Annual Meeting 2017
Geoffrey Babidge
Managing Director & CEO
21 November 2017
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• FY18 market update
• Appendix
Company progress

• A decade focused on targeted investment and strategic decisions to establish a strong foundation for future growth

• Building on the early development of the science and intellectual property (2000 to 2006)

• Successful transition from IP licensing to operating business model

• Established a2 Milk™ as a highly recognised brand in the Australian market, resonating with millennial consumers

• Broadened the product portfolio, including the launch of a2 Platinum® infant formula

• Established ‘capital smart’ investment approach and developed key supplier partnerships

• Diversified into new targeted growth markets of China, UK and USA

• Established a highly motivated and capable management team, supported by a diverse and experienced board

• Supported the advancement in beta-casein science

• Continued a programme of targeted investment in brand development, intellectual property and proprietary know-how

• Achieved first mover advantage
Evolving from pioneer to global leader

2000 - 2006
- Emerging beta-casein science
- IP development
- Licensing approach to market entry (ANZ, Asia, US)
- Initial brand development
- Communication exploration

2007 - 2017
- Move from licensing to operating business model
- Develop brand, IP and know-how
- Australian a2 Milk™ brand captures significant market share
- Emergence of infant formula business
- Regional business model: China, US, UK
- ‘Capital smart’ approach
- Developing organisational depth and capability
- Advancements in beta-casein science
- Achieved first mover advantage

2018 onwards
- Building a global branded dairy nutritionals business
- Accelerate new product development
- Furthering strategic partnerships
- Expanding into SE Asia
- Further market expansion opportunities
- Continuing to build corporate capability
- Increasing investment in brand, IP and know-how to ensure leadership in an emerging A1 protein-free category
- Development of sourcing strategies for nutritional products to support growth initiatives
Leading the way in the A1 protein-free category

- a2MC is the creator and pioneer of the A1 protein-free category
- The science in support of the A2 protein proposition continues to develop and consumer awareness is rapidly building in targeted markets
- The Company expects broader interest in the A1 protein-free category over time and is well positioned to respond:
  - Existing comprehensive suite of patents, trade marks and proprietary know-how;
  - Ongoing investment in IP and research & development will further reinforce the Company’s position as the leader and innovator of the A1 protein-free category;
  - Will continue to actively defend intellectual property rights;
  - Unique business model focused solely on products free of the A1 protein;
  - Leverage future category expansion as credibility of the proposition and awareness grows

The IP portfolio continues to provide barriers to entry

- Portfolio strength derived from interlocking complex relationship between trade marks, patents, proprietary know-how and geographical spread

**Brand and Trade marks**
- Recognisable and trusted suite of brand assets (words, designs, symbols)
- Extending marks across an innovative product portfolio
- Growing brand presence in targeted growth markets (China, USA)
- Trade mark registrations/applications across 55 territories

**Patents**
- Rights to 15 families of patents and patent applications
- Focus on beneficial uses and physical properties associated with A1 protein free milk products
- New patents extending to 2035

**Proprietary know-how**
- Leading quality and product integrity systems; operational and compliance capability
- Owners of The a2 System™
Group strategy
Growth strategy

OUR PURPOSE
As the a2 Milk™ pioneers we are determined to help people enjoy a better life

OUR VISION
To be the innovative and smart choice for dairy nutrition

OUR AMBITION
To be the most admired and commercially attractive dairy nutritional company

OUR STRATEGIC PRIORITIES

BROAD DAIRY NUTRITIONAL PRODUCT PORTFOLIO
Across a continuum from the purity of fresh a2 Milk™ to customised A1 protein-free products
Targeting adults, children and infants to satisfy their growing digestive health needs

TARGETED ATTRACTION REGIONS
Asia Pacific focus (ANZ, China, Other Asia)
USA
UK
Potential new markets

PROPRIETARY KNOW-HOW, A2 PROTEIN EXPERTISE
Integrated intellectual property portfolio
Leading operational & compliance capability
Sponsoring relevant scientific research
Differentiated brand development
Organisational renewal and shareholder information

- Continued build of Board and senior management capability
  - Appointment of Warwick Every-Burns & Jesse Wu as non-executive Directors during FY17
  - Recent reorganisation of senior leadership team and new focus:
    - Chief Executive Asia Pacific
    - Executive Vice President China
    - Head of Business Development – Emerging Markets
    - UK, Europe & Strategic initiatives

- New hires across the Company to support regional growth and innovation needs

<table>
<thead>
<tr>
<th>Number of Shareholders¹</th>
<th>Shareholding by exchange²</th>
</tr>
</thead>
<tbody>
<tr>
<td>24,412 Nov-16</td>
<td>36.9% ASX</td>
</tr>
<tr>
<td>23,448 Jun-17</td>
<td>63.1% NZX</td>
</tr>
<tr>
<td>33,033 Nov-17</td>
<td></td>
</tr>
</tbody>
</table>

¹Total shareholders (ASX & NZX combined) as at 15 November 2017
²Weighting based on % of fully paid issued capital by exchange as at 15 November 2017
FY17 result highlights
Financial summary

- Group revenue growth of +56% on pcp, a2 Platinum® infant formula revenue +84%
- EBITDA to sales margin of 26% (up from 15% in pcp)
- Gross margin primarily reflects increased contribution from infant formula sales and lower infant COGS in FY17
- Increased marketing and brand development spend of $9.0m vs pcp, primarily in US and China
- Increases to ‘administration and other’ reflects write-down of intangibles (+$2.4m), increased spend on patents, trademarks and R&D (+$2.0m) and other costs associated with business expansion
- Effective tax rate reduced from ~42% to ~35% reflecting lower weighting of non-deductible expenses and international losses not tax effected
- Cash on hand reflects strong NPAT contribution offset by $48.7m investment in Synlait
- Inventory reduction reflects strong demand for infant formula
- Refer Appendix for geographic performance, cash position and a reconciliation of non-GAAP measures

<table>
<thead>
<tr>
<th>NZ$ million</th>
<th>FY17</th>
<th>FY16</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>549.5</td>
<td>352.8</td>
<td>56%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>263.5</td>
<td>151.0</td>
<td>75%</td>
</tr>
<tr>
<td>Sales &amp; distribution</td>
<td>(21.3)</td>
<td>(19.0)</td>
<td>12%</td>
</tr>
<tr>
<td>Marketing</td>
<td>(42.0)</td>
<td>(33.0)</td>
<td>27%</td>
</tr>
<tr>
<td>Employee costs</td>
<td>(23.0)</td>
<td>(19.1)</td>
<td>20%</td>
</tr>
<tr>
<td>Administration &amp; other</td>
<td>(36.0)</td>
<td>(25.3)</td>
<td>42%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>141.2</td>
<td>54.6</td>
<td>159%</td>
</tr>
<tr>
<td>EBIT</td>
<td>138.5</td>
<td>51.8</td>
<td>167%</td>
</tr>
<tr>
<td>NPAT</td>
<td>90.6</td>
<td>30.4</td>
<td>198%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Jun-17</th>
<th>Jun-16</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>121.0</td>
<td>69.4</td>
<td>74%</td>
</tr>
<tr>
<td>Inventory</td>
<td>28.4</td>
<td>52.6</td>
<td>(46%)</td>
</tr>
</tbody>
</table>
The year in charts

Group Revenue (NZ$ million)

FY14 FY15 FY16 FY17
110.8 155.1 352.8 549.5

Group EBITDA¹ (NZ$ million)

FY14 FY15 FY16 FY17
3.6 4.8 54.6 141.2

Basic Earnings Per Share (Cents)

FY14 FY15 FY16 FY17
0.0 4.4 12.7

¹EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation, and is shown before non-recurring items.
Continued strong growth in sales and market share for a2 Platinum®

• Group infant formula revenue of NZ$394.0 million, compared to NZ$214.4 million for FY16

• Infant formula accounts for 72% of Group revenue

• Significant growth in Australian marketplace:
  – Fastest growing Australian infant formula brand by value¹
  – Number 2 infant formula brand in the Australian market¹
  – Value market share growing from ~16% to ~26% (MAT)¹

• Continued success of a2 Platinum® in China a function of our multi-product, multi-channel strategy:
  – Direct sales into China increased significantly in cross border e-commerce channels (CBEC) and mother baby retail stores (MBS)
  – China achieved ~150% growth of infant formula sales from FY16
  – China Label accounted for ~6% of Group infant formula sales in FY17, strengthening to ~8% in 2H17

• Synlait Milk Limited:
  – Enhanced supply agreement completed in August 2016 provides security of supply
  – a2MC acquired 8.2% shareholding (March 2017)

¹Australian Grocery and Pharmacy Scan 52 weeks to 30 June 2017
# FY17 regional performance

## ANZ
- Exceptional ANZ business performance; revenue $439.6m (+48.3%)
- ~78% growth in a2 Platinum® infant formula
- a2 Milk™ fresh milk revenue up ~5.5%
- Strong growth in whole milk powder
- Skim milk powder introduced (May 17)
- a2MC highest brand advertising spend\(^1\)
- Continued to pay a premium to farmers

## China
- Strong sales and earnings momentum; revenue $88.9m (+132.9%)
- Infant formula consumption value share of 3.5\(^2\)
- Strong growth across mother baby retail and cross border e-commerce channels
- Increased local China team capability
- Managed expansion in structured way, supported by in-market consultants

## USA
- Progress in building brand awareness, growing rate of sale and expanding footprint region-by-region
- Distribution to ~3,000 stores
- ‘Love Milk Again’ campaign launched
- Continued focus on return on investment
- Financial outlook now assumes ~US$25M future investment before positive monthly EBITDA in FY20

## UK
- Achieved first annual operating profit
- ‘a2tonishing™’ marketing campaign continued
- Distribution expansion to ~1,600 stores and growth in rate of sale
- Assessing incremental opportunities in Europe and Middle East

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\(^1\) Highest brand advertising spend for both infant formula and fresh milk categories for FY17

\(^2\) Kantar Infant Formula market tracking of China Tier 1 and Key A cities for quarter ending 30/06/17 vs prior year of 2.1% (Kantar track a substantial proportion of the total market)
FY18 market update
FY18 market update: regional performance

ANZ

- a2 Milk™ branded fresh milk performing well with continued pleasing growth on pcp (4 months to October)
- a2 Platinum® infant formula continues to be a significant contributor to the ANZ segment
- The a2 Platinum® brand was the largest contributor to revenue growth across all Australian grocery and OTC pharmacy categories
- Successful launch of a2 Platinum® Stage 4 with strong consumer acceptance
- Strong growth in a2 Milk™ branded milk powders (skim, whole milk)
- a2 Milk™ considered top brand of choice for Australian millennials (#1 brand on millennial shopping lists)
- The Australian Federal Court action initiated against a competitor remains in progress; a2MC remains confident of achieving a successful outcome. The scheduled hearing date has been vacated from November 2017 until a date to be determined in the New Year

China and other Asia

- Building local team under new Executive Vice President China, Jane Xu, to support ongoing sales growth
- Distribution in China Mother Baby (MBS) channel now exceeds 5,800 stores; further expansion remains a key focus
- Consumption share for a2 Platinum® infant formula brand continues to strengthen; ~4.1% Kantar value share up from ~3.5%3
- Successful “11/11” e-commerce sales event achieving number 1 infant formula brand in Kaola, number two on JD.com and 3rd place on Tmall
- Increased marketing investment with new advertising campaign planned from December 2017 within a key China region
- China Food and Drug Administration (CFDA) registration achieved for China label infant formula
- Launch of a2 Platinum® infant formula (English label) in Hong Kong with initial distribution through pharmacy from November
- Recent launch of Australian fresh milk into Singapore, first SEA initiative progressing well

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1 Source: IRI MarketEdge, MAT To 13/08/17, Australian grocery and OTC (over the counter) pharmacy categories (excluding tobacco and private label)
2 The Urban List, Food & Drink Survey, 1 May 2017
3 Kantar Infant Formula market tracking of China Tier 1 and Key A cities for latest quarter ending 08/09/17, up from 3.5% quarter ended 30/06/17
China infant formula regulatory environment

*Infant formula regulations cover Stages 1-3; exclude Stage 4*

**English label product sold through CBEC platforms**
- Recent commentary from China State Council suggests:
  - Further 1 year extension to grace period of China CBEC policy to end of December 2018
  - Establishment of new experimental zones to promote development of CBEC
- Further announcements relating to infant formula within the CBEC channel expected

**China label product sold through traditional import mode**
- CFDA\(^1\) registration achieved September 2017 by Synlait Milk for the importation of a2MC infant formula into China from 1 January 2018
- Registration process included product testing, formulation & ingredient assessment and packaging changes in response to new labelling requirements
- The Company will transition from the existing China label to the newly registered product in market during 2H18

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\(^1\) CFDA: China Food and Drug Administration
China focus on MBS expansion

October 2017:
- Distributors: ~65
- Stores: >5,800
- Building in-store support personnel
Stepped up investment in China marketing

The a2 Milk Company, trusted pioneers of the A2 protein. a2: feel the difference.
FY18 market update: regional performance

UK

• Pleasing progress in rate of sale for fresh milk (>50% revenue growth on pcp\(^1\))
• Continued growth in distribution footprint, total stores now exceeding 2,000 (up from ~1,600 at June 2017)
• Results include a2 Platinum® infant formula sales in the wholesale channel in line with pcp
• Continuing to assess incremental opportunities in Europe and the Middle East

USA

• Distribution build in core regions and national accounts:
  – Stores now totalling ~3,600 across the country, a growth of 600 stores in 4 months to October 2017
  – Natural retailers include Whole Foods (7 of 11 regions nationally), Sprouts (national)
• Velocity in key accounts approaching or exceeding 30 units per store per week\(^2\)
• Rate of sale build in Publix backed by earned media and “Love Milk Again” advertising campaign
• Achieving national earned media including “CBS This Morning” national TV news feature during October and strong press coverage
• Investigating specific new product opportunities for this market
• Given achievement of KPIs (sales velocity and brand awareness) in California and the South East, plans are progressing for further expansion in an additional region during 2H18
• The FY18 outlook assumes increased marketing expenditure in 2H18 in support of this expansion

\(^1\) 4 months to October 2017 vs prior corresponding period
\(^2\) Refers to the units per store per week for the total range
Current and near term distribution

California
- Launched April 2015
- High levels of acceptance from retailers including Sprouts, Whole Foods, Kroger & Safeway
- Distribution has further grown to include Target & independent retailers

Southeast
- Entered March 2017
- Initially through Publix into 1,100 Stores
- Distribution expanded into Winn Dixie and Harris Teeter
Building brand awareness and expanding footprint on a region-by-region basis

Timeline

Apr 2015 to Oct 2017

Velocity growth focus and select distribution build

South East expansion

a2 Milk™ US distribution number of outlets

California launch

South
The science continues to develop

- Newly published human clinical research reports A1 protein\(^1\) found in conventional milk may trigger symptoms associated with milk intolerance\(^2\)
  - Study involved 600 adult Han Chinese participants with self-reported lactose intolerance
  - Participants found that the adverse GI symptoms following consumption of only 1 glass of conventional milk may be related to the presence of A1 protein type rather than lactose itself
  - Study was independently published in UK based Nutrition Journal and sponsored by The a2 Milk Company

- Other significant research projects progress:
  - First acute human pilot study under the New Zealand Government grant has been completed by the University of Auckland and further studies now progressing
  - Clinical study in China amongst pre-school children examining digestive and cognitive function submitted for publication; results aligned with recent adult findings
  - Human clinical study in association with Monash University Australia examining the benefits of a2 Milk™ on irritable bowel syndrome
  - Clinical examination of benefits of A1 protein-free milk to gut and systemic inflammation at USA Pennington Biomedical Research Centre
  - Human clinical trial with Pennington Biomedical Research progressing

\(^1\) A1 and A2 protein refers to the A1 and A2 beta-casein protein types
## FY18 YTD results: 4 months to October 2017

<table>
<thead>
<tr>
<th>NZ$ million</th>
<th>4M18&lt;sup&gt;1&lt;/sup&gt;</th>
<th>4M17</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>262.2</td>
<td>155.2</td>
<td>+68.9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>78.4</td>
<td>35.5</td>
<td>+120.8%</td>
</tr>
<tr>
<td>PBT</td>
<td>78.0</td>
<td>35.0</td>
<td>+122.9%</td>
</tr>
<tr>
<td>NPAT</td>
<td>52.3</td>
<td>22.0</td>
<td>+137.7%</td>
</tr>
</tbody>
</table>

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<sup>1</sup> Unaudited management results, 4 months to October 2017 = 4M18
FY18 trading performance and outlook

4M18 trading

- Group revenue of NZ$262.2 million:
  - Reflects continued strong growth in nutritional products (ANZ, China) and positive momentum in USA, UK
  - Includes some seasonal build ahead of key China e-commerce sales events, 11/11 Singles Day and 12/12

- Group EBITDA of NZ$78.4 million:
  - Benefited from timing of marketing spend (2H18 to exceed 1H18)
  - Evolving product mix and raw material cost increases creating some downward pressure on product margins; more than offset by favourable YTD currency movements (weaker NZD)

FY18 outlook

- Expecting marketing expense in 2H18 to exceed 1H18 by ~NZ$30 million, driven by timing of planned spend in China and USA
- Seeking to build inventory to more sustainable levels during FY18
- Targeting greater flexibility and lower cost procurement arrangements throughout the supply chain

Capital management

- The Board continues to monitor the appropriate use of the Company’s available capital in the best long-term interest of all shareholders
## Geographic financial performance

<table>
<thead>
<tr>
<th>NZ$ million</th>
<th>FY17</th>
<th>FY16</th>
<th>Movement %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Segment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Segment Revenue</td>
<td>Operating EBITDA&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Segment Revenue</td>
</tr>
<tr>
<td>Australia &amp; New Zealand</td>
<td>439.6</td>
<td>155.3</td>
<td>296.3</td>
</tr>
<tr>
<td>China &amp; other Asia</td>
<td>88.9</td>
<td>32.8</td>
<td>38.2</td>
</tr>
<tr>
<td>Corporate and other</td>
<td>-</td>
<td>(24.4)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total excluding US &amp; UK</strong></td>
<td>528.5</td>
<td>163.7</td>
<td>334.5</td>
</tr>
<tr>
<td><strong>US &amp; UK&lt;sup&gt;2&lt;/sup&gt;</strong></td>
<td>21.0</td>
<td>(22.5)</td>
<td>18.3</td>
</tr>
<tr>
<td><strong>Total Group</strong></td>
<td>549.5</td>
<td>141.2</td>
<td>352.8</td>
</tr>
</tbody>
</table>

**Infant formula (included in Group total)**

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>394.0</td>
<td>214.4</td>
</tr>
</tbody>
</table>

<sup>1</sup>Operating EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation

<sup>2</sup>UK & US Operating EBITDA includes $2.2 million in impairment charges in FY17
Cash position

- Cash on hand reflects continued earnings momentum
- Inventory reduction reflects strong infant formula demand exceeding stock availability
- Working capital movement driven largely by increase in trade debtors and prepayments relating to infant formula
- Includes acquisition of shareholding in Synlait
- Working capital outlook assumes a planned increase in infant formula inventory in FY18
### Reconciliation of non-GAAP measures

<table>
<thead>
<tr>
<th>NZ$ million</th>
<th>FY17</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ segment EBITDA</td>
<td>155.3</td>
<td>84.7</td>
</tr>
<tr>
<td>China &amp; other Asia segment EBITDA</td>
<td>32.8</td>
<td>9.2</td>
</tr>
<tr>
<td>US &amp; UK segment EBITDA</td>
<td>(22.5)</td>
<td>(20.5)</td>
</tr>
<tr>
<td>Corporate &amp; other segment EBITDA</td>
<td>(24.4)</td>
<td>(18.8)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>141.2</td>
<td>54.6</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>(2.7)</td>
<td>(2.8)</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>138.5</td>
<td>51.8</td>
</tr>
<tr>
<td>Net interest income</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(48.7)</td>
<td>(21.9)</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td>90.6</td>
<td>30.4</td>
</tr>
</tbody>
</table>

1EBITDA and EBIT are non-GAAP measures, but the Company believes they provide investors with a comprehensive understanding of the underlying performance of the business.