The a2 Milk Company™

FY16 Full Year Results
Geoffrey Babidge

August 24 2016

Agenda

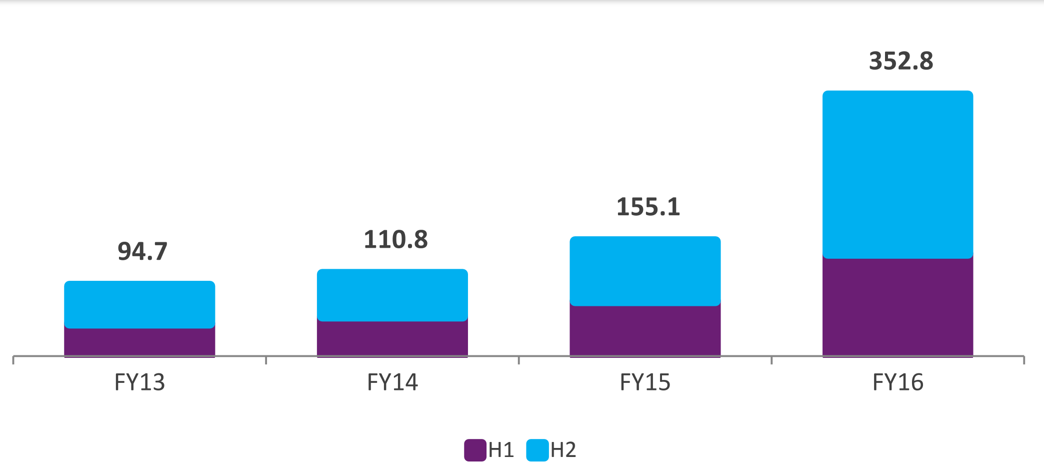
- Results highlights
- Financial overview
- Group infant formula highlights
- Regional performance
- Intellectual property and research & development
- Strategy update

“The 2016 year brought significant progress in our evolution from a branded dairy products company to one increasingly focused on a broader nutritional platform.”

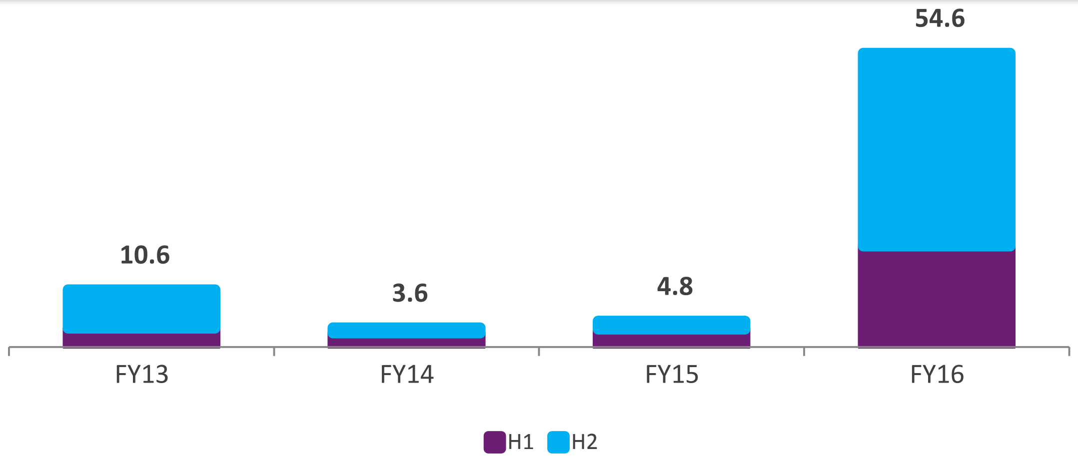
Geoffrey Babidge
Managing Director & CEO – The a2 Milk Company Limited

The year in charts

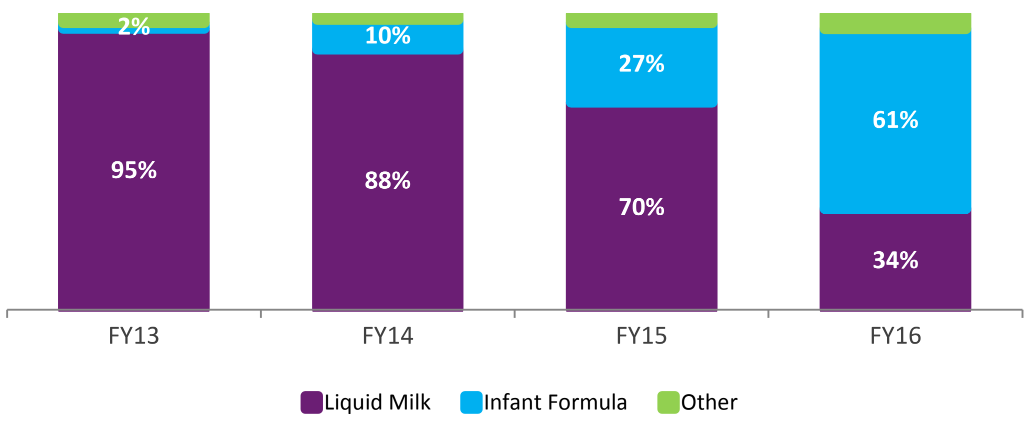
Group Revenue (NZ$ million)



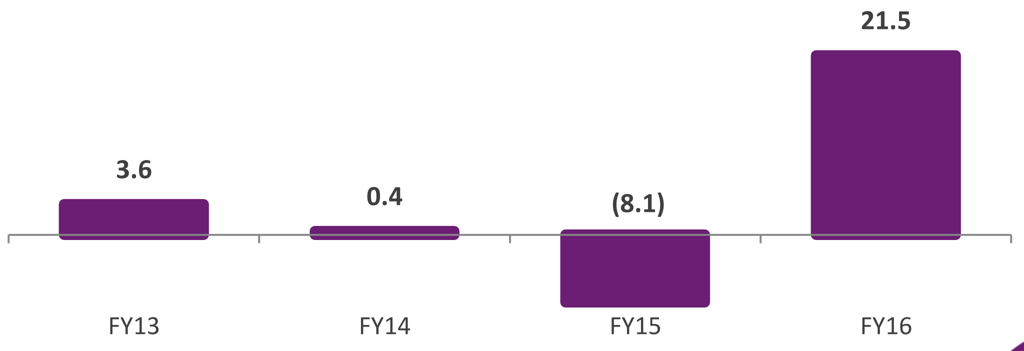
Group EBITDA[1] (NZ$ million)



Portfolio Composition (% Group Revenue)



Net Operating Cash Flows (NZ$ million)



[1]*EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation, and is shown before non-recurring items*

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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

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

- Revenue growth of 127.4% on pcp
- EBITDA growth before non-recurring items of $49.8m on pcp
- 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 other costs associated with business growth
- Cash on hand reflects equity raised through private placement and share purchase plan combined with strong positive operating cash flow in the 2nd half

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**		**41.7**		**414%**	

NM = not meaningful

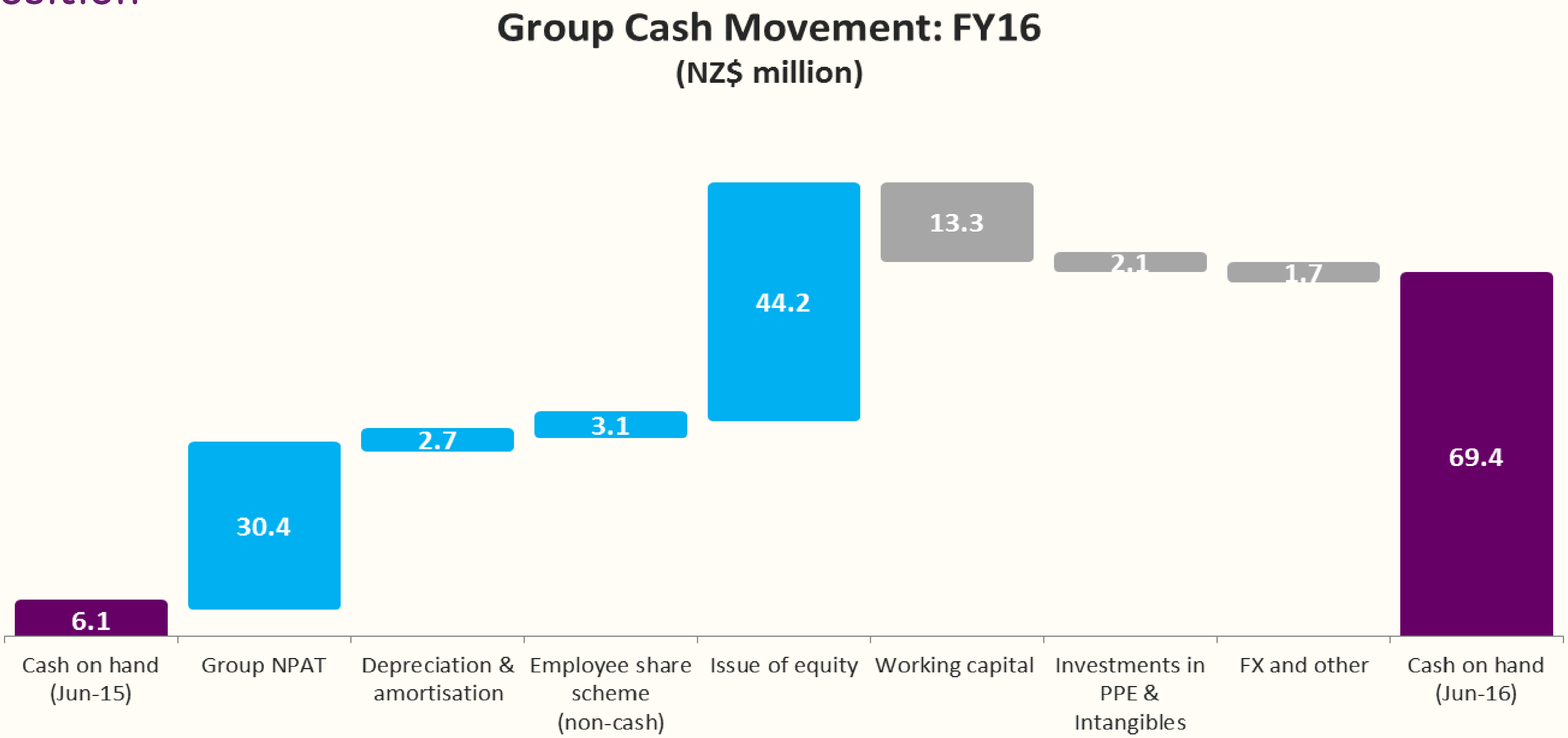
[1]Operating EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation, before non-recurring items and intercompany charges
[2]Before non-recurring items in FY15 of $1.7 million relating to ASX listing costs

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)

[1]EBITDA and EBIT are non GAAP measures, but the Company believes they provide investors with a comprehensive understanding of the underlying performance of the business
[2]Non-recurring items represent ASX listing costs of $1.7 million in FY15

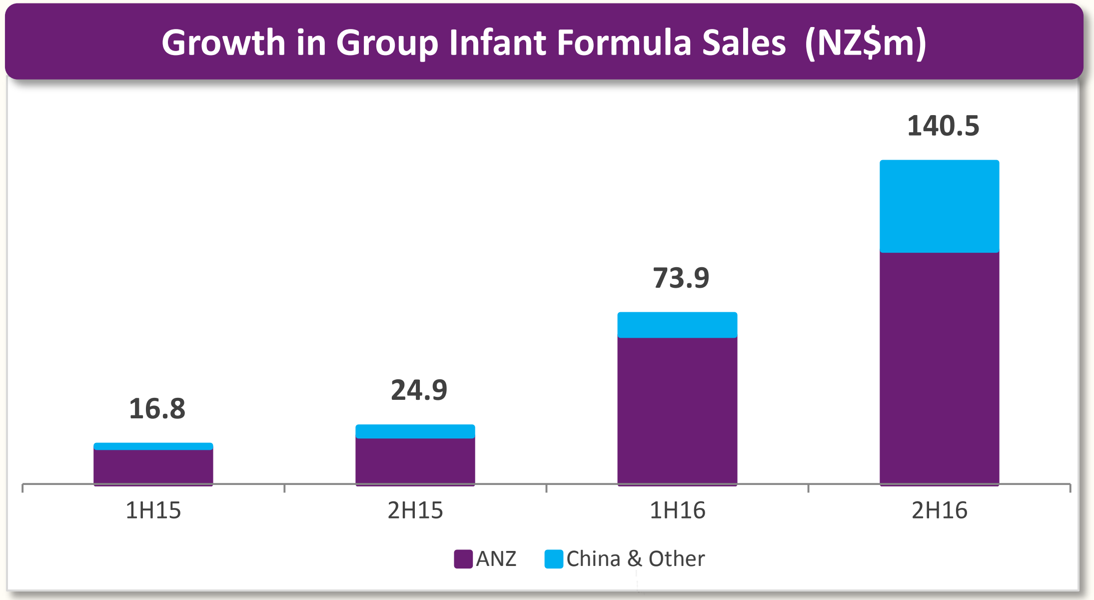
Cash position



- 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

a2 Platinum® infant formula is now a significant product platform within 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
- Continues to be the fastest growing Australian infant formula brand[1]:
  - Value market share in Australia at year end was circa 16%[1]
  - Number three brand in infant formula category across supermarket and pharmacy[1]
- The growing success of a2 Platinum® in China is based on the well established reputation of the a2 Milk™ brand and company in Australia
  - Direct sales into China increased significantly in cross border e-commerce channels (ANZ label) and mother baby retail stores (China label)
  - China achieved over 800% growth of infant formula sales from FY15
- a2 Platinum® continues to be a unique and compelling consumer proposition as the only infant formula that exclusively contains the A2 beta casein protein



[1]Australian Grocery and Pharmacy Scan, 12 month rolling value market share 3 July 2016

a2 Platinum® enhanced and flexible supply chain

- First half stock shortages remedied in second half with improved inventory cover
- a2 Platinum® produced by Synlait Milk in New Zealand since launch in 2012
  - State of the art nutritional powder production and canning facility
- New a2MC and Synlait Milk supply agreement announced
  - strengthens the business relationship by providing certainty around medium term growth plans
  - flexibility to support new product and market opportunities as they arise
  - minimum term of five years, and provides for a rolling three-year term after the first two-year period
- Milk supply in Canterbury region in NZ has also increased to ~200 million litres p.a. from Q1 FY17
- Infant formula supply chain enhanced through these initiatives

Infant formula supply chain

Milk sourced from growing number of farmers in NZ → Infant formula manufactured by Synlait Milk on behalf of a2MC in NZ → Exported into China or sold directly by a2MC in Australia → Distributed in China by a2MC via 3rd party arrangements or managed directly by a2MC in ANZ → ANZ sales focused on supermarkets and pharmacy channel. China focused on e-commerce platforms and "mother and baby" stores

Australia & New Zealand

- **Segment Revenue NZ$296.3 million / Operating EBITDA NZ$84.7 million**
- Stand out performance for the ANZ business, in particular growth of a2 Platinum® in grocery and pharmacy
- Exceptional growth of a2 Platinum® representing over 300% growth on pcp
- Stock shortages of infant formula in first half remedied with improved inventory cover by year end
- a2 Milk™ branded fresh milk revenue grew 4% on pcp, with stronger growth in second half
- Fresh milk market share stable at 9.3%[1] at year end alongside category value growth
- New portfolio advertising campaign "Believe in better" building brand awareness and sales
- Packaging innovation with new proprietary fresh milk bottle design
- The a2 Milk Company ("a2MC", "Company") continued to pay one of the highest farm gate prices to ANZ farmers
- Nutritional portfolio expanded with whole milk powder to capture increasing demand for fortified products

[1] *Australian grocery scan, 12 month rolling value market share, 3 July 2016*

China

- **Segment Revenue NZ$38.2 million / Operating EBITDA NZ$9.2 million**
- Strong sales growth delivered a positive full year Operating EBITDA for the first time
- Multi product, multi channel strategy incorporating China and ANZ label infant formula and milk powder
- Progressing China liquid milk opportunity utilising ANZ exports
  - a2 Milk™ brand the top seller of imported fresh milk product on JD.com since August 2014 with plans to expand to other retailers
- Sales and distribution platform expanded since 2014
  - Local distribution, sales and marketing expertise in Shanghai
  - Distribution via e-commerce channels – JD.com, Tmall, Kaola, VIP.com and other strategic e-commerce platforms
  - Distribution through ~1,450 Mother Baby stores served by 42 distributors and with plans to continue to expand to Tier A and B cities
  - Distribution agreement with DKSH (China) Co., Ltd for five key provinces (ZheJiang, SiChuan, ShanDong, LiaoNing, HuBei)
- Successful participation in annual sales events, e.g. the November “11/11 Singles Day”; Chinese new year and an event in June
  - The company’s Tmall flagship store placed in the top three infant formula brands selling cross-border offers for “11/11”[1]
  - a2MC was the second highest selling company in any category on JD.com in the “6/18” event[2]
- Will continue to adjust the manufacturing and distribution model in response to changes in China regulations

[1]*Tmall supplied data*
[2]*JD supplied data*

China infant formula regulatory environment

- A number of regulatory changes have been announced by the Chinese Government and further changes are likely
- a2MC continues to adjust its manufacturing and distribution model in response to evolving market circumstances

1. Tax Changes

New tax on China e-commerce bonded mode[1] and cross border mode[2] imports – April 8, 2016
- 11.9% ≤ RMB 2,000 per purchase & ≤ RMB 20,000 annual spend (from 0%)
- 17% > RMB 2,000 or > RMB 20,000 annual spend (from 10%)

2. Positive List Inclusion

Positive list of products that can be imported
(all a2MC infant formula and milk powder included)

3. Infant Formula Registration Rule

Formula registration for products sold in China
- Consultation papers (CFDA) August 2016
- CFDA applications from October 2016
- Full implementation by January 2018

4. China WTO[3] Submission

Manufacturers to register no more than 3 product lines / 9 formulations

[1]E-commerce platforms via Free Trade Zone bonded facilities ("e-commerce bonded mode")
[2]Non-bonded mode cross border transactions ("cross border mode")
[3]World Trade Organisation

The a2 Milk Company™

United States of America

- **USA & UK Segment Revenue NZ$18.3 million / Operating EBITDA NZ$(20.5) million**
- Initial launch of the a2 Milk™ brand into California from April 2015, recently 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 achieved from July 2016
  - Continue to work with Safeway Southern California to achieve distribution during FY17
  - Progress in building units per store per week (UPSW) in key accounts
- Marketing activity included TV campaign, digital, PR, shopper marketing and in-store promotional activity
- Milk supply centred on farms in California/Nevada, Nebraska and North East. Initiated best practice on-farm management programme
- Well supported by foundation processor Byrne Dairy (East coast). A second processor, on the West coast, has recently been appointed. Combined, they provide an improved platform for operational efficiency and market expansion
- New USA Chief Executive, Blake Waltrip, recently appointed after the retiring of Jeffrey O'Neill due to health issues
- Revised plan assumes investment of ~US$20-25 million over the next two to three years to achieve positive monthly EBITDA
- Despite the slower distribution build, a2MC remains confident in the fundamental market characteristics and the Company's ability to realise the opportunity

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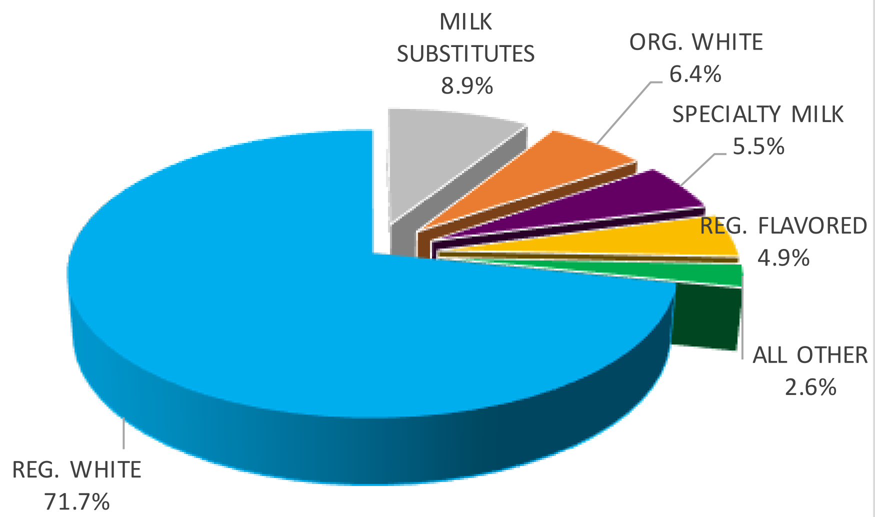
Specialty milk the biggest growth driver in the USA milk category

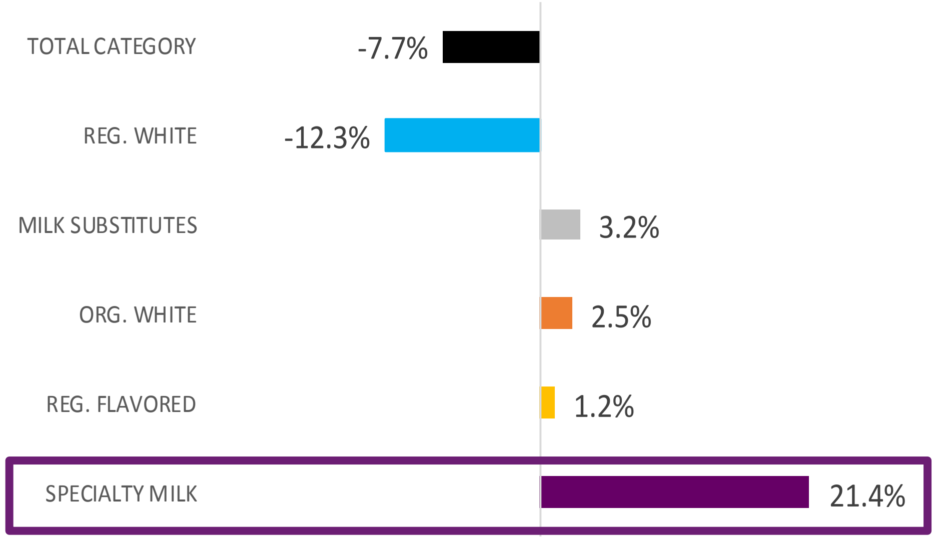
- US$9.49bn grocery milk category down 7.7% with regular white milk sales down 12.3%
- Specialty milk category gaining share (+21.4%), currently holds ~5.5% value share of total milk category
- Main driver of decline in regular milk is digestive related[2]
- Organic white milk growing at much slower rate than Specialty (+2.5%), currently with 6.4% value share

Dollar share of total milk[1]



Total Rfg Milk	$9.49B

Dollar sales % change vs. LY[1]



[1] *TOTAL US FOOD | Information Resources Inc. 52 WE July 10, 2016*
[2] *Kantar Worldpanel (2014 US beverage landscape); IRI DMI Custom Milk Database*

United Kingdom

- The UK business achieved positive Operating EBITDA for Q4 FY16, ahead of plan
- Anticipating positive Operating EBITDA for FY17
- Migrating from a fresh milk focus to a portfolio strategy encompassing liquid milk and infant formula
- a2 Platinum® infant formula introduced to the wholesale market and UHT long life milk became available to stores from September 2015
- Sales of a2 Milk™ branded fresh milk showing increased rates of sale, particularly in Q4 and into FY17
- A new ‘a2tonishing’ marketing campaign was launched from May 2016, to continue into FY17
- Business well-supported by Müller Milk & Ingredients, contract packing agreement recently extended
- Seeking to extend a2 Milk™ branded products through distributors or under license in Europe

The a2 Milk™ Company

Intellectual property and science

- The Company continues to develop its portfolio of brand assets, intellectual property and proprietary know-how, and participates in R&D associated with the benefits of the exclusive A2 beta casein protein type
  - Breadth and depth of a2MC's IP portfolio coupled with first mover advantage continue to support our market position
- The science continues to develop with FY16 published research demonstrating the following:
  - A1 beta casein protein can trigger inflammation of the gut, leading to digestive discomfort; this doesn't occur with A2 protein (China clinical trial)
  - The cellular mechanism underpinning the digestive benefit of a2 Milk™ vs. conventional milk, is shared with fragments of gluten
  - a2 Milk™ products have shown to increase antioxidant production (glutathione) over and above conventional dairy
  - Protein fragments uniquely derived from the A1 protein can interfere with human neural stem cell growth and development
- Studies have been initiated across China, USA, UK and ANZ
  - Large sample size clinical study in China (n=600) builds upon digestive benefit findings from successful China study published in FY16
  - 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 lead by Professor Frank Greenway medical director at leading USA Pennington Biomedical Research Centre
  - New Zealand government awarded a NZ$1.1 million research grant in partnership with AgResearch and The University of Auckland to undertake research to support benefit claims in international markets

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

Today

Dairy nutrition company profitably making a difference to peoples' health

Revenue NZ$	FY07	FY12	FY15	FY16
	$7.6m	$64.1m	$155.1m	$352.8m

The a2 Milk Company™

An evolving strategic roadmap

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

① Continue to build a substantial premium milk business

- **Strategic cornerstone of The a2 Milk Company**
- Continue to build a substantial premium milk business in Australia
- Continue to build upon USA milk market entry
- Build sustainable premium milk presence in the UK
- Actively pursue China liquid milk opportunity utilising ANZ exports
- Investigate NZ liquid milk opportunity
- Explore other priority markets

② Build a global infant nutrition business

- **Extend from the nutritional start point of the a2 Milk™ brand into more advanced nutritional categories**
- Leverage the Australian milk success to further develop the a2 Platinum® business
- Strengthen the a2 Platinum® brand presence and distribution in China
- Seek additional market opportunities

③ Establish an advanced adult nutrition business

- **Extend from the nutritional start point of the a2 Milk™ brand into more advanced nutritional categories**
- Continue to establish a2 Milk™ branded whole milk powder across Australia and China
- Assess further opportunities to leverage the a2 Milk™ brand as a platform for a broader nutritionals portfolio in powder, liquid and/or supplement form
- Review application within core markets

④ Continue to invest in building distinct brands and integrated IP portfolio, and in sponsoring a growing body of scientific evidence surrounding the A2 protein health benefits

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