Disclaimer

This presentation dated 13 November 2017 provides additional comment on the Annual Report 2016-2017 of The a2 Milk Company Limited (the “Company”) and accompanying information released to the market on 23 August 2017. As such, it should be read in conjunction with the explanations and views in those documents.

This presentation is provided for general information purposes only. The information contained in this presentation is not intended to be relied upon as advice to investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should assess their own individual financial circumstances and consider talking to a financial adviser or consultant before making any investment decision.

This presentation is not a prospectus, investment statement or disclosure document, or an offer of shares for subscription, or sale, in any jurisdiction.

Certain statements in this presentation constitute forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements.

While all reasonable care has been taken in relation to the preparation of this presentation, none of the Company, its subsidiaries, or their respective directors, officers, employees, contractors or agents accepts responsibility for any loss or damage resulting from the use of or reliance on this presentation by any person.

Past performance is not indicative of future performance and no guarantee of future returns is implied or given.

Some of the information in this presentation is based on unaudited financial data which may be subject to change.

All values are expressed in New Zealand currency unless otherwise stated.

All intellectual property, proprietary and other rights and interests in this presentation are owned by the Company.
Contents

• Company overview
• Group strategy
• FY17 result highlights
• FY18 update
• Appendix
“The Company’s continued growth reflects increasing consumer acceptance of the a2™ brand and the benefits of dairy-based products free from the A1 beta casein protein type”.

Geoffrey Babidge
Managing Director & CEO
Company overview
The a2 Milk Company at a glance

- The a2 Milk Company (“a2MC”) is in the business of producing, marketing and selling premium branded dairy nutritional products in targeted global markets.
- All a2MC branded products contain only A2 beta casein protein type rather than both A1 and A2 types found in conventional cows’ milk products.
- Uniquely focused on building a branded and differentiated business supported by an integrated IP portfolio and growing scientific evidence.

### Key metrics FY17

<table>
<thead>
<tr>
<th></th>
<th>NZD million</th>
<th>AUD million¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Capitalisation²</td>
<td>~5,470</td>
<td>~4,870</td>
</tr>
<tr>
<td>Group Revenue</td>
<td>549.5</td>
<td>495.7</td>
</tr>
<tr>
<td>Group EBITDA³</td>
<td>141.2</td>
<td>127.3</td>
</tr>
<tr>
<td>Group NPAT</td>
<td>90.6</td>
<td>81.8</td>
</tr>
<tr>
<td>EPS⁴ (cents per share)</td>
<td>12.7c</td>
<td>11.5c</td>
</tr>
</tbody>
</table>

¹ AUD metrics converted at 8 November 2017 (NZD/AUD = 0.902)
² Based on share price of NZD7.49/AUD6.73 as at 8 November 2017 (quoted securities only)
³ EBITDA is a non-GAAP measure, representing earnings before interest, tax, depreciation and amortisation
⁴ Basic Earnings Per Share
The a2 Milk Company proposition

- **Single-minded company focus on A1 protein-free products (pioneers and experts)**
- **Compelling and growing scientific evidence**
- **Integrated IP portfolio and proprietary know-how**
- **Unique and effective marketing approach**
- **Clean and green Australia and NZ sourcing profile (strength in Asia)**
- **Capital-smart investment model coupled with strong long-term supply partners**
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 ATTRACTIVE REGIONS
Asia Pacific focus (ANZ, China, Other Asia)
USA
UK
Opportunistic new markets

PROPRIETARY KNOW-HOW, A2 PROTEIN EXPERTISE
Integrated intellectual property portfolio
Leading operational & compliance capability
Sponsoring relevant scientific research
Differentiated brand development
Dairy nutrition innovation continuum

Further scope for innovation in existing & adjacent product segments

- Powdered milk
- Pregnancy nutrition
- Infant nutrition

Increasing level of product customisation

- Natural liquid milk
- Milk drinks and Protein powders
- Value-added nutritious and flavoured
- Toddler nutrition
Strategic progress & agenda

• Continued build of Board and senior management capability
  – Appointment of Warwick Every-Burns & Jesse Wu as non-executive Directors
  – 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

• Product innovation planned for FY18 targeting adults, children and infants
  – a2 Platinum® Stage 4 English label in market from August 2017
  – Further launches to follow

• Recent launch of Australian fresh milk into Singapore, first SEA initiative

• Further investment in IP portfolio, supported by targeted R&D

• New unifying brand identity
FY17 result highlights
## Financial summary

<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>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>
</tr>
<tr>
<td>Inventory</td>
<td>28.4</td>
<td>52.6</td>
</tr>
</tbody>
</table>

- 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 others 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
**The year in charts**

**Group Revenue (NZ$ million)**
- FY14: 110.8
- FY15: 155.1
- FY16: 352.8
- FY17: 549.5

**Group EBITDA¹ (NZ$ million)**
- FY14: 3.6
- FY15: 4.8
- FY16: 54.6
- FY17: 141.2

**Basic Earnings Per Share (Cents)**
- FY14: 0.0
- FY15: -0.3
- FY16: 4.4
- FY17: 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 value\(^1\)
  - Number 2 infant formula brand in the Australian market\(^1\)
  - 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 surety of supply
  - a2MC acquired 8.2% shareholding (March 2017)

\(^1\)Australian 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
- 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 CBEC 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 forward investment before positive monthly EBITDA in FY20

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

[^1]: Highest brand advertising spend for both infant formula and fresh milk categories for FY17
[^2]: Kantar Infant Formula market tracking of China Key and A cities for quarter ending 30/06/17 vs prior year of 2.1% (Kantar track a substantial proportion of the total market)
Intellectual property and R&D

• The Company recognises increased interest in A1 protein-free products
  – Focus on patents, trade marks and proprietary know-how across chosen markets, building on first mover advantage
  – a2MC will continue to actively enforce its intellectual property rights

• Research projects progressed during FY17:
  – Significant human study in China (n=600) builds upon digestive benefit findings from an earlier study published in FY16 – now published
  – Clinical study in China amongst pre-school children examining digestive and cognitive function submitted for publication; results consistent 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
  – First acute human study supported by New Zealand Government grant now complete, a second study building on initial findings has been initiated

• In September 2016 the Nutrition Journal reported that consumption of a2 Milk™ increases natural production of the body’s key antioxidant, Glutathione (GSH) in self diagnosed milk-intolerant Chinese consumers
  – GSH is widely recognised for its association with a range of health benefits
FY18 update
FY18 regional performance

**ANZ**
- a2 Milk™ fresh milk performing well, pleasing 1Q18 \(^2\) growth on pcp
- a2 Platinum® infant formula continues to be significant contributor
- Successful launch of a2 Platinum® Stage 4, strong consumer take-up
- Strong growth in a2 Milk™ branded milk powders (skim, whole milk)
- The Australian Federal Court action remains in progress; a2MC remains confident of achieving a successful outcome. The scheduled hearing date has been vacated from November 2017 until the New Year with a date to be determined

**USA**
- Continuing distribution build in core regions and natural channel
- Rate of sale build in Publix and other key retailers 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 new product opportunities for this market

**China and other Asia**
- Building local team to support ongoing sales growth
- Remain focussed on distribution expansion through MBS \(^3\) (offline)
- Consumption share for a2 Platinum® infant formula brand continues to strengthen; ~4.1% Kantar value share up from ~3.5% \(^4\)
- China Food and Drug Administration (CFDA) registration achieved for China label infant formula
- Recent launch of Australian fresh milk into Singapore, first SEA initiative progressing well

**UK**
- Pleasing progress in rate of sale for fresh milk
- Continued growth in distribution footprint
- 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

---

\(^1\) 4-month FY18 (4M18) update to be provided at the Company’s Annual Meeting, 21 November 2017
\(^2\) 1st Quarter FY18
\(^3\) Mother Baby Store (MBS)
\(^4\) Kantar Infant Formula market tracking of China Key and A cities for latest quarter ending 08/09/17, up from 3.5% quarter ended 30/06/17 (Kantar track a substantial proportion of the total market)
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

\(^1\) CFDA: China Food and Drug Administration
Momentum has continued to build in the US since launch

a2 Milk™ brand launches in the US, initially Southern California, in customers including Sprouts & Whole Foods

Launch into King Soopers (Denver), Fred Meyer, Meijer and Safeway Norcal

Dairy supply agreement with second contract processor in the Los Angeles basin agreed

Significant PR hits (LA Times, KTLA TV, New Nutrition Journal); launch of ‘Feel Good’ digital campaign

South East launch in Publix supported by new multi-media ‘Love Milk Again’ campaign from April

Ranging in Whole Foods Rocky Mountains and Southwest; Significant PR hits in Wall Street Journal and Washington Post

Distribution growth into The Fresh Market & Ralph’s and also Whole Foods Mid-Atlantic

Blake Waltrip appointed US Chief Executive

Target and Whole Foods South ranging

a2 Milk™ Chocolate variant launched

Distribution begins in Whole Foods Northeast & Southeast regions

Distribution through Harris Teeter (Carolinas) and Winn Dixie (Florida)
Public relations coverage USA

(https://www.cbsnews.com/videos/a2-milk-draws-consumer-praise-dairy-industry-skepticism/)
Appendix
# 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>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)** | 394.0 | 214.4 | 83.8%

---

<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.