



ANNUAL MEETING 2016

GEOFFREY BABIDGE
MANAGING DIRECTOR & CEO

22 NOVEMBER 2016

Managing Director's Address

- Company overview
- FY16 result highlights
- Science and intellectual property update
- FY17 July – October update
- Conclusion

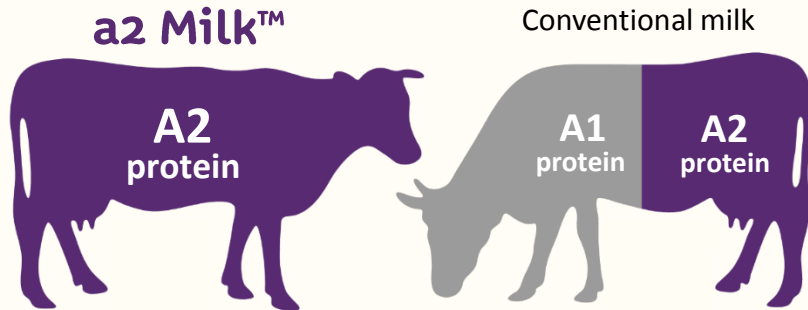




COMPANY OVERVIEW

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 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 and a growing body of scientific evidence



Key metrics

	NZ\$ million	AU\$ million ¹
Market Capitalisation²	~1,500	~1,410
EPS³ (cents per share)	4.43 c	4.23 c
FY16 Revenue	352.8	337.3
FY16 EBITDA	54.6	52.2
FY16 NPAT	30.4	29.1

¹ AU\$ metrics converted at 21 November 2016 (AU\$/NZ\$ = 1.046)

² Based on closing share price of AU\$1.97/NZ\$2.07 as at 21 November 2016 (quoted securities only)

³ Basic Earnings Per Share



We're on an extraordinary growth and transformational journey



The a2 Milk Company proposition



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



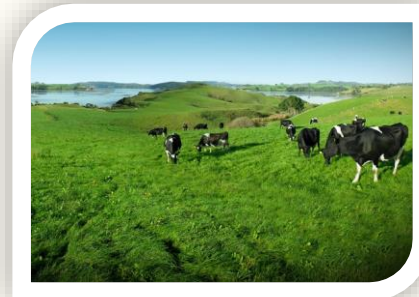
2 Compelling and growing scientific evidence



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

An evolving strategic roadmap



As the A2 protein pioneers we are single-mindedly determined to help our consumer's enjoy a better life.

① Continue to build a substantial premium milk business

- Strategic cornerstone of a2MC
- Continue to build a substantial premium milk business in Australia
- Continue to build upon UK, USA milk market entry
- Actively pursue China liquid milk opportunity utilising ANZ exports
- Investigate NZ and 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 in Australia and 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 whole milk powder across Australia and China
- Assess further opportunities 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, an integrated IP portfolio, and sponsoring a growing body of scientific evidence surrounding the A2 protein benefits (in the absence of A1 protein)



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%

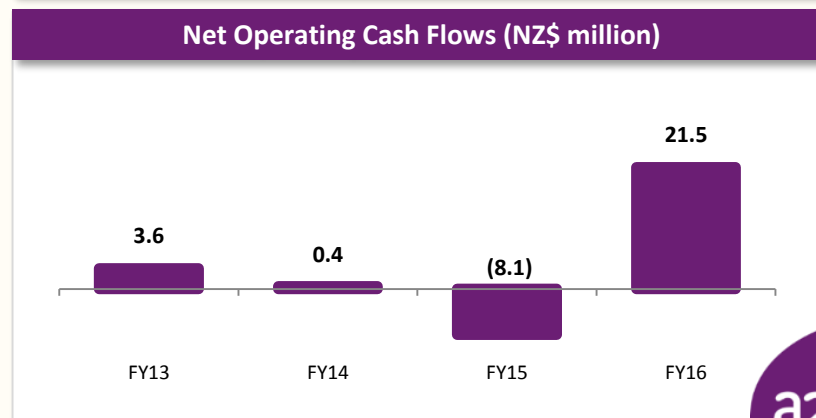
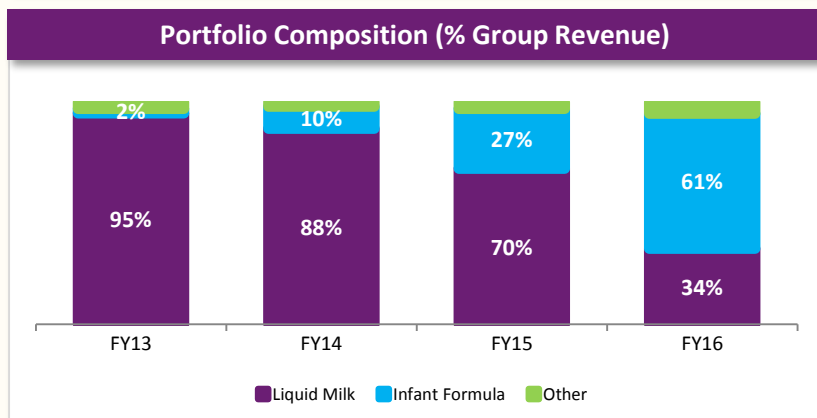
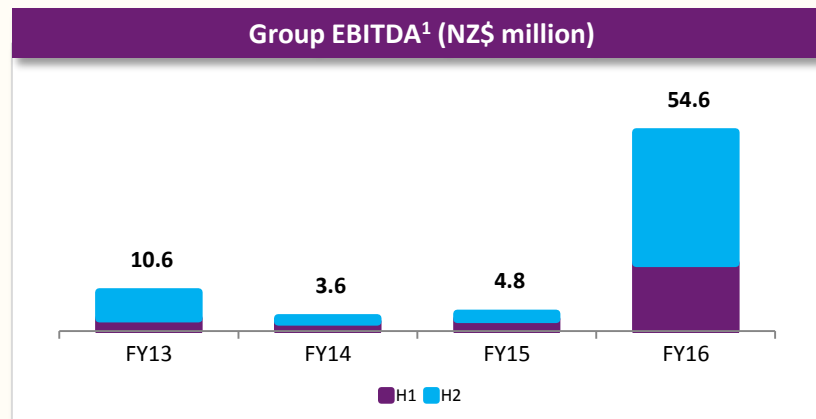
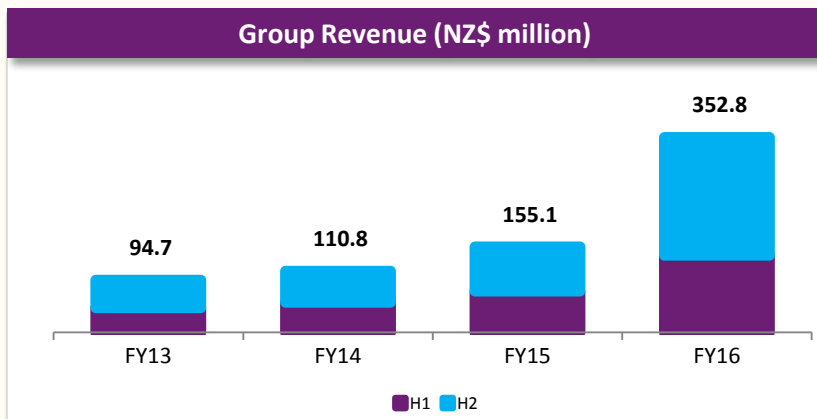
NM = not meaningful

¹Non-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 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
- Refer Appendix for geographic performance, cash position and a reconciliation of non-GAAP measures



FY13 – FY16 in charts

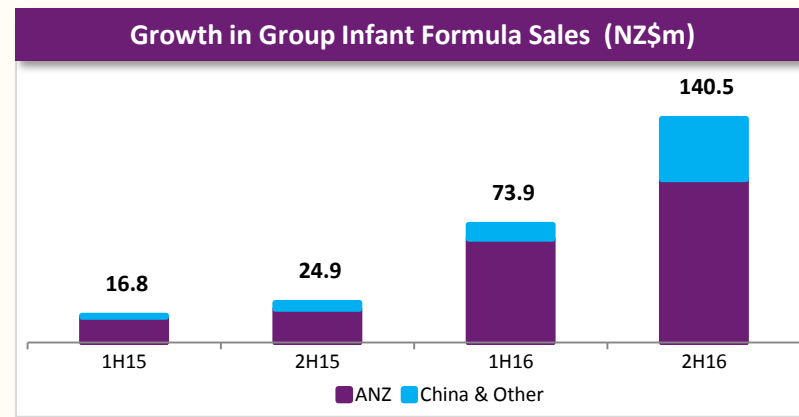


¹EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation, and is shown before non-recurring items



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 and a growing awareness of the A2 protein proposition
 - 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 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
- Stock shortages of infant formula 1H16 remedied
- a2 Milk™ fresh milk revenue grew 4% on pcp
- Nutritional portfolio expanded with whole milk powder

CHINA

- Strong sales growth delivered positive full year Operating EBITDA for the first time
- Developing multi product, multi channel strategy (Mother Baby stores, e-commerce channels)
- Successful participation in annual sales events
- Chinese Government announced regulatory changes: taxation changes, positive list, formula registration

USA

- Launched into California from April 2015
- 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
- New Chief Executive, Blake Waltrip, appointed
- Revised plan assumes total investment of ~US\$20-25 million over the next 2 to 3 years

UK

- Achieved positive Operating EBITDA for Q4 FY16
- Migrating from fresh milk focus to a portfolio strategy
- a2 Platinum® infant formula introduced to the wholesale market
- Sales of a2 Milk™ fresh milk showing increased rates of sale, particularly in Q4 and into FY17





SCIENCE & IP UPDATE



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 human study)¹
 - The mechanism by which A1 protein consumption may lead to gut cell inflammation is shared with gluten fragments²
 - Protein fragments uniquely derived from the A1 protein can influence human neural stem cell growth and development³
- **New studies initiated across China, USA, UK and ANZ with a focus on human research**
 - Large sample size clinical study undertaken 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™ for IBS sufferers
 - 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 may be boosted with a2 Milk™**
 - UK based Nutrition Journal⁴ (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

¹https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4818854/pdf/12937_2016_Article_147.pdf

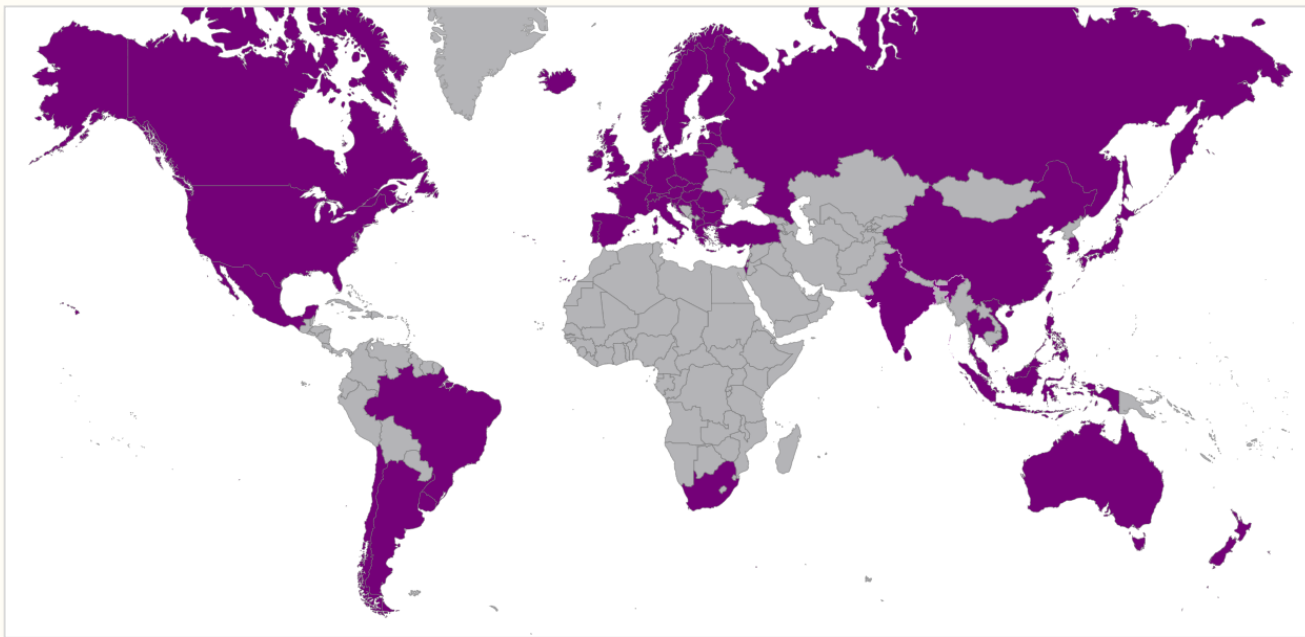
²<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4157943/pdf/nihms603905.pdf>

³[http://www.jnutbio.com/article/S0955-2863\(15\)00305-8/pdf](http://www.jnutbio.com/article/S0955-2863(15)00305-8/pdf)

⁴https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5041571/pdf/12937_2016_Article_201.pdf



Patent and trade mark coverage



Territories in which a2MC has applications and/or registrations for patents and/or trade marks as at November 21, 2016



Patent portfolio continues to evolve

Type	Patent Title(s)*	Expiry	Territories^
Genotyping, herd formation and use	Animal Genotyping Method	May 2023	Australia, Canada, China, Hong Kong, India, Japan, New Zealand, Singapore, South Korea, USA, Vietnam
Phenotyping and use	Method Of Selecting Non-Diabetogenic Milk Or Milk Products And Milk Or Milk Products So Selected (Jointly Owned)	Feb 2017	USA
Use and composition	Prophylactic Dietary Supplement Based On Milk	Jun 2020	Australia, China, New Zealand
	Method For Altering Fatty Acid Composition Of Milk	Jul 2023	Australia, China, Canada, Hong Kong, India, Japan, New Zealand, Singapore, South Korea, USA, Vietnam
	Therapeutic Use Of Beta Casein A2 And Dietary Supplement Containing Beta Casein A2	Oct 2023	Canada, China, India, Japan, New Zealand, Singapore, South Korea, Vietnam, UK, The Netherlands, Switzerland, Sweden, Spain, Italy, Ireland
	Beta-casein A2 And Prevention Of Inflammation Of The Bowel	May 2034	Australia, Brazil, Canada, Chile, China, Europe, India, Indonesia, Israel, Japan, South Korea, Malaysia, Mexico, New Zealand, Philippines, Russia, Singapore, South Africa, Sri Lanka, Thailand, USA, Vietnam
	Beta-casein A2 And Reducing Or Preventing Symptoms Of Lactose Intolerance	Jul 2034	Australia, Brazil, Canada, Chile, China, Europe, India, Indonesia, Israel, Japan, Korea, Malaysia, Mexico, New Zealand, Philippines, Russia, Singapore, South Africa, Sri Lanka, Thailand, USA, Vietnam
	Beta-casein A2 And Blood Glucose Levels	Aug 2034	Australia, Brazil, Canada, Chile, China, Europe, India, Indonesia, Israel, Japan, Korea, Malaysia, Mexico, New Zealand, Philippines, Russia, Singapore, South Africa, Sri Lanka, Thailand, USA, Vietnam
	Beta-casein A2 And Glutathione Levels	May 2036	<i>Patent convention territories to be nominated</i>
	Beta-casein A2 And Viscosity Of Milk Products	Jun 2036	<i>Patent convention territories to be nominated</i>
	Beta Caseins And Gut Biota	[TBC]	<i>Patent convention territories to be nominated</i>
		<i>Further 3 patent series in application (details currently confidential)</i>	[TBC]

*Titles and descriptions indicative only - actual coverage will vary between patents and territories

^Territories in which a patent application has been filed or granted





FY17 JULY — OCTOBER UPDATE

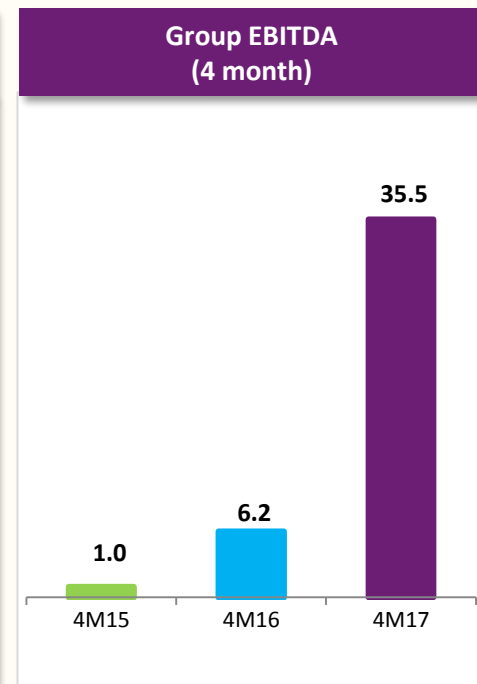
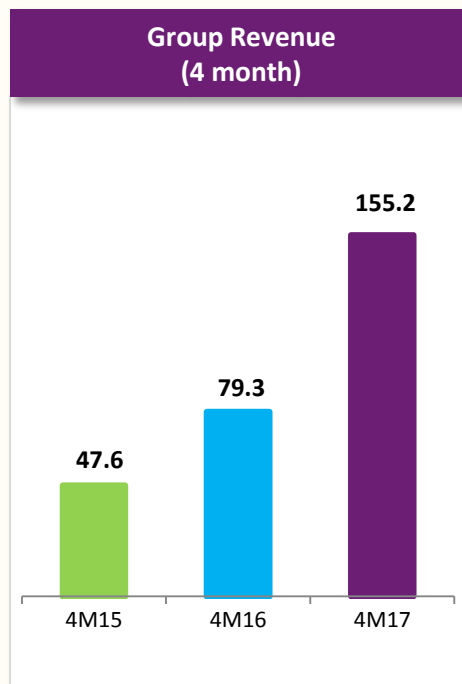
FY17 update: 4 months to October

NZ\$ million	4M17	4M16	% change
Revenue	155.2	79.3	96%
EBITDA	35.5	6.2	473%
PBT	35.0	5.5	536%
NPAT	22.0	3.2	NM

Management results are unaudited

NM = not meaningful

- 4M17 revenue (4 months to October 2016) of NZ\$155.2 million, reflecting continued growth in infant formula and milk products
- Year to date revenue reflects significant seasonal build for key China sales event 11/11 Singles Day
- Strong positive operating cash flow



FY17 update: 4 months to October

- **ANZ**

- Fresh milk performing well with solid growth on pcp, in line with plan
- Continued and consistent growth in consumer demand for a2 Platinum® infant formula
- 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
- Encouraging growth in a2 Milk™ branded milk powder for 4 months to October

- **Federal Court case with Lion Group**

- a2MC is pursuing the Lion Group in the Federal Court over what it believes are misleading and deceptive packaging and advertising claims
- Significant consumer feedback suggests that some consumers are purchasing certain Dairy Farmers and Pura fresh milk products believing they have some or all of the a2 Milk™ brand's unique attributes
- Lion has initiated a cross claim challenging the way a2MC promotes a2 Milk™. The onus is on Lion to prove 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



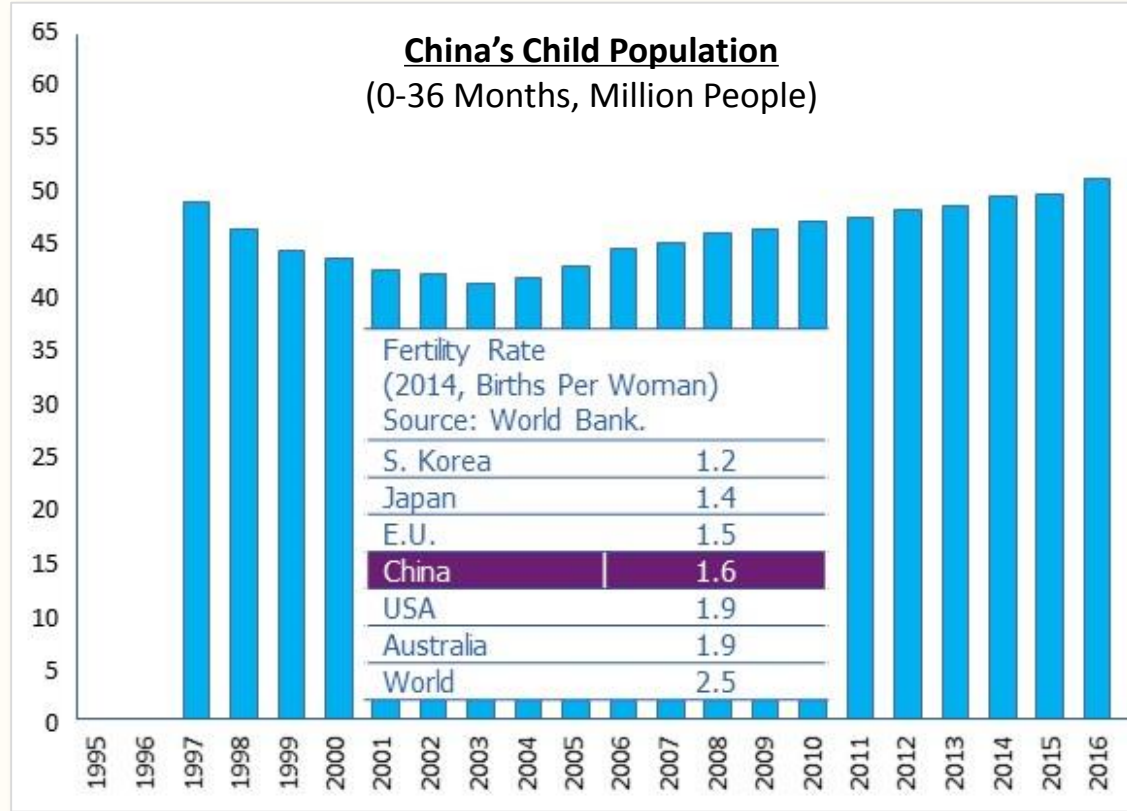
FY17 update: 4 months to October

- **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 team with priority in sales, marketing and e-commerce
- a2 Platinum® “11/11” singles day volume sales grew more than double vs prior year (across a2MC top 4 e-commerce platforms)
- a2 Platinum® Stage 3 was placed in the top 10 products of total 11/11 products (across all categories) on JD.com
- Strong growth of a2 Platinum® through Mother and Baby stores given increased marketing investment and broader distribution
- China CFDA infant formula registration process developing satisfactorily
 - Registration applies to the CBEC and traditional import channels, excludes direct mail (personal parcel) routes
 - a2MC and Synlait Milk well progressed with documentation
 - Registration required by 1 January 2018
 - Grace period for existing brands sold through CBEC extended to December 2017
- 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



Our review indicates the number of babies born should continue to increase

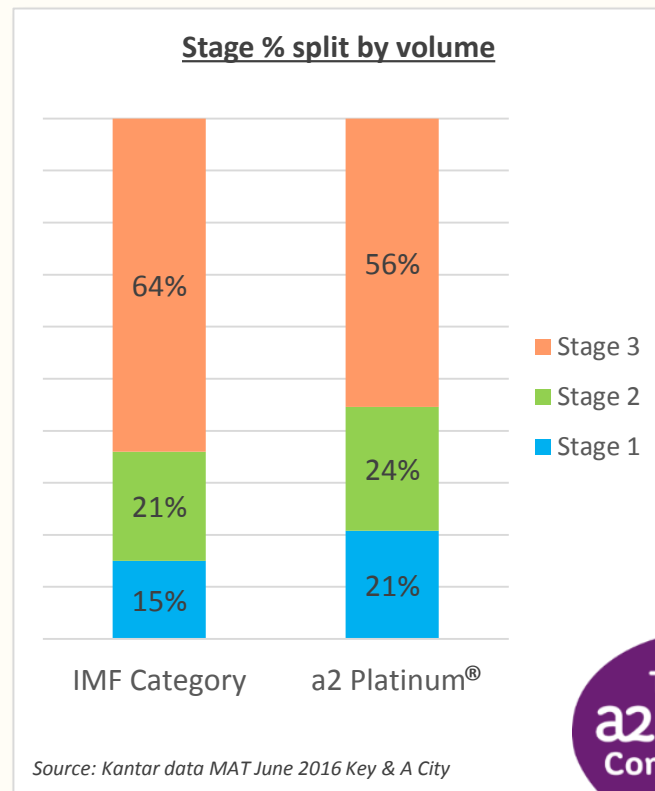
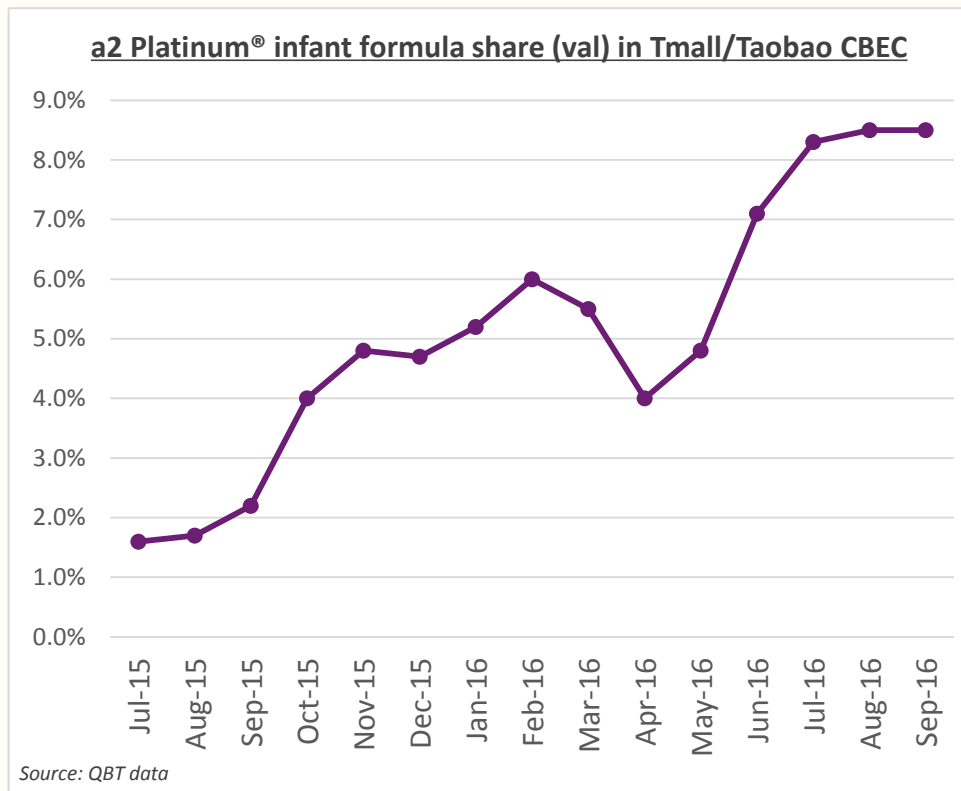


Source: National Bureau Of Statistics, National Census 2000 & 2010, China-based consultancy analysis



a2 Platinum® performance in China continues to strengthen

- a2 Platinum's value share continues to climb within Tmall/Taobao e-commerce platforms
- Growing relative strength in Stage 1 and Stage 2 indicating increased trust and brand credibility amongst Chinese parents



FY17 update: 4 months to October

- **USA**

- Improving rates of sale in key accounts: Whole Foods Northern California, Ralph's and Sprouts
- Strong build in 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**

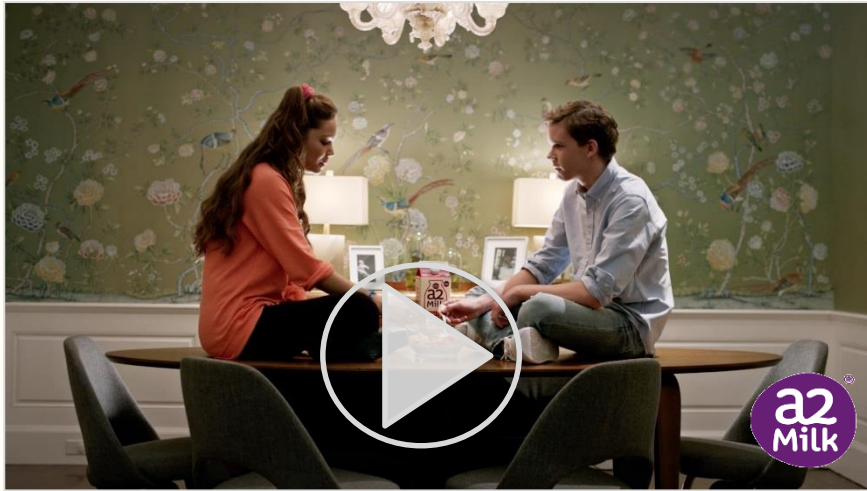
- Encouraging growth in rate of sale in fresh milk with sales up >50% on pcp
- Recent changes in ranging with the semi-skimmed variant increasing at the expense of whole milk
- 'a2tonishing' marketing campaign continuing with positive momentum
- Infant formula in line with plan

- **Other**

- a2MC continues to explore milk, infant and broader nutritional product opportunities in new and existing markets
- Initial research demonstrates strong consumer appeal for the A2 protein proposition in advanced nutritional products



Increasing brand awareness of a2 Milk™ in USA especially in California



- Increased media interest and exposure on key news outlets
- New marketing campaign “#feelgoods” launched with a “Spring Dance” brand film
 - Over 2.5 million views
 - Website visits are up 10 times and organic search to the site is up 50% vs. pre launch period
 - Fan growth in Facebook at twice the rate of key competitors and highest engagement amongst competitive set



CONCLUSION

Conclusion

- Year to date revenue reflects significant seasonal build for key China sales event 11/11 Singles Day
- 4M17 Group EBITDA/Sales increased to 22.9%, reflecting continued growth in infant formula sales
- Investment in brand continues across the Group to support business growth
- Remaining agile in response to changing circumstances, essential to long-term success
- Assuming continuing strong positive operating cash flow and in the absence of new significant capital demands, the Board currently expects to adopt a dividend policy following completion of the financial year





APPENDIX



Geographic financial performance

NZ\$ million	FY16		FY15		Movement %	
	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

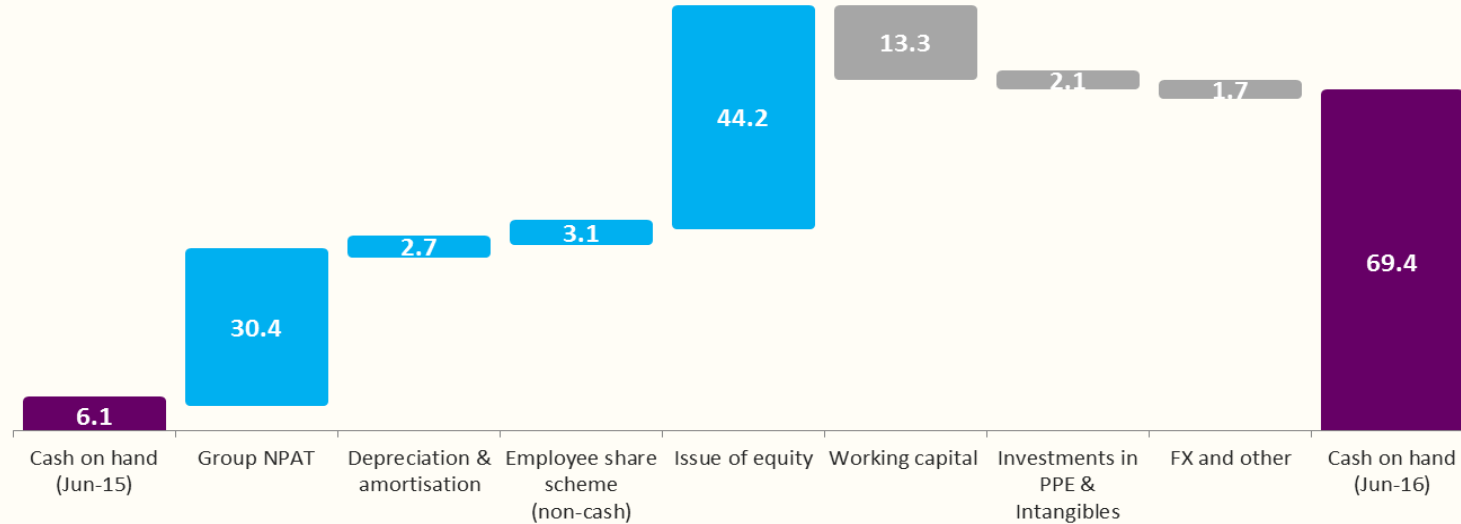
414%

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

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	<u>54.6</u>	<u>3.1</u>
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	<u>30.4</u>	<u>(2.1)</u>

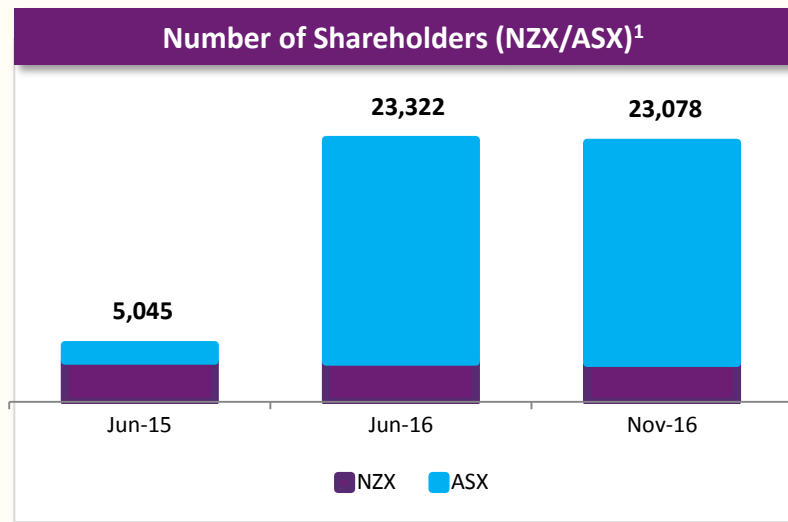
¹EBITDA and EBIT are non GAAP measures, but the Company believes they provide investors with a comprehensive understanding of the underlying performance of the business

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

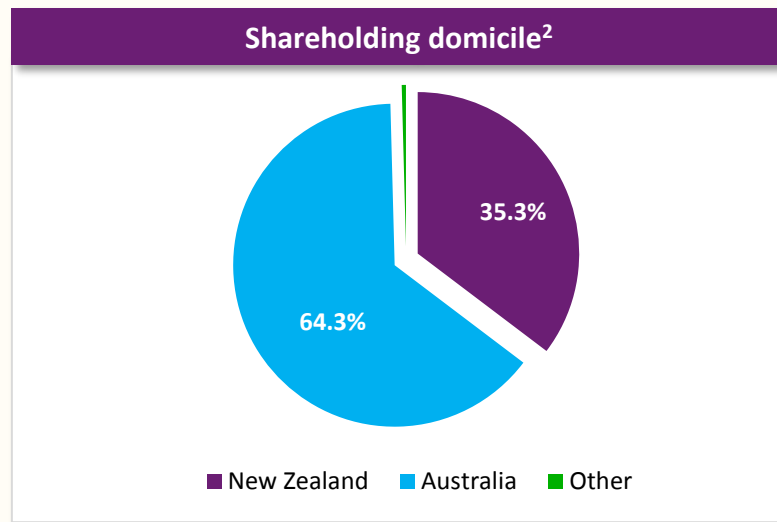


Board renewal and shareholder information

- Further progress with board renewal program
 - Appointment of independent non-executive directors Peter Hinton (17 February 2016) and Warwick Every-Burns (23 August 2016)
 - Retirement of non-executive director, Melvyn Miles (23 August 2016)
 - Ongoing assessment of board composition to support the continued growth and development of the Company



¹Shareholders by exchange as at 18 November 2016



²Weighting based on % of fully paid issued capital as at 18 November 2016

Disclaimer

This presentation dated 22 November 2016 is provided for 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.

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 a2MC 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 a2MC, 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 the 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 a2MC.





The
a2 Milk
Company

www.thea2milkcompany.com