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19 August 2024
NZX/ASX Market Release

FY24 Results Commentary and Outlook

Group financial performance[1,2,3]

The a2 Milk Company ("the Company", "a2MC") announces its financial results for the 12 months ended 30 June 2024. Key results are as follows:

	FY24 ($m)	FY23 ($m)	Variance (%)
Revenue	1,675.5	1,592.9	5.2%
EBITDA[4]	234.3	219.3	6.9%
Net profit after tax *- Attributable to owners of the Company*	167.6	155.6	7.7%
Basic earnings per share (cents)	23.2	21.2	9.2%
Net cash[5]	968.9	757.2	28.0%

Revenue was up 5.2% to $1,675.5 million, driven by continued growth in the China & Other Asia segment up 14.1%, partially offset by a 14.6% decrease in the ANZ segment mainly due to a change in distribution strategy (with English label infant milk formula (IMF) sales shifting to the China & Other Asia segment). USA segment revenue increased 8.2% and MVM decreased 11.0%.

Total IMF sales grew 4.6% with China label up 9.5%. English label IMF sales were down 0.3%, growing 6.9% in 2H24 versus 2H23. Liquid milk sales grew 4.8%, with ANZ up 3.3% and USA up 7.4%. Other nutritional sales, which consist of non-IMF powdered milk products and China & Other Asia liquid milk products, grew 36.7%, and ingredients (MVM) decreased 11.0%.

Gross margin percentage[6] of 45.8% was 0.6ppts lower than FY23, primarily due to higher input costs associated with the upgraded China label product, *a2 至初®*, and the impact of MVM's coal-boiler accelerated depreciation, partially offset by margin improvement initiatives. Excluding the MVM boiler depreciation impact of $10 million, gross margin as a percentage of net sales revenue was broadly similar to prior year.

Distribution costs were slightly lower, with higher costs associated with China label IMF product transition offset by an improvement in USA freight rates and increased focus on customer cost to serve.

Marketing investment increased 7.6% to $280.1 million (16.7% of net sales revenue) and supported the launch and transition of the upgraded GB registered China label IMF product, *a2 至初®*. Administrative and other expenses (SG&A) increased 3.3% to $236.2 million primarily due to capability and other investment, particularly in China and supply chain. This was partially offset by lower LTI expenses and reduced FX hedge losses. SG&A as a percentage of net sales revenue reduced from 14.4% in FY23 to 14.1% in FY24.

EBITDA increased 6.9% to $234.3 million, with EBITDA margin increasing to 14.0% (up 0.2ppts). Depreciation and amortisation increased to $32.2 million due to the accelerated depreciation of the MVM coal-fired boiler following the successful commissioning of a high-pressure electrode boiler. Net finance income increased to $35.9 million reflecting higher cash balances and increased market interest rates. NPAT including amounts attributable to non-controlling interests was $153.9 million, an increase of 6.2%. Amounts attributable to non-controlling interests, a loss of $13.7 million, represent China Animal Husbandry Group's 25% interest in MVM. Excluding this loss, NPAT attributable to owners of the Company was $167.6 million, up 7.7%.

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[1] All references to full year (FY), halves (H) and quarters (Q) relate to the Company's financial year, ending 30 June.
[2] All figures are in New Zealand Dollars (NZ$), unless otherwise stated.
[3] All comparisons are with the 12 months ended 30 June 2023 (FY23), unless otherwise stated.
[4] EBITDA is a non-GAAP measure and does not have a standardised meaning prescribed by GAAP. However, the Company believes that in combination with GAAP measures, it assists in providing investors with a comprehensive understanding of the underlying operational performance of the business. A reconciliation of EBITDA to net profit after tax is shown in the Company's FY24 Investor Presentation (slide 59) dated 19 August 2024.
[5] Including term deposits and borrowings, excluding subordinated non-current shareholder loans.
[6] Gross margin percentage is calculated as sales less cost of goods sold, divided by sales.

The balance sheet further strengthened during the year with closing net cash of $968.9 million, up $211.7 million on prior year. Inventory of $179.6 million was down 7.1% on prior year, largely due to a reduction in English label inventory levels driven by late inventory receipts in the prior year and lower China label and English label early stage inventory due to 2H24 sales performance.

Excluding interest and tax, operating cash inflow was $294.5 million, representing operational cash conversion of 125.7%[7], up 67.5ppts on prior year. FY23 was impacted by higher payments due to catch-up payments delayed from FY22 into 1H23 due to COVID-19 related disruptions (outside of the Company's control) and the earlier timing of payments for China label IMF products impacted by the GB registration transition.

China market update[8]

The number of newborns in China declined 5.6% in CY23 to 9.0 million[9] reflecting an improvement in trajectory over the past several years with a positive outlook for CY24, but with longer term decline expected due to socio-demographic trends.

The China IMF market declined 8.6% in volume and 10.7% in value in FY24. The decline in Key&A cities exceeded BCD cities, with Key&A market value decreasing 11.9% and BCD market value decreasing 9.4%. The market decline reflected the cumulative impact of fewer newborns, increased competitive intensity and challenging macroeconomic conditions.

China label IMF market value declined 12.5% with the mother and baby stores (MBS) channel down 16.1%[10] and domestic online (DOL) channel down 12.2%[11]. Across China label channels, there was significant pricing pressure impacted by the combination of volume pressure resulting from fewer newborns, the market-wide transition to new GB registered products with clearance of old GB registered products, and challenging macroeconomic conditions.

Following several years of significant declines, the English label IMF market outperformed the overall market with value up 3.8%. A proportion of consumers switched from China label product to English label product, and the English label market recovered value share to 17.2% of the overall China IMF market, up from 15.3% in FY23. English label channel mix continued to shift – the Daigou channel experienced a further significant decline of 14.3%, while the offline-to-online (O2O) channel grew by 5.5% and cross-border e-commerce (CBEC) experienced significant growth up 11.0%[12]. a2MC's distribution strategy is focused on continuing to expand share in the growing CBEC and O2O channels which account for approximately 69% of the English label market, including emerging channels such as Douyin/TikTok.

Market dynamics and the market-wide GB registration transition have led to increasing brand concentration within the China IMF market with all top-5 brands gaining market share and now representing over 54% of market value.

In the context of challenging macroeconomic and IMF market conditions, a2MC's growth in FY24 in China label IMF of 9.5% and total IMF of 4.6% reflected a strong performance overall.

Regional and product performance

1. China & Other Asia

Growth in the China & Other Asia segment was driven by continued strong execution of the Company's growth strategy and the well-executed China label IMF product launch and transition. Revenue of $1,143.1 million was up 14.1%, with EBITDA of $290.1 million up 14.2%. The combination of increased investment, high impact marketing campaigns and strong sales execution underpinned further improvements in key brand health metrics and market share during the year. This resulted in a2MC becoming a top-5 IMF brand in the overall China IMF market taking into account its combined share in both the China and English label markets. New highs in China brand health metrics were achieved with total a2MC IMF prompted brand awareness increasing from 63% to 66%, unprompted brand awareness increasing from 23% to 25%, top of mind brand awareness increasing from 9% to 12%, and trial and brand equity metrics increasing with the target audience[13].

China & Other Asia: China label IMF

China label IMF sales increased to $612.3 million, up 9.5%. The continued strong performance of China label IMF was underpinned by the careful execution and transition to the upgraded China label IMF product, *a2 至初®*. This was achieved despite the declining market and continued volatility. Consumer demand for *a2 至初®* remained strong with market value share improving both in-store and online, supported by the upgraded formulation and packaging.

To support the launch and transition of the upgraded *a2 至初®* product, marketing investment was increased with integrated campaigns across all sales channels and media including high impact advertising reinforced at point of sale. This was complemented by bespoke activities for key MBS accounts and impactful brand days with key DOL platforms.

7 Operating cash conversion defined as net cash flow from operating activities before interest and tax divided by EBITDA.
8 Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key&A + BCD cities); unless otherwise stated. Kantar had a major round of data updates in 2H24 which resulted in the restatement of historical data.
9 China National Bureau of Statistics.
10 Nielsen MBS retail measurement service: mother and baby stores only retail sales (by value). FY24 versus FY23.
11 Smart Path China IMF online market tracking: for DOL only retail sales (by value). FY24 versus FY23.
12 Smart Path China IMF online market tracking: for CBEC only retail sales (by value). FY24 versus FY23.
13 a2MC internal data based on the Company's brand health tracking undertaken by Ipsos. Average brand health metrics for each financial year based on 3 surveys in FY21 and FY22, 2 surveys in FY23, and 3 surveys in FY24. Sample skews to a2MC target consumers (ie higher income earners based in Provinces / cities that are the focus of sales and marketing activities).

MBS weighted distribution increased modestly as well as same store sales, driving share gains. Offline distribution increased to over 29,000 stores, with the growth largely occurring in 2H24 from increased expansion in BCD cities[14]. A significant number of store closures occurred in the market during the period reflecting challenging retail and IMF category conditions. Building share in national key accounts, increasing distribution in regional key accounts, targeting greater penetration of BCD cities, and testing new strategies for accelerated growth in prioritised provinces are key priorities.

Retail market value for the MBS channel was down 16.1%[15], reflecting the cumulative impact of fewer newborns, store closures and disruption driven by the market wide transition to new GB products and challenging macroeconomic conditions. a2MC's market value share in MBS increased to 3.5% compared with 3.3% at the end of June 2023.

Online growth for China label IMF was another highlight. While retail market value for the DOL channel was down 12.2%[16], a2MC's market value share in DOL increased to 3.9% compared with 3.3% in FY23. a2MC's share of early-stage product sales continued to increase as more users shift to online channels.

China & Other Asia: English label IMF[17]

The China & Other Asia segment continued to benefit from a2MC's strategic decision to focus on CBEC and O2O channels, investment in execution capability, and leading distributor partnerships. English label IMF sales in the China & Other Asia segment of $447.8 million were up 16.0%.

The Company is focused on CBEC growth and building digital marketing and e-commerce capability to further improve its execution which is having an impact, particularly on new user recruitment. While reported CBEC market share decreased from 22.6% to 20.5%[18], there was strong growth in retail sales of a2MC English label IMF through emerging CBEC channels such as Douyin/TikTok, which are not included in a2MC reported Smart Path market share data. Similar to DOL, a2MC's share of early-stage product sales increased significantly in CBEC.

Another key focus for English label distribution has been the development of the O2O channel. a2MC has further improved its distribution footprint and share in O2O key accounts, 'long-tail' O2O and 'POP' accounts, continuing its partnership with Yuou, one of the leading O2O distributors in China.

The distribution model was further refined in FY24 including the increased utilisation of drop-shipping fulfilment models via Tier-1 distributors to service O2O stores and C2C networks. Trade inventory positions were reduced and service and fulfilment time for consumers was improved. In addition, shipments of *a2 Platinum®* IMF to Vietnam commenced in 2H24.

Overall, the Company's total English label market share in China increased to 20.2%[19].

China & Other Asia: Other nutritional products

Sales of other nutritional products in the China & Other Asia segment were up 46.4% to $82.9 million, benefitting from new products launched in FY23 and FY24, a new organisational structure put in place to focus on this important opportunity and improved execution. The strong performance in these categories, particularly in milk powder and UHT, was also supported by increased marketing investment through brand building campaigns, leveraging both the a2 brand's online and offline execution success.

2. Australia and New Zealand

The Australia and New Zealand (ANZ) segment result was driven by lower IMF sales to the Daigou channel due to a change in a2MC's EL IMF distribution strategy and a relatively strong prior corresponding period associated with the *a2 Platinum®* refresh. Overall, ANZ revenue of $317.3 million was down 14.6%, and EBITDA of $63.0 million was down 32.6%.

Australia and New Zealand: English label IMF and other nutritionals products

The Daigou channel market value was down 14.3% in FY24[20]. Whilst IMF reseller and retail sales decreased 39.4% to $98.5 million versus FY23, both sales and channel declines have stabilised more recently during the year. While English label IMF focus remains on the CBEC and O2O channels, support for the Daigou channel continued through consumer marketing campaigns and further enhanced reseller trade support programmes.

O2O and Daigou channel combined market value was down 10.0% with growth in the O2O channel partially offsetting Daigou channel decline. a2MC's market share in the O2O and Daigou channel slightly decreased to 19.7% in FY24 versus 20.3% in FY23[21].

To broaden its English label IMF portfolio, the Company progressed the development of English label IMF products with a new commercial IMF supply partner (Yashili NZ, a subsidiary of Mengniu). *a2 Gentle Gold™*, which is positioned below *a2 Platinum®*, was launched late in 2H24 in Australian retail channels and selected channels in China. a2MC is expecting to launch an additional English label product to be positioned above *a2 Platinum®* in FY25.

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[14] a2MC internal data tracking of stores with active sales in the past 6 months.
[15] Nielsen MBS retail measurement service: mother and baby stores only retail sales (by value). FY24 versus FY23. Nielsen had a round of panel enhancement in Jan-24 which led to the restatement of historical data.
[16] Smart Path China IMF online market tracking: for DOL only retail sales (by value). FY24 versus FY23.
[17] English label IMF includes sales via CBEC, Korea, Vietnam and Hong Kong Resellers.
[18] Smart Path China IMF online market tracking: for CBEC only retail sales (by value). FY24 versus FY23.
[19] Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key&A + BCD cities). 12-month rolling share for FY24.
[20] Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key&A + BCD cities) 12-month rolling share for FY24.
[21] Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key&A + BCD cities). 12-month rolling share. FY24 versus FY23.

Revenue for other nutritional products was up 13.5% to $26.8 million with the portfolio continuing to grow during the year, with the launch of two new fortified products (*a2™ Immune* and *a2™ Move*) during the second half.

Australia and New Zealand: Liquid milk

Australian liquid milk sales were up 3.3% to $190.2 million led by the contribution from *a2 Milk® Lactose Free*, partly offset by lower sales from the core milk range. This reflects a challenging consumer environment impacted by cost-of-living pressures, with a market shift from branded milk products to private label in the category overall which stabilised during 4Q24. Despite the challenging market conditions, a2MC's market value share of 11.5% grew 0.2ppts versus 1H24, supported by *a2 Milk® Lactose Free* which grew to 13.5% share[22] of the lactose free category. *a2 Milk®* (including *a2 Milk® Lactose Free*) is now the number one dairy milk brand nationally[23]. Growth in FY24 was supported by dedicated marketing activations to drive awareness and purchase.

An upgrade of the Smeaton Grange facility was completed and the upgrade of the Kyabram milk processing facility with Kyvalley Dairy Group is on track for completion during FY25.

3. USA

USA grew revenue by 8.2% to $113.7 million and significantly improved its landed margin (gross margin less distribution costs) resulting in an improved EBITDA loss of $15.5 million (FY23: $23.3 million loss).

The revenue increase was mainly driven by a reduction in promotional activity and supported by growth of the *a2 Milk®* Grassfed product. a2MC's market value share in the premium milk category for the Grocery channel was slightly down at 2.2% (FY23: 2.3%)[24].

a2MC commenced distribution of *a2 Platinum®* IMF during FY24 under the US Food and Drug Administration's (FDA) short-term Enforcement Discretion approval with selected retailers in-store and online including Amazon and Walmart. Sales recognised during the year were not material, with a focus on establishing the supply chain and trialling different sales and marketing approaches, whilst pursuing long-term FDA approval. a2MC's New Infant Formula Notification is on track to be filed during 1Q25, with long-term approval targeted to be achieved during FY26, subject to FDA approval.

The improved EBITDA loss was due to reduced promotional activity, improved input costs and distribution rates and reduced SG&A costs, partly offset by higher costs incurred with respect to pursuing long-term FDA approval.

Accelerating the path to profitability in the USA remains a priority. Whilst USA losses have significantly reduced, given the likely investment related to USA IMF, the timeframe to achieve profitability is now more likely to be by FY27, with the USA liquid milk business expected to achieve breakeven contribution margin in FY26.

4. Mataura Valley Milk

During FY24, the Company continued to execute against its supply chain transformation strategy, including developing nutritional manufacturing capability, increasing access to raw A1 protein free milk in Southland (including organic) and commencing the production and sale of *a2 Platinum® Stage 4* IMF base powder with a new commercial supply chain partner (New Zealand New Milk, a subsidiary of Lactalis).

Revenue of $101.4 million[25] and an EBITDA loss of $20.5 million were recorded for the period. The improved EBITDA loss position (FY23: $26.5 million) reflects an improved sales mix, with increased volume of higher-value products (including nutritional base powder), plus a continued cost and productivity focus across the site. The improved loss profile in 2H24 largely reflects higher nutritional and A1 protein free powder sales, plus the normal impact of the seasonal winter shutdown during the first half.

Accelerating MVM's path to profitability is also a key priority. Growth in A1 protein free milk supply, nutritional product mix and facility utilisation are key drivers of profitability. Whilst management is working on a range of initiatives to achieve breakeven by FY26, at this stage it is more likely that profitability will be achieved by FY27.

Innovation and supply chain transformation

The Company advanced several initiatives to ramp-up innovation and transform its supply chain during the year. Significant innovation milestones included the Company's upgraded GB registered China label IMF product, *a2 至初®*, as well as the launch of a new English label IMF product, *a2 Gentle Gold™*, into Australian retail channels and selected China channels, organic milk powder in a tub and new fortified milk powder products in 2H24 targeting adults and the growing seniors market. Alongside product innovation, the Company continued to invest in innovation and product development capability to unlock future opportunities.

The Company progressed its supply chain transformation strategy during FY24 through new commercial supply chain partnerships with New Zealand New Milk (subsidiary of Lactalis) and Yashili NZ (subsidiary of Mengniu), and produced new A1 protein free products in partnership with MVM, including nutritional base powders.

[22] IRI Australian Grocery Weighted Scan, share of Dairy Milk market, MAT period.
[23] IRI Australian Grocery Weighted Scan, dollar share, MAT to June 2024.
[24] SPINS data for the Grocery channel only for the 52 weeks ending 30 June 2024 and 30 June 2023.
[25] Revenue excluding intercompany sales.

As announced on 16 August 2024, the Company resolved the various disputes subject to arbitration with Synlait Milk Limited (Synlait) subject to Synlait completing its equity raise and the refinancing of its existing banking facilities. The Company also agreed to support and subscribe for shares under Synlait's equity raise on terms to be agreed, to be set out in Synlait's forthcoming notice of meeting. The resolution of the disputes will remove any arbitration uncertainty and the cancellation of Synlait's manufacturing and supply exclusivity rights[26] from 1 January 2025 will provide additional flexibility to a2MC to further enable its supply chain transformation strategy. The Company also expects to gain access to a potential additional China label registration slot at Synlait's Dunsandel facility to be developed by December 2029 subject to SAMR approval.

The Company is working on options to accelerate access to additional controlled China label IMF registrations to achieve greater China market access and to develop its own manufacturing capability consistent with its growth strategy.

Capital management

The Board is conscious of the significant amount of net cash held on the balance sheet at year end. Consistent with the Company's capital allocation framework, priority is being given to transforming and de-risking a2MC's supply chain to enable future growth focused on investment in New Zealand and China. Once the Company's supply chain transformation is further developed and other investment opportunities are considered, to the extent there is a capital surplus to achieving a2MC's priorities, the Board will make a disciplined assessment of the potential to return capital to shareholders and the most appropriate option to do so.

Sustainability

Significant progress was made in executing against the Company's sustainability goals with 100% of certified farms supplying raw A1 protein free milk to have an upgraded animal welfare programme and a farm environmental plan in place. The Company continued to invest in its *a2™ Farm Sustainability Fund* in New Zealand and Australia with high participation by farmer suppliers. Regarding sustainable packaging, the Company continued to collaborate with industry groups and progressed against its roadmap. However, more work is required to meet packaging targets which will be a focus in FY25.

From a climate perspective, the Company significantly reduced its Scope 1 and 2 GHG emissions by 45%[27]. This achievement was heavily supported by the successful commissioning of a high-pressure electrode boiler at MVM, along with the full electrification of the MVM site, powered by certified renewable energy[28]. The Company also made good progress against its target of net zero Scope 3 GHG emissions by 2040 by completing a methane inhibitor feasibility study in Australia and investing in AgriZero^NZ, a partnership between the New Zealand Government and major agribusiness companies to reduce on-farm biogenic methane and nitrous oxide emissions.

Medium-term ambition

In October 2021, as part of its refreshed growth strategy, a2MC defined its medium-term financial ambition (ie by FY26 or later) to grow revenue from $1.2 billion in FY21 to approximately $2 billion and to target EBITDA margins in the 'teens'.

The Company's execution of its growth strategy has been in line with its expectations, and it is well positioned to achieve future growth, despite the China IMF market having contracted significantly more than expected at the time it set its ambition.

The Company announced on 19 February 2024 as part of its FY24 Interim Results that whilst it remains possible for the Company to achieve its medium-term revenue ambition of approximately $2 billion by FY26 or later, at this stage it is likely to be achieved by FY27 or later. The Company continues to target EBITDA margins in the 'teens' with year-on-year improvement.

Since announcing its refreshed growth strategy in 2021, a2MC has gained significant share in the China IMF market and achieved strong growth in Group revenue and EBITDA of 38.8% and 89.9% respectively[29]. a2MC has grown its China label IMF sales by 57.1%[30] and stabilised its English label IMF sales, which were up 4.4%[31]. The Company has increased its share of the total China IMF market from 4.9% to 7.3%, becoming one of the most successful brands in China and in the top-5 overall[32].

a2MC has significantly transformed its IMF channel mix, continuing to focus on CBEC and O2O channels and away from the Daigou channel. As a result, the China label, CBEC and O2O channels represented approximately 90% of the Company's IMF sales in FY24 compared to approximately 60% in FY21. The Company has also grown sales in the other nutritional products category by 86.1%[33] and its combined liquid milk business in ANZ and USA by 30.3%[34].

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[26] In respect of Stages 1-3 of a2MC's current IMF products (being *a2 Platinum®* and *a2 至初®*) for sale by a2MC in the markets of China, Australia and New Zealand.
[27] Using market based calculation for Scope 2.
[28] MVM purchases Meridian's Certified Renewable Energy production values product to enable it to exclusively match the amount of electricity it uses on an annual basis with an equivalent amount of electricity put into the national grid from one of Meridian's hydro stations or wind farms (which have been independently verified as producing 100% renewable electricity). Actual electricity received on location is from mixed sources.
[29] a2MC Group sales and EBITDA FY21 versus FY24.
[30] a2MC sales of China label FY21 versus FY24.
[31] a2MC sales of English label FY21 versus FY24.
[32] Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key&A + BCD cities). China and English labels combined. MAT to June 2021 versus MAT to June 2024.
[33] a2MC sales of other nutritionals FY21 versus FY24. Other nutritionals consists of non-IMF powdered milk products and China & Other Asia liquid milk.
[34] a2MC sales of liquid milk in ANZ and USA FY21 versus FY24.

Delivery of a2MC's medium-term financial and non-financial ambition remains underpinned by the successful execution of its strategy which is comprised of five key strategic priorities:

1. Investing in people and planet leadership – particularly in relation to its capability and sustainability objectives
2. Capturing the full potential in China IMF – including expansion into lower tier cities and online channels
3. Ramping-up product innovation – including portfolio expansion in English label IMF, China label IMF and other nutritionals for kids, adults and seniors, as well as leveraging the portfolio into new markets
4. Transforming its supply chain – particularly accessing additional China label IMF registrations and developing its nutritional manufacturing capability through MVM and other commercial and acquisition opportunities primarily in New Zealand and China over time
5. Accelerating the path to profitability for the USA and MVM businesses

FY25 Outlook

China IMF market conditions remain challenging and the Company expects a further market value decline in FY25.

At this stage, the Company is expecting mid single-digit revenue growth in FY25 versus FY24, with growth affected by IMF supply constraints which are expected to be resolved in 1H25.

FY25 gross margin (% of sales) is expected to be broadly similar to FY24, with 1H25 down (impacted by airfreight) and 2H25 up compared to prior year.

An increase in brand investment is planned for FY25 with a similar reinvestment rate (% of sales), and Administrative & Other expenses are expected to be similar to down compared to FY24 (% of sales).

The Company expects EBITDA margin (% of revenue) to be broadly similar to FY24, with 1H25 down and 2H25 up compared with prior year.

Operational cash conversion is expected to be less than 100% impacted by the settlement of Synlait FY24 payments withheld in accordance with contractual arrangements and a reduction in purchase order deposit payment terms going forward.

Capital expenditure is expected to be approximately $20 million.

Key risks

In addition to the challenges noted above and trading upsides and downsides, other risks include, but are not limited to, challenging macroeconomic conditions, China IMF category dynamics and competitive intensity, further supply related risks, cross border trade, foreign exchange movements, changes in interest rates, farmgate milk pricing and other commodity prices, and changes in the regulatory environment. These challenges and risks could materially impact expected revenue and earnings outcomes. For more information on key risks refer to the Risks and Opportunities section of the Annual Report.

Authorised for release by the Board of Directors

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