



FY15 Results Presentation

20 August 2015

Geoffrey Babidge

Managing Director & CEO



FY15 Result Highlights

Revenue
growth 40%

EBITDA
growth 35%¹

Exceptional
infant formula
result

Record Australia
result

- Total revenue of \$155.1 million, up 40% on pcip
- Group EBITDA² before non-recurring items of \$4.8 million up 35% on pcip
- ANZ total sales up 42% on pcip in AUD - exceptional growth in infant formula
- ANZ operating EBITDA³ increase of 60% with strong growth expected to continue
- Infant formula direct sales to China building following distribution changes
- Revised UK product format and positioning implemented with broader distribution
- USA business established, positive trade response, distribution building
- NPAT loss primarily due to ASX listing costs and employee share scheme expenses (non-cash)
- High effective tax rate given non-deductible expenses⁴ and UK and USA losses

1. Before non-recurring items

2. EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation

3. Operating EBITDA is EBITDA before inter-company charges

4. Non-deductible expenses primarily relate to costs associated with the ASX listing and the Company's employee share scheme

Financial Summary

NZ\$ million	FY14	FY15	% change	
Revenue	110.8	155.1	+40%	• Revenue growth of 40% on pcp
Gross margin	39.8	54.4	+37%	• Gross margin reflects higher milk costs in Australia in part offset by efficiency gains and contribution from infant
Administration	(12.0)	(15.4)	+28%	• FY15 other expenses increased due to expansion into new markets and consolidation of UK business. They include \$9.3 million freight costs, \$6.5 million business development, and other operating expenses of \$8.1 million
Marketing	(9.8)	(10.3)	+5%	
Other expenses	(14.4)	(23.9)	+66%	
EBITDA before non-recurring items	3.6	4.8 ¹	+35%	• EBITDA growth before non-recurring items of 35% on pcp
EBITDA	3.6	3.1	-13%	• FY15 EBITDA includes costs of establishing positions in the UK of NZ\$7.8 million and US of NZ\$4.3 million
EBIT	2.1	1.2	-44%	• Foreign exchange movements between the NZD/AUD reduced revenue by ~NZ\$3.2 million and EBITDA by ~NZ\$530k on pcp
NPAT	0.0	(2.1)	n/a	• In first half FY14 the UK business was reported below the EBIT line as share of associate earnings
Cash on hand	16.0	6.1	-62%	

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

Geographic Financial Performance

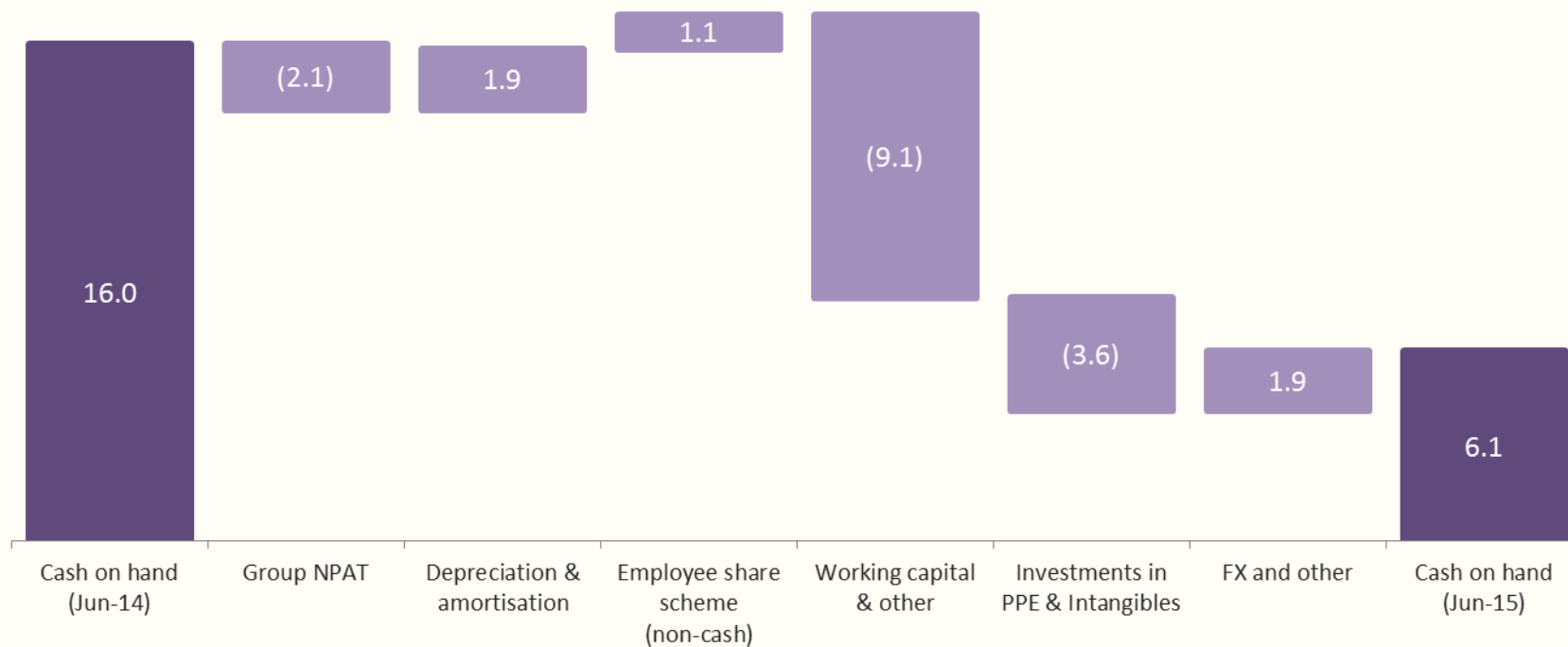
	Actuals			Forecast	
NZ\$ million	FY14	FY15	% Mvmt	FY16	% Mvmt
Revenue					
ANZ	106.9	149.1	40%	216.0	45%
China and other Asia	2.8	4.1	46%	13.0	217%
UK and USA	1.0	1.9	90%	38.0	1,900%
Corporate and other	0.1	0.0	n/m	0.0	n/m
Group Revenue	110.8	155.1	40%	267.0	72%
Operating EBITDA					
ANZ	18.7	30.0	60%	40.0	33%
China and other Asia	(3.3)	(3.1)	-6%	0.5	-116%
UK and USA	(4.3)	(12.1)	181%	(16.5)	36%
Corporate and other ¹	(7.5)	(10.0)	33%	(12.0)	20%
Group Operating EBITDA	3.6	4.8	35%	12.0	150%

1. FY16 corporate costs include a significant increase in research & development and additional costs to support business growth

Cash Position

Group Cash Movement: FY14 - FY15

(NZ\$ million)



- Working capital movement driven largely by an increase in inventories and prepayments relating to infant formula
- Investments in intangibles include costs associated with USA entry (NZ\$2.7 million)
- FX and other includes gains on foreign currency cash holdings

Australia and New Zealand

- Australia and New Zealand segment revenue grew by 40% vs pcp
 - a2Milk™ fresh milk sales increased 10% in AUD on pcp, a2 Platinum® infant formula increased ~650%
- White milk market share circa 9.3% by value in grocery at June 2015 (Australian Grocery Weighted Scan, MAT)
- Marginal reduction in fresh milk gross margin given higher farm gate prices
- a2Platinum® infant formula performance a standout
 - Broad reaching distribution across Coles, Woolworths, Independents and Pharmacy
 - Fastest growing infant formula brand in Australian grocery in Q4 FY15
 - Proportion assumed on-sold into China via cross border channels
 - Stock shortages experienced during 2nd half due to above expectation sales
 - Estimated grocery market share of ~12% (13 weeks ending 11 August 2015 by value)
 - Sales for first 2 months FY16 estimated at ~AU\$13 million
- a2 Milk™ whole milk powder successfully launched into one retailer in June 2015
- a2 Ice Cream™ launched into one retailer from August 2015
- Significant growth in operating EBITDA forecast for FY16; first two months trading result significantly ahead of both pcp and forecast



China

- China regulatory changes during calendar 2014 limited direct sales to China
- Marketing funding continued to assist sale of in-market inventory and build brand awareness
- Changes to supply and distribution arrangements from November 2014: a2MC¹ assumed in-market distribution management, China State Farm ongoing import agent and government relations partner
- a2MC Shanghai based team expanded to eight in August 2015, now includes sales and e-commerce personnel in addition to marketing and HCP resources
- a2 Milk™ fresh milk sourced from Australia launched into China from August 2014
- “The a2 Milk Company™” store launched on T-mall Global selling NZ label a2 Platinum® infant formula direct to Chinese consumers from July 2015
- Further e-commerce initiatives planned for FY16
- Positive EBITDA forecast for FY16, inclusive of increased brand development costs



¹ The a2 Milk Company Limited (a2MC)

Expanding China distribution network



United Kingdom

- Revised business model in place since March 2015
 - Grow distribution in existing and new accounts
 - Build awareness of A1 protein intolerance in targeted manner
 - New 1 litre pack format, enhanced price position
 - Significantly improved unit margins
- New fresh milk format now ranged in specialty milk segment in key grocery accounts:
 - J Sainsbury from November 2014
 - Tesco, Waitrose, Ocado and Morrisons from March 2015
- Volume build slower than planned given the phased timing of retailer reviews
- Product portfolio to broaden with planned launch of UHT milk and infant formula
- Supply partner Müller Wiseman Dairies supportive
- FY16 EBITDA loss forecast to reduce by ~50% to GBP 2.0 million



The
a2 Milk
Company™



United States of America

- Phased launch of a2 Milk™ brand into Southern California commenced from April 2015
 - ½ gallon ESL carton, consistent with specialty milk segment
 - Plan to achieve circa 65% retail weighted distribution end August 2015
 - Objective to achieve similar distribution in Northern California commencing from September 2015
 - Product ranged in California and certain specialty national accounts
- Roll-out plan is now focussed on building distribution across select national customers with a track record of supporting innovative healthy product launches
- Progress on building internal capabilities: management team in Boulder Colorado to manage sales, marketing, finance, supply chain, quality systems and milk supply
- Recruitment of farmer base progressing positively
- A quality contract manufacturer appointed from March 2015, developed plans for managing growth
- Leading national broker has been appointed to assist in managing retailer relationships
- Marketing activity to ramp up from 1st quarter FY16 with new communication campaign
- Business plan continues to assume investment of ~US\$20 million over 3 years from launch



Initial USA consumer and retailer engagement favourable

- Growing consumer engagement across digital and social media platforms
- a2milk.com; YouTube; Facebook; blogger forums
- Anticipated on shelf presence in ~65% retail weighted distribution by end August in Southern California
- Northern California to follow
- Sprouts and The Fresh Market nationally

Facebook Post



<https://www.youtube.com/watch?v=zrrw1NrOQKY>

Southern California Retailer Acceptances:



271 stores



108 stores



130 stores



115 stores



80 stores

Extended Distribution in Select Retailers:



89 stores
(Total California)



154 stores
(Nationally)



168 stores
(Nationally)

Focussed and consistent strategic growth plan

STRATEGIC INTENT

Continue to build a substantial premium dairy business in Australia and NZ



1. Australian growth in liquid milk and other dairy products
2. Investigate NZ liquid milk opportunity

Establish and build a global infant formula business



1. Capitalise on the Australian business' position and build upon current launch momentum of a2 Platinum®
2. Strengthen the a2 Platinum® brand presence in China amongst targeted consumer group
3. Seek additional market opportunities

Capture sustainable shares for premium a2MC branded products in targeted global dairy markets

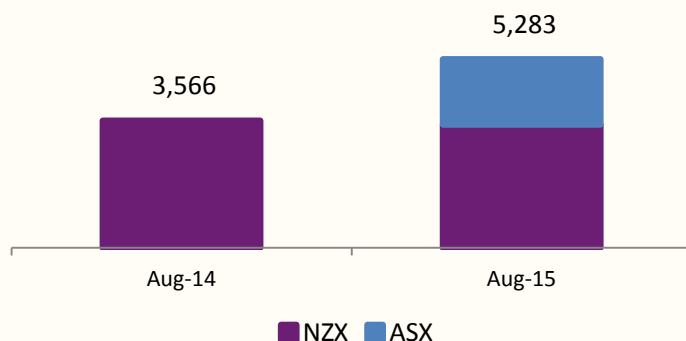


1. Continue to build on USA milk market entry
2. Continue to build UK business
3. Actively pursue China liquid milk opportunity utilising Australian exports
4. Explore other priority Asian markets

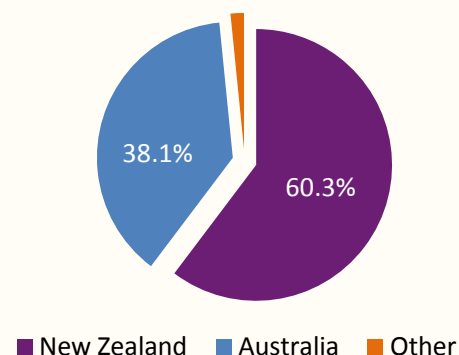
ASX listing and board changes

- The Company was admitted to the Official List of the ASX on 31 March 2015
- The Company maintained its NZX listing and remains New Zealand incorporated
- The listing had broad shareholder support, provides closer alignment between our capital markets profile and business operations, and improved access to capital markets
- Goldman Sachs and DLA Piper Australia assisted the Company in the listing
- The Company advised changes to the Board in conjunction with the ASX listing:
 - Chairman Cliff Cook and Director David Mair retired
 - David Hearn assumed the role of Chairman
 - Julia Hoare assumed the role of Deputy Chairman
 - The Board will consider the appointment of an additional non-executive Director in due course
- The Company now has ~1,800 Australian investors, representing ~38% of shares on issue

Number of Shareholders (NZX/ASX)¹



Investor Domicile²

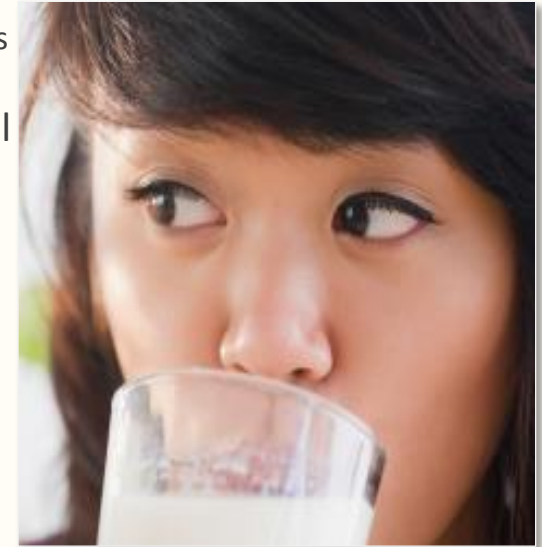


¹ Shareholders by Exchange as at 18 August 2015

² Weighting based on % of issued capital held as at 18 August 2015

Intellectual Property and Science

- The Company continued to develop its portfolio of IP, and invest in targeted research and development associated with the benefits of the A2 protein
- Four new provisional patent applications were filed relating to benefits and testing methodologies associated with A1 protein free products, with relevance for both liquid and powder products
- Further scientific progress made in FY15:
 - Human digestion trial by Curtin University (published in the European Journal of Clinical Nutrition in Aug 2014)
 - US based study (published in Nutritional Biochemistry in Oct 2014) reports a parallel in the intolerance effects of the A1 protein and gluten within the human gut
 - Company sponsored human clinical study conducted in China was completed and submitted for publication. The results show further support for the digestive benefits of milk free from A1 protein
 - Further human studies have commenced in other markets to build upon these findings
- Continued progress in developing and applying brands consistently in global markets across packaging, communication and digital assets
 - Several trade mark applications achieved registration and further new filings made
 - New advertising campaigns developed for USA (Aug 2015) and Australia (Oct 2015)



Reconciliation of non GAAP measures

NZ\$ million	FY14	FY15
Australia & New Zealand Segment EBITDA	4.5	5.7
China & other Asia Segment EBITDA	(1.7)	1.8
UK & USA Segment EBITDA	(2.2)	(7.7)
Corporate & other Segment EBITDA	3.0	3.3
EBITDA ¹	3.6	3.1
EBITDA before non-recurring items	3.6	4.8
Depreciation/Amortisation	(1.9)	(1.9)
EBIT ¹ before non-recurring items	1.7	2.9
Share of Associate loss	(1.4)	-
Non-recurring items	-	(1.7)
Net interest income	0.4	0.1
Income tax expense/income	(0.7)	(3.4)
Net Profit/(Loss) for the Period	0.0	(2.1)

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

Disclaimer

This presentation dated 20 August 2015 provides additional comment on the market release of the same date. As such, it should be read in conjunction with, and subject to, the explanations and views in those documents.

This presentation 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 the Company and which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements.

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

