



UBS AUSTRALASIA CONFERENCE

GEOFFREY BABIDGE
MD & CEO

8 NOVEMBER 2016

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COMPANY OVERVIEW



**As the
A2 protein pioneers,
we are single-mindedly
determined to help
people enjoy
a healthier life.**

Our consumers tell us we are making a difference to their lives

Liz (Australia)

"Members of my family have all had problems with milk. We switched to a2 Milk™ about a year ago and the issues disappeared. The big bonus is that we are also supporting our dairy farmers!"



Siobhan (Australia)

"I wish this had been around with my first born. It has been amazing for my son who had an upset tummy on 3 other brands we tried first then within 5 days on a2 he was the happiest baby, no constipation, no wind, a different kid. Hands down the best."

Andrew (UK)

"a2 Milk™ has allowed myself and 8 year old son to enjoy milk again without suffering from the issues we had from standard milk."



Beverly (USA)

"This milk has been a game changer for our family. We can start eating our favorite foods again."



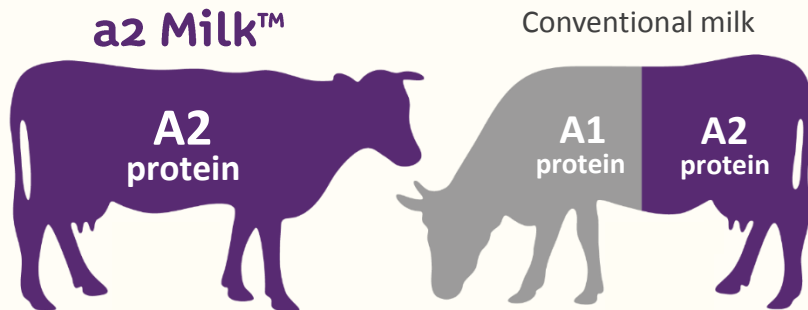
Kristin (USA)

"This stuff changed my life."



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 protein and A2 protein found in conventional cows’ milk products
- Uniquely focused on building a branded, high margin and differentiated business supported by an integrated IP portfolio



Key metrics

	AU\$ million ¹	NZ\$ million
Market Capitalisation²	~1,285	~1,340
EPS³ (cents per share)	4.22 c	4.43 c
FY16 Revenue	336.0	352.8
FY16 EBITDA	52.0	54.6
FY16 NPAT	29.0	30.4

¹ AU\$ metrics converted at 4 November 2016 (AU\$/NZ\$ = 1.05)

² Based on share price of AU\$1.80/NZ\$1.85 as at 4 November 2016 (quoted securities only)

³ Basic Earnings Per Share



What is the a2 Milk™ brand difference?

- The a2 Milk™ brand is a naturally occurring cows' milk and not a product of a technological process or genetic engineering
- a2MC have accumulated significant proprietary know-how and quality processes to ensure a2MC products are A1 protein-free



The a2 Milk Company proposition



- 1 Single-minded company focus on A1 protein-free products (pioneers and experts)



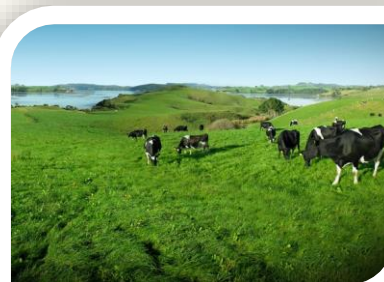
- 2 Compelling and growing scientific evidence



- 3 Integrated IP portfolio and proprietary know-how



- 4 Unique and effective marketing approach



- 5 Clean and green Australia and New Zealand sourcing profile (strength in Asia)



- 6 Capital-light investment model coupled with strong long-term supply partners

Expanding portfolio within targeted regions

USA



UK



China



Australia and NZ



The
a2 Milk
Company

A history of significant growth and continual transformation

2000-2007

**IP Company
licensing
knowledge
to others**

2007-2012

**Branded dairy
company
challenging
the dairy
industry**

2012-2015

**Dairy company
that also makes
infant formula**

2016 onwards

**Dairy nutrition
company
profitably
making a
difference to
people's lives**

**Revenue
NZ\$**

**FY07
\$7.6m**

**FY12
\$64.1m**

**FY15
\$155.1m**

**FY16
\$352.8m**

The
a2 Milk
Company



FY16 RESULT HIGHLIGHTS

Financial summary

NZ\$ million	FY16	FY15	% change
Revenue	352.8	155.1	+127.4%
Gross margin	151.0	54.4	+177.5%
Sales & distribution	(19.0)	(14.8)	+27.9%
Marketing	(33.0)	(10.3)	+221.8%
Employee costs	(19.1)	(11.3)	+70.0%
Admin & business dev	(25.3)	(13.2)	+91.0%
EBITDA before non-recurring items	54.6	4.8 ¹	+1,035%
EBITDA	54.6	3.1	+1,644%
EBIT	51.8	1.2	+4,217%
NPAT	30.4	(2.1)	NM
Cash on hand	69.4	6.1	+1,039%

NM = not meaningful

- Revenue growth of 127.4% on pcg
- EBITDA growth before non-recurring items of \$49.8m on pcg
- Gross margin reflects change in product mix, with infant formula now the largest component of Group sales
- Increased investment in marketing and brand development to 9.4% of net revenue - reflects targeted increased spend in ANZ, China and USA
- Increases to administration and business development reflects additional costs to support expansion into USA and growth in China, research & development and business growth
- Cash on hand reflects equity raised through private placement and share purchase plan in 1st half combined with strong positive operating cash flow in the 2nd half
- FY16 effective tax rate of 41.8% largely driven by international tax losses not tax effected. Expected to reduce over time as earnings improve in US business

¹Non-recurring items represent ASX listing costs of \$1.7 million in FY15

Geographic financial performance

NZ\$ million	FY16		FY15		Movement %	
Operating Segment	Segment Revenue	Operating EBITDA ¹	Segment Revenue	Operating EBITDA ¹	Segment Revenue	Operating EBITDA ¹
Australia & New Zealand (ANZ)	296.3	84.7	149.1	30.0	99%	182%
China & other Asia	38.2	9.2	4.1	(3.1)	832%	(397%)
Corporate and other	-	(18.8)	-	(10.0) ²	N/A	88%
Total excluding USA & UK	334.5	75.1	153.2	16.9	118%	344%
USA & UK	18.3	(20.5)	1.9	(12.1)	863%	69%
Total Group	352.8	54.6	155.1	4.8	127%	1,035%

Infant formula (included in Group total)	214.4
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41.7

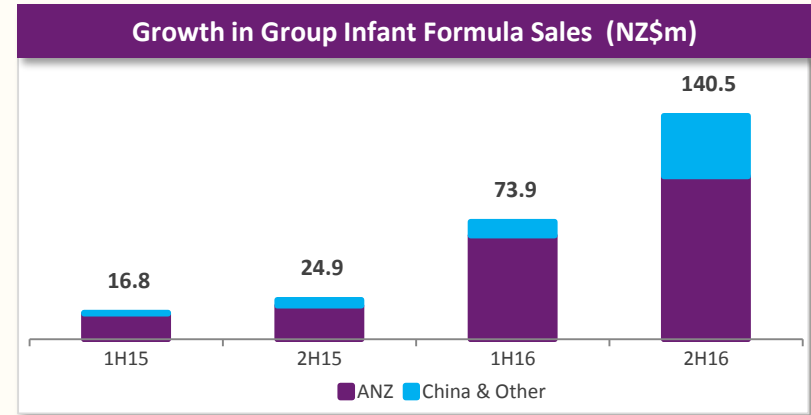
414%

¹Operating EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation, before non-recurring items and intercompany charges

²Before non-recurring items in FY15 of \$1.7 million relating to ASX listing costs

a2 Platinum® infant formula, a significant product platform in our business

- Group revenue for infant formula was NZ\$214.4 million, compared to NZ\$41.7 million for FY15
- Infant formula accounted for 61% of group revenue, up from 27% on pcp
- Growing success of a2 Platinum® in China is based on the well established reputation of a2 Milk™ brand in Australia
 - Direct sales into China increased significantly in cross border e-commerce channels (ANZ label) and mother baby retail stores (China label)
- a2 Platinum® has a unique and compelling consumer proposition as the only infant formula that exclusively contains the A2 beta casein protein type
- New a2MC and Synlait Milk supply agreement
 - Strengthens the business relationship by providing certainty around medium term growth plans
 - Flexibility to support new product and market opportunities
 - Minimum term of five years
- Milk supply in Canterbury region in NZ increased to ~200 million litres p.a. from Q1 FY17



Segment performance

- **ANZ**

- Stand out performance for the ANZ business, in particular growth of a2 Platinum® in grocery and pharmacy which represented over 300% growth on pcp
- Stock shortages of infant formula in first half FY16 remedied with improved inventory cover by year end
- a2 Milk™ branded fresh milk revenue grew 4% on pcp, with stronger growth in second half
- Nutritional portfolio expanded with whole milk powder to capture increasing demand for fortified products

- **China**

- Strong sales growth delivered a positive full year Operating EBITDA for the first time
- Developing multi product, multi channel strategy: China and English label infant formula and milk (liquid and powder)
- Sales and distribution platforms expanded (Mother Baby stores, e-commerce channels)
- Successful participation in annual sales events, e.g. November “11/11 Singles Day” and Chinese new year
- Chinese Government announced regulatory changes: taxation changes, positive list, formula registration
- Planning commenced with Synlait Milk for formula registration application to CFDA (implementation January 2018)



Segment performance

- **USA**

- Launched a2 Milk™ brand into California from April 2015, now extended to Pacific North West and Colorado
- Sales behind original plan given slower distribution build, well positioned to move forward
- Distribution achieved in Safeway in Northern California from March 2016, Trader Joes and Target from July 2016
- Well supported by foundation processor Byrne Dairy (East coast), a second West coast processor recently appointed
- New USA Chief Executive, Blake Waltrip, appointed after retirement of prior Chief Executive due to health issues
- Revised plan assumes total investment of ~US\$20-25 million over the next 2 to 3 years to achieve positive monthly EBITDA

- **UK**

- Business achieved positive Operating EBITDA for Q4 FY16, ahead of plan, anticipating positive Operating EBITDA for FY17
- Migrating from fresh milk focus to a portfolio strategy also encompassing long life milk and infant formula
- a2 Platinum® infant formula introduced to the wholesale market, long life milk launched
- Sales of a2 Milk™ fresh milk showing increased rates of sale, particularly in Q4 and into FY17



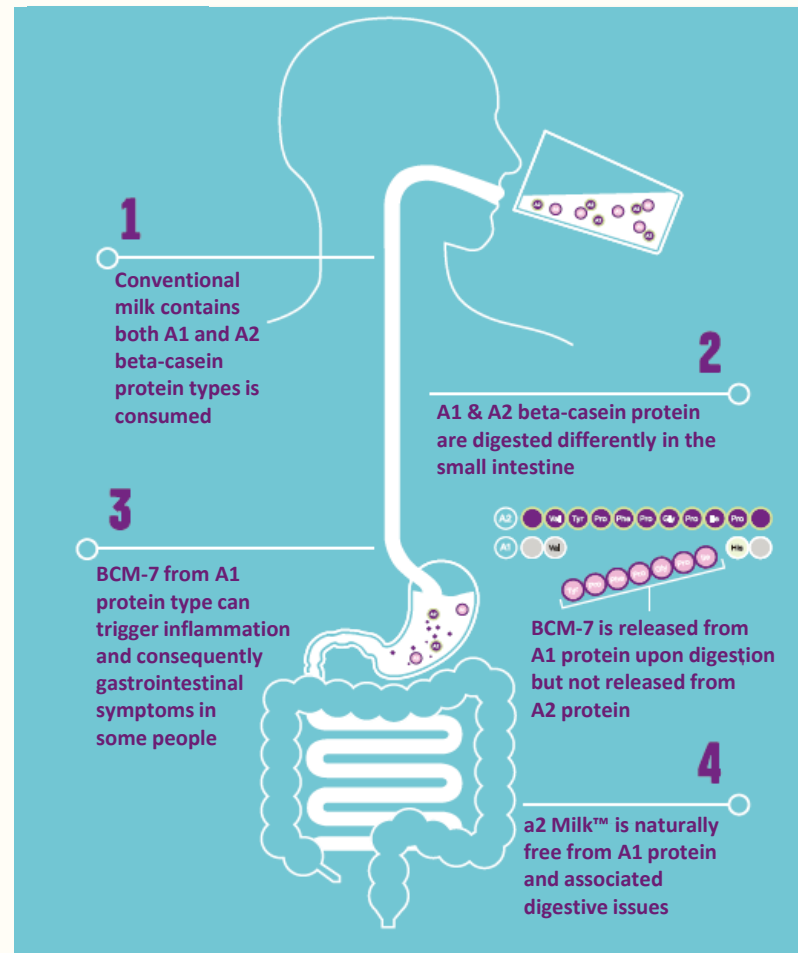


SCIENCE UPDATE



The difference occurs upon digestion

- Studies highlight there are potential benefits of a2 Milk™ due to the complete exclusion of A1 protein type
 - Conventional milk is a combination of A1 and A2 protein types
- The A1 and A2 proteins are different in structure and hence break down differently upon digestion
 - Scientific understanding of the impact of these differences has grown over the years
- Animal and human studies have shown that the A1 protein uniquely releases a fragment called BCM-7 upon digestion, demonstrated to interact with digestive function
 - A2 protein does not release this fragment
- Human research reports consumption of A1 protein can trigger inflammation and delay gut transit time in human gut cells and tissue, leading to symptoms of digestive issues



Recent developments in the science

- **The science continues to develop with published research over last two years demonstrating:**
 - A1 beta casein protein can trigger inflammation of the gut, leading to digestive discomfort; does not occur with A2 protein (China clinical trial)
 - The cellular mechanism underpinning the digestive benefit of a2 Milk™ vs. conventional milk, is shared with gluten
 - Protein fragments uniquely derived from the A1 protein can interfere with human neural stem cell growth and development
- **New studies across China, USA, UK and ANZ with a focus on human research**
 - Large sample size clinical study in China (n=600) builds upon digestive benefit findings from successful China study
 - Further clinical trials in China to assess the benefits of A2 beta casein protein amongst pre-schoolers and infants
 - A human clinical study in association with Monash University Australia examining the benefits of a2 Milk™ on irritable bowel syndrome
 - Clinical examination of benefits to gut and systemic inflammation at leading USA Pennington Biomedical Research Centre
 - NZ government grant to undertake research to support benefit claims in international markets
- **New scientific publication shows antioxidant levels are boosted with a2 Milk™**
 - UK based Nutrition Journal¹ (October 2016) reports the consumption of a2 Milk™ increases the natural production of the body's key antioxidant – glutathione (or GSH), widely recognised for its association with a range of health benefits
 - This recent study demonstrated that a2 Milk™ consumption significantly increased GSH levels in the blood compared to conventional milk

¹ <http://nutritionj.biomedcentral.com/articles/10.1186/s12937-016-0201-x>

² Hailed as 'mother of all antioxidants' by Dr Mark Hyman, Medical Director at Cleveland Clinic's Centre for Functional Medicine
http://www.huffingtonpost.com.au/entry/glutathione-the-mother-of_b_530494





FY17 Q1 UPDATE

FY17 Quarter 1 update

- **Total Group**

- Revenue for first 3 months consistent with Company expectations at NZ\$112.5 million, reflecting continued growth in infant formula and milk products

- **ANZ**

- Fresh milk performing well with solid growth (~7%) on pcp, in line with plan
- Continued and consistent growth in consumer demand for a2 Platinum® infant formula, in contrast to expectations of volatility in certain research reports
- Remaining flexible to meet changing distribution trends with growing proportion of demand now from Pharmacy/Daigou/Trader
- Close and effective management of infant formula production to meet sales forecasts and inventory targets
- Following significant consumer feedback, a2MC is pursuing the Lion Group in the Federal Court over what it believes are misleading and deceptive packaging and advertising claims
- Lion has initiated a cross claim challenging the way a2MC promote a2 Milk™; the onus is on Lion to prove that there is insufficient evidence in the science around the A2 protein proposition
- The scientific evidence in support of the benefits of a2 Milk™ continues to strengthen and a2MC is confident in its position
- The case is scheduled to be heard in November 2017



FY17 Quarter 1 update (cont.)

- **China**

- Demand growth in direct and cross border e-commerce (CBEC) trade, reflects increasing awareness in China of the a2 Platinum® and a2 Milk™ brands supported by in-country marketing strategy
- Strengthening Shanghai based management team with priority in marketing, sales and e-commerce
- Company well placed to participate in “11/11” Singles Day (November) with improved stock levels and strong interest from retailers
- Engaged a leading China-based consultancy to further assist building market intelligence and medium term scenario planning. Objectives include:
 - Improved understanding of the addressable market, including activities of competitors
 - Refining product, pricing and route-to-market strategies
 - Potential impact of known and anticipated regulatory changes

- **China CFDA infant formula registration process developing satisfactorily**

- Registration applies to the CBEC and traditional import channels, excludes direct mail and postage routes
- Process includes application dossier and on-site audit, focusing on R&D (including formulation assessment) and testing capabilities
- a2MC and Synlait Milk well progressed with documentation, awaiting final guidelines for submission from CFDA
- Registration required by 1 January 2018



FY17 Quarter 1 update (cont.)

- **USA**

- Improving rates of sale in key accounts: Whole Foods Northern California, Ralph's and Sprouts
- Strong build in new accounts: Target and Trader Joes in California
- Earned media activity building: LA Times, Fox News (California), Fox 5 (San Diego), New Nutrition journal, and Forbes leading to rising brand awareness (<https://a2milk.com/our-story/press-room/a2-milk-featured-news/>)
- Supply from West Coast processor now in place
- Pennington Biomedical Research Centre clinical study recruitment well advanced

- **UK**

- Encouraging growth in rate of sale in fresh milk with sales up >50% on pcg
- Re-calibration of product lines in some key accounts to align to consumer preferencing for semi-skimmed
- 'a2tonishing' marketing campaign continuing with positive momentum
- UHT and infant formula in line with plan

- **Other**

- a2MC continues to explore milk, infant and broader nutritional product opportunities in new and existing markets





SUMMARY



Summary

- The Group continues to experience demand growth for a2 Platinum® infant formula
- The business is benefiting from increased brand awareness and growth in market share in China
- Investment in brand continues across the Group to support business growth
- Remaining agile in response to changing circumstances, essential to long-term success
- Revenue for Q1 FY17 in line with plan



The
a2 Milk
Company

www.thea2milkcompany.com



APPENDIX



Brief company history

2000-2007 IP Company licensing knowledge to others

Company founded by scientist Dr. Corran McLachlan and business partner Howard Patterson

Listed on NZX Alternative Market

Licences granted in ANZ, Asia and USA

2007-2012 Branded dairy company challenging the dairy industry

G Babidge appointed MD & CEO

Licences repurchased, strategy focuses on branded dairy company

a2 Milk™ brand builds significant momentum and scale in Australia

Listed on NZX Main Board

Launched a2 Milk™ into the UK fresh milk market

2012-2015 Branded dairy company that also makes infant formula

a2 Platinum® infant formula launched in China, Australia and NZ

First human digestion trial published reporting digestive difference between A1 and A2 protein¹

Listed on the ASX

Launched a2 Milk™ liquid milk into the USA

Today (2016) Dairy nutrition company profitably making a difference to people's lives

a2 Platinum® infant formula accounts for 61% of Group turnover

Admission to S&P/ASX 200 Index

Scientific evidence strengthens with China clinical trial further supporting potential benefits of A1 protein-free products²

New agreement with Synlait Milk announced

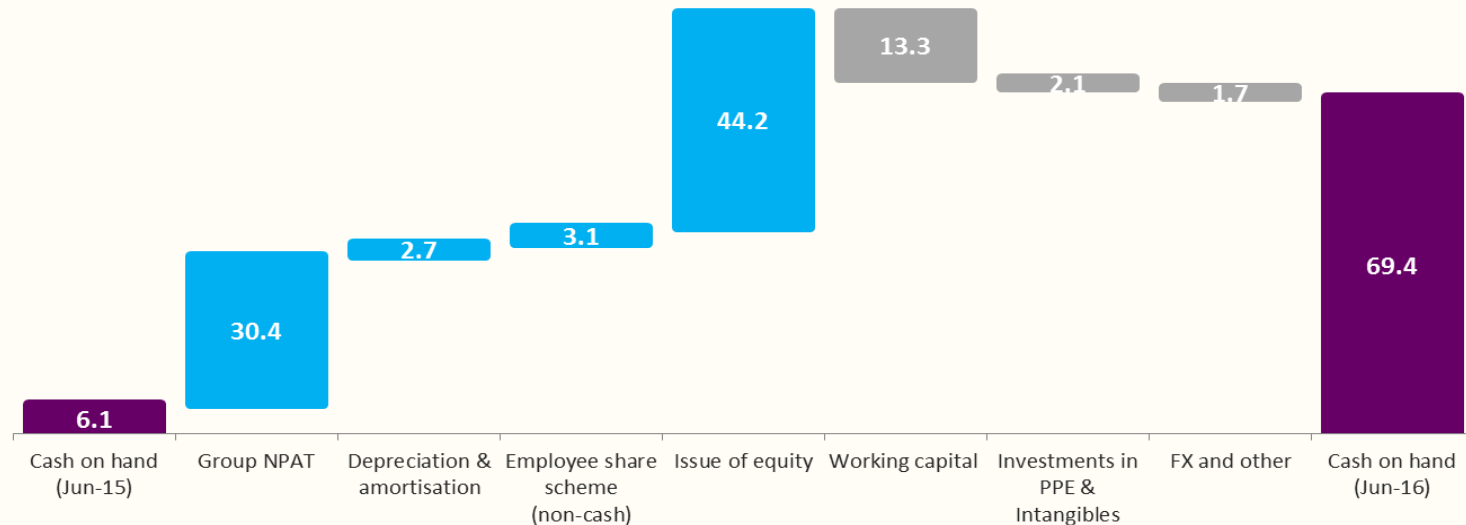
New strategic direction as a branded dairy nutritional business

¹Published in European Journal of Clinical Nutrition

²Published in UK Nutrition Journal

Cash position

Group Cash Movement: FY16 (NZ\$ million)



- Significant improvement in net operating cash flow, increasing to \$21.5m, up from (\$8.1m) in pcp
- Issue of equity comprises net funds from FY16 capital raising of \$40.8m and amounts paid up on partly paid shares of \$3.4m
- Working capital movement reflects an increase in inventories and prepayments relating to infant formula
- FX and other includes losses on foreign currency cash holdings due to strengthening of NZD through the period

Reconciliation of non GAAP measures

NZ\$ million	FY16	FY15
ANZ Segment EBITDA	84.7	30.0
China & other Asia Segment EBITDA	9.2	(3.1)
USA & UK Segment EBITDA	(20.5)	(12.1)
Corporate & other Segment EBITDA	(18.8)	(11.7)
EBITDA ¹	54.6	3.1
EBITDA before non-recurring items	54.6	4.8
Depreciation/Amortisation	(2.8)	(1.9)
EBIT ¹ before non-recurring items	51.8	2.9
Non-recurring items ²	-	(1.7)
Net interest income	0.5	0.1
Income tax expense/income	(21.9)	(3.4)
Net Profit/(Loss) for the Period	30.4	(2.1)

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

²Non-recurring items represent ASX listing costs of \$1.7 million in FY15

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