



FY14 Results Presentation

28 August 2014

Geoffrey Babidge

Managing Director & CEO

FY14 Result Highlights

Revenue
Growth
17%

Australia record
sales and
earnings

Progress in
offshore growth
initiatives

- Total Operating Revenue of \$111.300 million
- Net Profit After Tax of \$10,000 impacted by adverse NZD/AUD exchange rate movement
- Continuing strong balance sheet position
- Australia fresh milk sales up 24% YOY, record earnings, successful launch of a2Platinum® IF
- New UK business structure and model in place
- Infant formula sales to China slowed by changes in access arrangements
- EBITDA for the UK and China markets of \$(7.527) million
- Plans for entry into North America market in final stage
- Strategic Agenda: building revenue in priority markets funded by growing Australian earnings

Financial Highlights

NZ\$m	FY13	FY14	% change
Sales	94.3	110.6	+17%
NPAT	4.1	-	-100%
EBITDA	10.6	3.6	-66%
EBIT	9.5	1.7	-82%
Other expenses	12.6 ¹	16.4 ²	+30%
Cash on hand	20.2	16.0	-21%

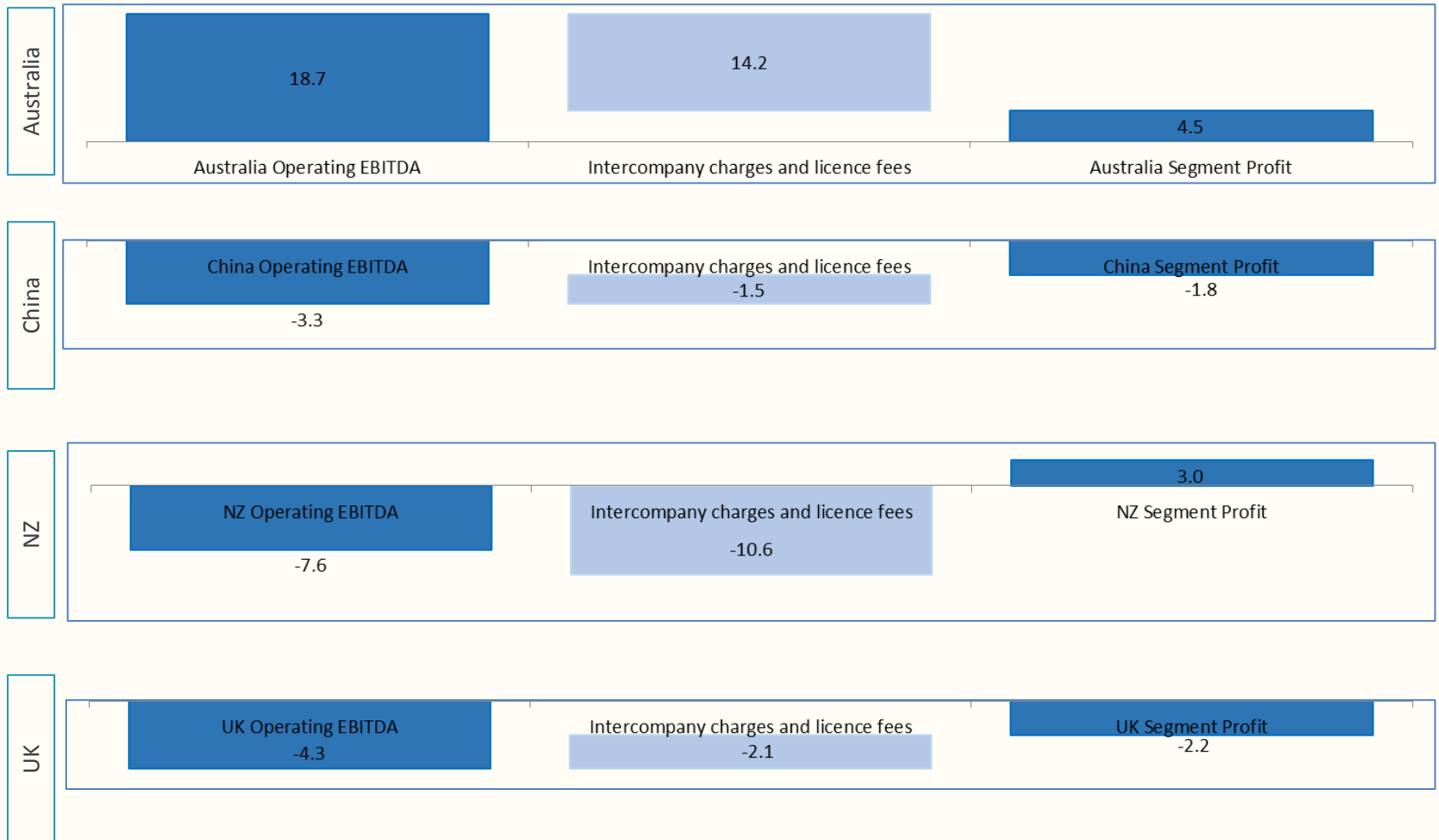
- Revenue growth of 17% on prior year
- EBITDA and EBIT after costs of market entry in UK in second half FY14 and China for FY14 and Corporate costs
- Share of costs associated with a2 Milk (UK) JV in first half FY14 of NZ\$1.4m
- Corporate costs include employee share scheme expenses of \$1.2m (non-cash)
- Revenue reduced by circa \$14m and EBITDA by circa \$2.7m due to NZD/AUD exchange rate movement on prior corresponding period

Notes:

- 1 Includes NZ\$7.5m freight costs, NZ\$0.8m strategic review costs and NZ\$2.3m other operating expenses
2. Includes NZ\$7.9m freight costs and other operating expenses, with the inclusion of UK 100% from January 2014, higher legal & consulting costs, amortisation and f/x .

Financial highlights (cont'd.)

FY14 EBITDA (NZ\$m)



Australia – Continues strong growth

- Total revenue increased 31% in AUD YOY
 - a2Milk™ fresh milk sales increased 24% in AUD YOY
 - Market share of a2Milk™ increased to circa 9% by value in grocery (Australian Grocery Weighted Scan, June 2014)
 - a2Platinum® and a2™ Thickened Cream contributed to sales growth
- Increase in fresh milk gross margin from efficiency gains at Sydney processing facility
- Contract processing with Brownes Food Operations in WA from November 2013
- Launch of a2Platinum® infant formula in Australia has been successful
 - Launch in Coles and the Pharmacy channel from October 2013
 - Sales momentum continues to build
 - Strong sales performance compensated reduced sales into China in the 2nd half FY14
- Launch of a2™ Thickened Cream into grocery from January 2014 to expectation
- Plans progressing to further broaden product portfolio
- New forms of competitor activity during the 2nd half FY14, sales continuing to grow
- First human digestion clinical trial by Curtin University in WA showed positive attributes for A2 beta casein protein dairy milk

United Kingdom – New business plan under way

- Acquisition of MWD interest in A2 Milk (UK) and contract pack agreement from January 2014
- New structure provides increased control and a2MC to benefit from 100% of future value
- Sale of RWD to Muller in 2012 resulted in significantly slower distribution build and sales by JV
 - RWD initially keen for a2 Milk™ to compete with regular milk not against speciality milks
- UK market challenges
 - Conservative dairy industry
 - Supermarket trade under pressure
 - Low milk margins
- UK consumer: broadly consistent with positive Australian shopper interest in a2 Milk™
- New business model
 - Build distribution in existing accounts, focussing on the South/East region
 - Build awareness amongst those with A1 milk intolerance through direct media
 - Improve messaging, packaging format, price position and margin
- Plan assumes a slower volume build than originally assumed but at higher margins
- Plan in progress to launch additional products over time
- Cash contribution was £2.2m in the 2nd half FY14, lower than previous update
- Investment of circa £3.5m for FY15 year, monthly cash breakeven planned during 2nd half FY16

China – Infant Formula regulation changes slowed momentum

- First sales of a2Platinum® infant formula to China consumers from November 2013
- New Asia regional structure in place in Sydney and Shanghai from January 2014
- Changes in China regulatory environment during 2nd half FY14
 - Consolidation of manufacturers in China
 - New access arrangements for imported product in place from May 2014
 - New form of registration for manufacturers and association with brand owners
 - Synlait Milk Limited (Synlait) yet to achieve manufacturer registration
 - Changes created uncertainty on continuity of supply from March 2014
- Uncertainties slowed sales to sub-distributors and therefore China State Farm (CSF)
- New quality processes and an ingredient supply shortage also slowed sales in the 2nd half
- At Group level, shortfall of sales to China offset by strong sales in Australia
- Registration of interim contract provider to Synlait in July 2014 enables a2Platinum® shipments packed by this company to be resumed
- a2MC confident of Synlait registration and supply chain processes to satisfy “close association” of manufacturer and brand owner
- Opportunity to streamline processes with CSF and sub-distributors in progress
- Priority to build UHT sales and fresh milk into China and other Asian markets in parallel

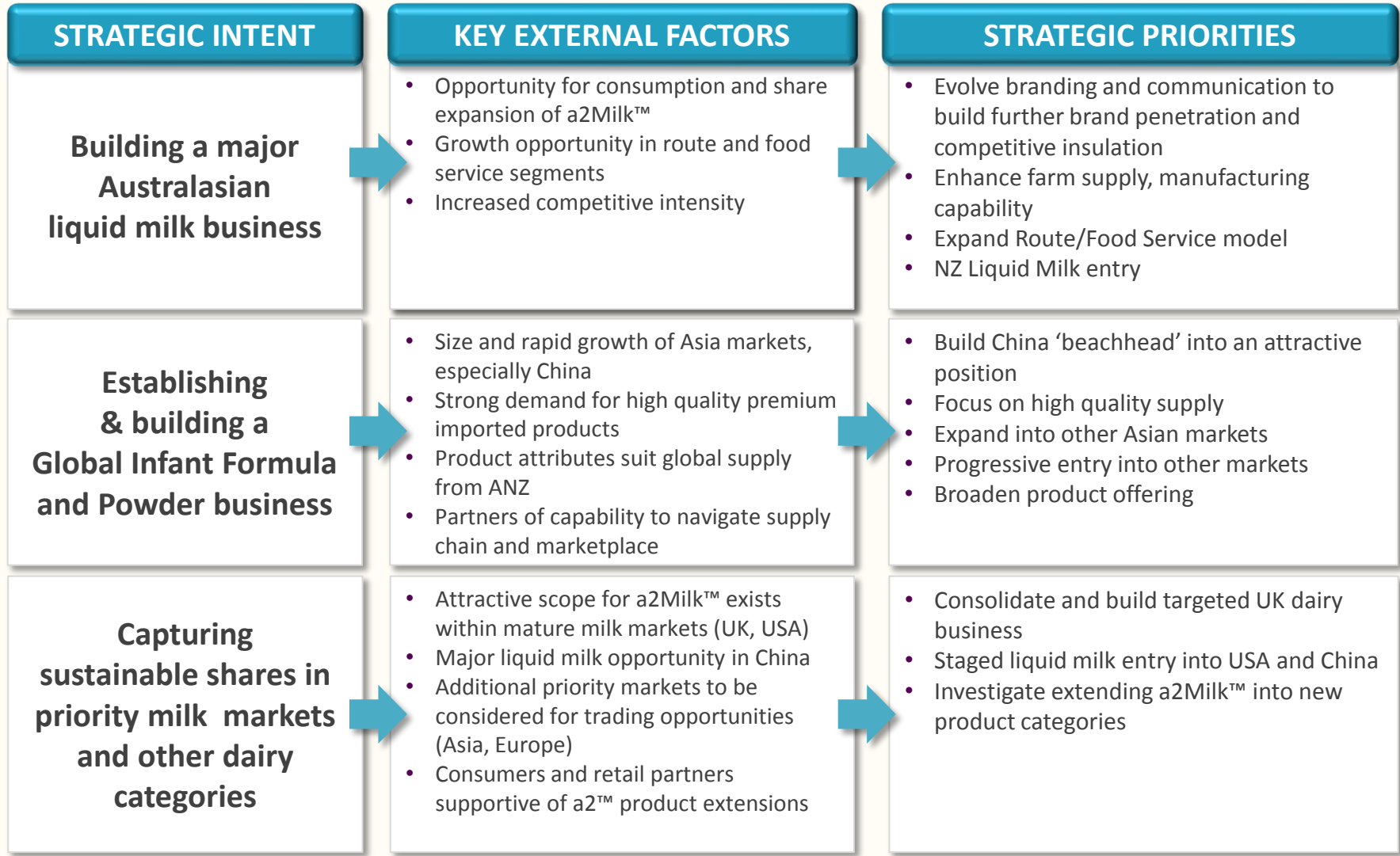
North America – Market entry plan

- a2MC Board has confirmed the USA milk market as the next priority growth initiative
- Strong IP and know-how in the USA, consumer research confirms significant potential for the a2Milk™ proposition in this market
- Market entry plan developed over the past 12 months includes:
 - Wholly owned USA legal entity
 - Targeted regionally focused liquid milk launch planned for calendar 2015
 - Milk supply managed by a2MC
 - Product to be packaged by outsourced manufacturers
 - Sales, marketing, logistics functions managed by a2MC entity
- Management team being established with local market experience
- Plan provides an appropriate balance of risk and reward - revenue opportunity significantly larger than other markets
- Current model assumes a cash investment of circa USD20m funded from cash flow and internal sources over a 3 year period

Intellectual Capital – Investment and development continues

- a2MC continued to invest in building its portfolio of IP: trademarks, patents, proprietary processes and know-how
- Applications were made for the registration of additional new patents
- New global brand vision is well progressed, first step was the change of company name to “The a2 Milk Company™” from April 2014
- The science behind A2 products continues to build momentum. Several new research studies were published supporting the unique benefits of dairy products free of A1 beta casein protein
 - The collaborative study between a2MC and AgResearch NZ reports the interference by A1 and not A2 beta casein to aspects of digestive function and provides insight into the biochemical mechanisms
 - Curtin University in Western Australia conducted the first human digestion clinical trial testing the A1 and A2 milk proteins. The pilot trial showed differences in gastrointestinal effects between milk containing A1 versus A2 beta-casein protein
 - A North Eastern University (Boston) study supports the potential for A1 free milk to benefit children predisposed to neurological or behavioural conditions
- The company continues to encourage further research into the differences in consumption of A2 beta casein protein and A1 beta casein protein in dairy products and their potential impact on human physiology and health

The a2 Milk Company™ Strategic Growth Roadmap



For more information why not visit our new corporate website www.thea2milkcompany.com



Results
Presentations
Shareholder
Information
Investor FAQs

About our Milk
Product &
Businesses
Corporate
Governance

NZX
Announcements
Latest News

Make an Enquiry

Investor Centre

About Us

Newsroom

Contacts



Hello world

Our mission is to enhance people's wellbeing by pioneering a2 Milk™ and sharing its unique benefits with the world.



Learn more

1

2

Reconciliation of non GAAP measures

NZ\$m	FY13	FY14	% change
Australia Segment Profit ¹	3.6	4.5	+25%
China Segment Profit ¹	(0.1)	(1.7)	+1256%
New Zealand Segment Profit ¹	6.7	3.0	-55%
UK & Unallocated Segment Profit ¹	(0.4)	(2.2)	+400%
EBITDA including non-recurring items ²	9.8	3.6	-63%
EBITDA ²	10.6	3.6	-66%
Depreciation/Amortisation	(1.1)	(1.9)	+72%
EBIT ²	9.5	1.7	-82%
Share of Associate loss	(3.7)	(1.4)	-63%
Non-recurring items ²	(0.8)	-	-100%
Interest income	0.3	0.4	58%
Interest expense	(0.1)	-	-65%
Income tax expense/income	(1.1)	(0.7)	-36%
Net Profit for the Period	4.1	-	-100%

Notes:

1 Segment Profits per note 7 of Interim Accounts

2 EBITDA and EBIT are non GAAP measures, however, the company believes that they provide investors with a comprehensive understanding of the underlying performance of the business

3 Relate to costs associated with the Strategic Review in FY13

Disclaimer

This presentation dated 28 August 2014 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.