sale of goods	2,339	3,262	5,601
Cost of goods sold (excluding depreciation and amortisation)	(1,358)	(3,166)	(4,524)
Gross profit	**981**	**96**	**1,077**
Operating expenses (excluding depreciation and amortisation)	(720)	(16)	(736)
Other	14	-	14
EBITDA	**275**	**80**	**355**
Depreciation and amortisation[1]	(103)	-	(103)
Operating profit (EBIT)	**172**	**80**	**252**
Net finance costs	(2)	-	(2)
Profit before tax	**170**	**80**	**250**
Tax expense	(95)	(12)	(107)
Profit after tax	**75**	**68**	**143**

1 Depreciation and amortisation presented above have been extracted from cost of goods sold and operating expenses line items within Fonterra reported statement of profit or loss.

Year ended 31 July 2024

NZD $m	Fonterra Reported - Discontinued operations	Pro Forma Adjustments	Mainland Group Historical Pro Forma (Pre Eliminations)
Revenue from sale of goods	2,399	2,663	5,062
Cost of goods sold (excluding depreciation and amortisation)	(1,498)	(2,602)	(4,100)
Gross profit	**901**	**61**	**962**
Operating expenses (excluding depreciation and amortisation)	(591)	(6)	(597)
Other	14	-	14
EBITDA	**324**	**55**	**379**
Depreciation and amortisation[1]	(106)	-	(106)
Operating profit (EBIT)	**218**	**55**	**273**
Net finance costs	(1)	-	(1)
Profit before tax	**217**	**55**	**272**
Tax expense	(96)	(4)	(100)
Profit after tax	**121**	**51**	**172**

[1] Depreciation and amortisation presented above have been extracted from cost of goods sold and operating expenses line items within Fonterra reported statement of profit or loss.

Fonterra historical pro forma statement of financial position As at 31 July 2025

The Fonterra reported historical statement of financial position has been compiled by extracting total assets and liabilities from the Fonterra Group consolidated financial statements as at 31 July 2025.

The reported historical statement of financial position has been compiled by extracting total assets and liabilities from the Fonterra Group consolidated financial statements as at 31 July 2025 and deducting assets and liabilities classified as held for sale (excluding $27 million and $5 million of unrelated assets and liabilities). Pro forma adjustments were made to:

- add back Mainland Group's trade balances with Fonterra at 31 July 2025 (extracted from Fonterra's accounting records), which following the Transaction will become external trade balances; and
- reflect changes to the Transaction perimeter not classified as held for sale in Fonterra Group's statement of financial position.

NZD $m	Fonterra Reported - Total Group less Held for sale	Pro Forma Adjustments	Fonterra Historical Pro Forma
Total assets	13,712	(2)	13,710
Total liabilities	(8,220)	75	(8,145)
Net assets	**5,492**	**73**	**5,565**

Mainland Group historical pro forma statement of financial position
As at 31 July 2025

Compiled by extracting assets and liabilities classified as held for sale in the Fonterra Group historical financial statements as at 31 July 2025. Pro forma adjustments were made to:

- exclude $27 million and $5 million of unrelated assets and liabilities;
- add back Mainland Group's trade balances with Fonterra at 31 July 2025 (extracted from Fonterra's accounting records), which following the Transaction will become external trade balances; and
- reflect changes to the Transaction perimeter not classified as held for sale.

NZD $m	Fonterra Reported - Held for sale	Pro Forma Adjustments	Mainland Group Historical Pro Forma
Total assets	3,815	199	4,014
Total liabilities	(969)	(272)	(1,241)
Net assets	**2,846**	**(73)**	**2,773**

Fonterra historical pro forma adjusted net debt, gearing and debt to EBITDA ratios
As at 31 July 2025

The Fonterra reported adjusted net debt, gearing and debt to EBITDA ratios have been extracted from the Fonterra Group financial statements as at 31 July 2025.

The Fonterra historical pro forma adjusted net debt and gearing ratios have been calculated by adjusting the reported ratios to reflect:

- the exclusion of Mainland Group assets and liabilities classified as held for sale; and
- changes to the Transaction perimeter not presented in discontinued operations.

The proceeds from the Transaction are not included in the historical pro forma financial information, and as a result not included in the pro forma historical financial ratios presented.

The Fonterra historical pro forma debt to EBITDA ratio has been calculated using continuing operations normalised EBITDA (which excludes Soprole profit after tax of $8 million) as at 31 July 2025, adjusted to:

- remove the effects of Fonterra's existing transfer pricing arrangements related to Mainland Group which will cease following the divestment;
- recognise the impact of the LTSA's; and
- reflect changes to the Transaction perimeter not classified as held for sale.

NZD $m	Fonterra Reported	Pro Forma Adjustments	Fonterra Historical Pro Forma
Total borrowings (including lease liabilities)	3,138	(1)	3,137
Add: Bank overdraft	30	(2)	28
Less: Cash and cash equivalents	(309)	7	(302)
Add: Borrowings attributable to disposal groups held for sale	104	(104)	-
Less: Cash and cash equivalents attributable to disposal groups held for sale	(94)	94	-
Add: Cash adjustment of 25% for cash held by subsidiaries	49	-	49
Less: Derivative used to manage changes in hedged risks on debt instruments	(298)	-	(298)
Adjusted net debt	**2,620**	**(6)**	**2,614**
Equity excluding hedge reserves	8,327	(2,773)	5,554
Total capital	**10,947**	**(2,779)**	**8,168**
Gearing ratio	**23.9%**		**32.0%**
Adjusted net debt	**2,620**	**(6)**	**2,614**
Profit after tax	**1,079**	**(151)**	**928**
Add: Net finance costs from continuing operations	184	-	184
Add: Net finance costs from discontinued operations	2	(2)	-
Add: Tax expense from continuing operations	372	(12)	360
Add: Tax expense from discontinued operations	95	(95)	-
Total Group operating profit (EBIT)	**1,732**	**(260)**	**1,472**
Add: Depreciation and amortisation from continuing operations	532	-	532
Add: Depreciation and amortisation from discontinued operations	103	(103)	-
Less: EBITDA relating to divestments	-	-	-
Add: Normalisation adjustments	106	(106)	-
Less: Share of profit of equity accounted investees	(10)	-	(10)
Less: Net foreign exchange gains from continuing operations	(9)	-	(9)
Less: Net foreign exchange gains from discontinued operations	(7)	7	-
Total normalised EBITDA excluding divestments, share of profit of equity accounted investees and foreign exchange gains/losses	**2,447**		**1,985**
Debt to EBITDA ratio	**1.1x**		**1.3x**

Mainland Group historical pro forma adjusted net debt
As at 31 July 2025

The Mainland Group historical pro forma adjusted net debt has been calculated by:

- extracting relevant assets and liabilities held for sale in Fonterra Group consolidated financial statements as at 31 July 2025 (excluding $27 million and $5 million of unrelated assets and liabilities); and
- reflecting changes to the Transaction perimeter not classified as held for sale.

NZD $m	Held for sale	Pro Forma Adjustments	Mainland Group Historical Pro Forma
Total borrowings (including lease liabilities)	104	1	105
Add: Bank overdraft	-	2	2
Less: Cash and cash equivalents	(94)	(7)	(101)
Add: Borrowings attributable to disposal groups held for sale	-	-	-
Less: Cash and cash equivalents attributable to disposal groups held for sale	-	-	-
Add: Cash adjustment of 25% for cash held by subsidiaries	-	-	-
Less: Derivatives used to manage changes in hedged risks on debt instruments	-	-	-
Adjusted net debt	**10**	**(4)**	**6**
Equity excluding hedge reserves	2,846	(73)	2,773
Total capital	**2,856**	**(77)**	**2,779**

Fonterra historical pro forma average capital employed and return on capital
As at 31 July 2025

The Fonterra reported average capital employed and return on capital has been extracted from the Fonterra Group financial statements as at 31 July 2025.

The Fonterra historical pro forma average capital employed calculation extracts total Fonterra Group assets and liabilities from the Fonterra Group consolidated financial statements as at 31 July 2025 and deducts held for sale balances (excluding $27 million and $5 million of unrelated assets and liabilities). Pro forma adjustments were made to:

- reclassify Mainland Group's trade balances with Fonterra at 31 July 2025 (sourced from Fonterra's accounting records), which will become external balances following the Transaction; and
- reflect changes to the Transaction perimeter not classified as held for sale.

The Fonterra historical pro forma return on capital has been calculated using total Fonterra Group operating profit (EBIT). Pro forma adjustments were made to:

- exclude operating profit (EBIT) in relation to discontinued operations;
- exclude transaction costs directly related to the Transaction as at that date;
- remove the effect of Fonterra's existing transfer pricing arrangements related to Mainland Group that will cease post-divestment;
- incorporate the impact of LTSAs; and
- reflect changes to the Transaction perimeter not presented in discontinued operations nor as held for sale.

NZD $m	Total Group	Pro Forma Adjustments	Fonterra Historical Pro Forma
Adjusted net debt	**2,620**	**(6)**	**2,614**
Less: Cash adjustment	(49)	-	(49)
Add: Cash and cash equivalents held by subsidiaries for operational purposes	161	(74)	87
Add: Equity excluding hedge reserves	8,327	(2,773)	5,554
Less: Net deferred tax	(79)	(77)	(156)
Capital employed	**10,980**		**8,050**
Impact of seasonal variation in capital employed	1,368		1,297
Average capital employed (13 month rolling average)	**12,348**		**9,347**
Operating profit (EBIT)	**1,732**	**(260)**	**1,472**
Normalisation adjustments	106	(106)	-
Normalised operating profit (EBIT)	**1,838**	**(366)**	**1,472**
Add: Finance income on long-term advances	8	-	8
Less: Notional tax charge	(498)	98	(400)
Normalised operating profit (EBIT) including finance income on long-term advances less notional tax charge	**1,348**		**1,080**
Return on capital	**10.9%**		**11.6%**

Mainland Group historical pro forma average capital employed and return on capital
As at 31 July 2025

The Mainland Group historical pro forma average capital employed calculation extracts held for sale balances (excluding $27 million and $5 million of unrelated assets and liabilities). Pro forma adjustments were made to:

- reclassify Mainland Group's trade balances with Fonterra at 31 July 2025 (sourced from Fonterra's accounting records), which will become external balances following the Transaction; and
- reflect changes to the Transaction perimeter not presented in discontinued operations nor as held for sale.

The Mainland Group historical pro forma return on capital has been calculated using operating profit (EBIT) for discontinued operations, disclosed in Note 2(b) to the Fonterra Group financial statements for the year ended 31 July 2025. Pro forma adjustments were made to:

- exclude the Soprole profit after tax of $8 million;
- exclude transaction costs directly related to the Transaction;
- remove the effect of Fonterra's existing transfer pricing arrangements related to Mainland Group that will cease post-divestment;
- incorporate the impact of LTSAs; and
- reflect changes to the Transaction perimeter not presented in discontinued operations nor as held for sale.

NZD $m	Held for sale	Pro Forma Adjustments	Mainland Group Historical Pro Forma
Adjusted net debt	**10**	**(4)**	**6**
Less: Cash adjustment	-	-	-
Add: Cash and cash equivalents held by subsidiaries for operational purposes	67	7	74
Add: Equity excluding hedge reserves	2,846	(73)	2,773
Less: Net deferred tax	77	-	77
Capital employed	**3,000**		**2,930**
Impact of seasonal variation in capital employed	71		71
Average capital employed (13 month rolling average)	**3,071**		**3,001**
Operating profit (EBIT)	**172**	**80**	**252**
Normalisation adjustments		106	106
Normalised operating profit (EBIT)	**172**	**186**	**358**
Add: Finance income on long-term advances	-	-	-
Less: Notional tax charge	(45)	(48)	(93)
Normalised operating profit (EBIT) including finance income on long-term advances less notional tax charge			**265**
Return on capital			**8.8%**

Appendix B

Independent Assurance Practitioner's Report to the Directors of Fonterra Co-operative Group Limited ("Fonterra") on the Compilation of Pro Forma Financial Information included at Appendix A in the Notice of Meeting ("Pro forma financial information")

Opinion

In our opinion, the Pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria.

Information subject to assurance

We have completed our assurance engagement to report on the compilation of Pro forma financial information of Fonterra by Management. The Pro forma financial information of Fonterra and its subsidiaries ("Fonterra Group") consists of:

- the pro forma net asset statement as at 31 July 2025;
- the pro forma income statement for the years ended 31 July 2024 and 31 July 2025; and
- related notes.

The applicable criteria on the basis of which Management have compiled the Pro forma financial information are described in Appendix A of the Notice of Meeting.

The Pro forma financial information has been compiled by Management to illustrate the impact of the transaction set out in Section F: Fonterra Going Forward of Part Two of the Notice of Meeting on Fonterra Group's financial position as at 31 July 2025 and its financial performance for the periods ended 31 July 2024 and 31 July 2025 as if the transaction had taken place prior to the start of the year ended 31 July 2024. As part of this process, information about Fonterra Group's financial position and financial performance has been extracted by Management from Fonterra Group's financial statements, on which an audit has been published.

Standards we followed

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* ('**SAE 3420**') issued by the New Zealand Auditing and Assurance Standards Board. This standard requires that the assurance practitioner plan and perform procedures to obtain reasonable assurance about whether Management have compiled, in all material respects, the Pro forma financial information on the basis of the applicable criteria.

Management's responsibility for the Pro forma financial information

Management are responsible for compiling the Pro formal financial information on the basis of the applicable criteria.

Our responsibility

Our responsibility is to express an opinion about whether the Pro forma financial information has been compiled, in all material respects, by Management on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of the Pro forma financial information included in the Notice of Meeting is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome, had the transaction taken place prior to the start of the year ended 31 July 2024, would have been as presented.

A reasonable assurance engagement to report on whether the Pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by Management in the compilation of the Pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the assurance practitioner's judgement, having regard to the assurance practitioner's understanding of the nature of Fonterra Group, the event or transaction in respect of which the Pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of this assurance report

Our report is made solely to the Directors of Fonterra for inclusion in the Notice of Meeting. We disclaim any assumption of responsibility for any reliance on this report or on the Pro forma financial information to which this report relates for any purpose other than the purpose for which it was prepared. This report should be read in conjunction with the Notice of Meeting.

However, we take no responsibility for, nor do we report on, any part of the Notice of Meeting not specifically mentioned in this report.

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

Our opinion is not modified in respect of this matter.

Our independence and quality control

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

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

KPMG does not have any interest in the outcome of the proposed Transaction, other than the preparation of this independent assurance report and related due diligence procedures, for which normal professional fees will be received.

Our firm has also provided other services to the Fonterra Group in relation to the audit of the Fonterra Group's financial statements, climate related assurance, farmgate milk price assurance, agreed upon procedures and vendor due diligence in relation to the divestment of the Consumer and associated businesses. We also performed an audit of the Mainland Group combined and carve-out financial statements in relation to the divestment. Subject to certain restrictions, partners and employees of our firm may also deal with the Fonterra Group on normal terms within the ordinary course of trading activities of the business of the Fonterra Group. These matters have not impaired our independence as assurance provider to the Fonterra Group. The firm has no other relationship with, or interest in, the Fonterra Group.

Yours faithfully,

KPMG

KPMG
Auckland
28 September 2025

If undelivered please return to:

The Returning Officer
Special Meeting 2025
PO Box 3138
Christchurch 8140
Free phone 0800 666 034

fonterra.com