

Welcome to

The a2 Milk Company™

FY16 First Half Results



February 17, 2016

Agenda

1. Result highlights
2. Group Infant Formula update
3. Regional update
4. Research and development
5. Financial update
6. Close



“The Company’s strategic agenda has been focused on growing and broadening the ANZ milk business and developing growth opportunities in select international markets.

Following a period of development, a2 Platinum® infant formula has become the significant contributor to growth and earnings in ANZ and China, which we see continuing.

In addition, we see positive prospects for growth of a2 Milk™ whole milk powder, which was first launched late last financial year. We are pleased with the growing level of distribution for a2 Milk™ in the state of California and the repositioning of our brand in the UK during the period.”

Geoffrey Babidge
Managing Director – The a2 Milk Company



1H16 result highlights

- Total revenue of \$139.1 million, an increase of 86% on pcip
- Group a2 Platinum® infant formula revenue of \$73.9 million, up 340% on pcip
- Net profit after tax of \$10.1 million
- Group operating EBITDA¹ of \$18.7 million, up 472%² on pcip
- Group operating EBITDA, before investments in UK & USA, of \$26.8 million
- Income tax expense of \$7.4 million
- Australian fresh milk sales up 5% in AUD on pcip
- Significant growth in revenue and earnings in China
- Cash on hand at 31 December 2015 of \$36.4 million
- FY16 full year forecast increased:
 - Group revenue range of \$335 million to \$350 million,
 - Group operating EBITDA range of \$45 million to \$49 million

1. Operating EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation
2. Before non-recurring items in 1H15 of \$0.8 million relating to ASX listing costs



Financial overview

NZ\$ million	1H16		1H15		Movement %	
Operating Segment	Segment Revenue	Operating EBITDA ¹	Segment Revenue	Operating EBITDA	Segment Revenue	Operating EBITDA
ANZ	127.9	34.5	72.8	14.0	76%	146%
China and other Asia	8.4	1.2	1.1	(2.2)	681%	(155%)
Corporate and other	-	(8.9)	-	(4.3) ²	-	107%
Total excluding UK & USA	136.3	26.8	73.9	7.5	84%	257%
UK & USA	2.9	(8.1)	0.9	(4.2)	222%	93%
Total Group	139.2	18.7	74.8	3.3	86%	472%

Infant formula (included in Group total)	73.9
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16.8

340%

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 1H15 of \$0.8 million relating to ASX listing costs

Financial summary

NZ\$ million	1H16	1H15	% change	
Revenue	139.2	74.8	+86%	• Revenue growth of 86% on pcg
Gross margin	57.0	26.1	+118%	• Gross margin reflects increased contribution from infant formula sales
Administration	(13.3)	(6.8)	+96%	• Increases to administration, marketing and other reflect business growth and expansion into new markets. Key movements relate to employment costs (\$4.7 million), freight (\$2.0 million), business development (\$2.4 million) and research & development (\$0.8 million)
Marketing	(10.0)	(6.9)	+46%	
Other	(15.0)	(9.1)	+63%	
EBITDA before non-recurring items	18.7	3.3 ¹	+472%	
EBITDA	18.7	2.5	+646%	• NZD/AUD exchange movements had a marginal adverse impact on 1H16 revenue and EBITDA
EBIT	17.4	1.6	+988%	
NPAT	10.1	0.1	+7,986%	• NPAT reflects high effective tax rate due to international tax losses not tax effected, and non-deductibility of employee share scheme costs
Cash on hand	36.4	9.9	+269%	• Cash on hand reflects NZ\$41.6 million in equity raised through private placement and share purchase plan, offset by increased investment in working capital

1. Non-recurring items represent ASX listing costs of \$0.8 million in 1H15

Reconciliation of non GAAP measures

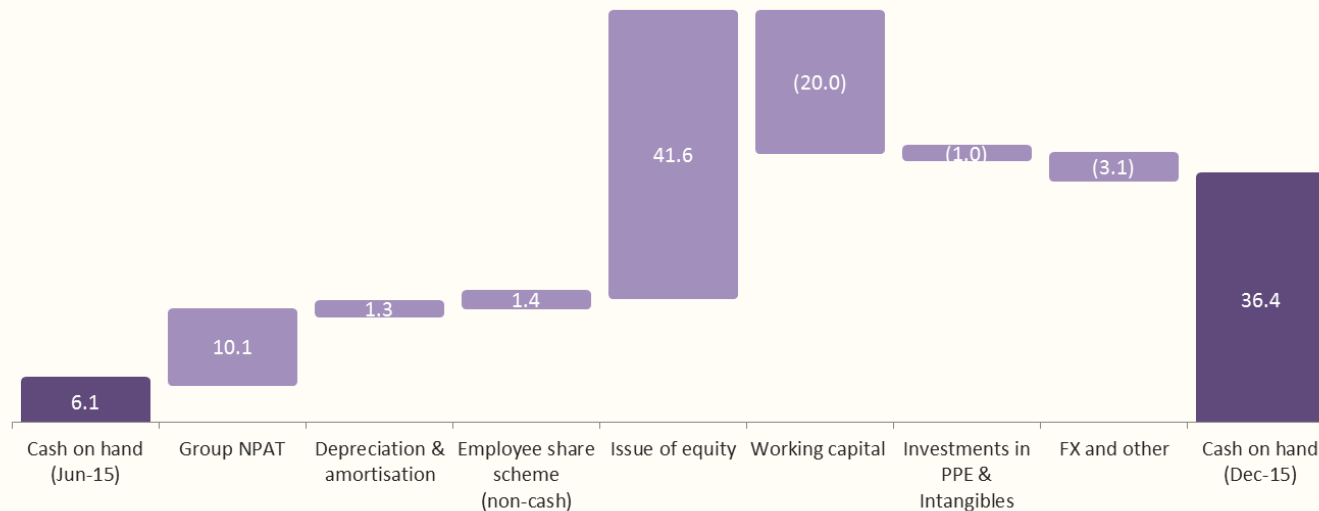
NZ\$ million	1H16	1H15
Australia & New Zealand Segment EBITDA	9.3	4.9
China & other Asia Segment EBITDA	1.0	(0.6)
UK & USA Segment EBITDA	(5.5)	(1.9)
Corporate & other Segment EBITDA	13.9	0.1
EBITDA ¹	<u>18.7</u>	<u>2.5</u>
EBITDA before non-recurring items	18.7	3.3
Depreciation/Amortisation	<u>(1.3)</u>	<u>(0.9)</u>
EBIT ¹ before non-recurring items	17.4	2.4
Non-recurring items	-	(0.8)
Net interest income	0.1	0.1
Income tax expense/income	<u>(7.4)</u>	<u>(1.6)</u>
Net Profit/(Loss) for the Period	<u>10.1</u>	<u>0.1</u>

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



Cash position

Group Cash Movement: Jun-15 to Dec-15 (NZ\$ million)

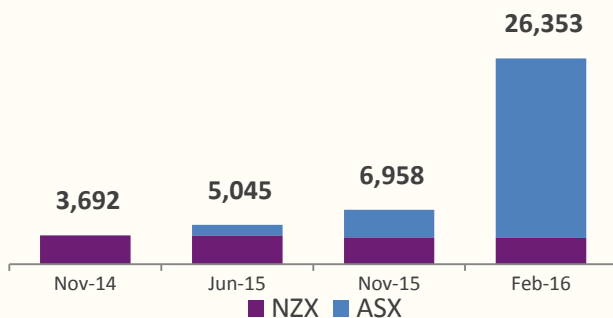


- Working capital movement driven largely by an increase in inventories and prepayments relating to infant formula
- FX and other includes losses on foreign currency cash holdings due to strengthening of NZD through the period
- Forecasting a significantly improved operating cash flow for the second half

Other corporate initiatives

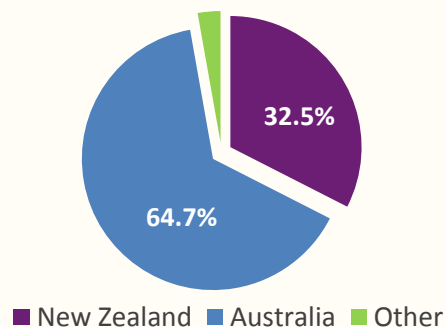
- Oversubscribed equity raising to fund increase in infant formula working capital and maintain conservative capital position:
 - \$40 million raised from institutional investors
 - \$3 million share purchase plan
- Admission to ASX in March 2015 successful in broadening investor participation

Number of Shareholders (NZX/ASX)¹



¹ Shareholders by exchange as at 10 February 2016

Shareholding domicile²



² Weighting based on % of fully paid issued capital held as at 10 February 2016

- Board renewal process continuing with appointment of Mr Peter Hinton as a NZ based non-executive Director
- Appointment of additional director with appropriate international experience planned

a2 Platinum® demand is growing exponentially

- 1H16 Group revenue for infant formula was ~NZ\$73.9 million, compared to NZ\$16.8 million for 1H15
- Infant formula now accounts for ~53% of total group revenue
- Demand continues to grow amongst Australian and Chinese customers
 - Continues to be the fastest growing Australian infant formula brand¹:
 - Value market share climbed significantly to circa 16.7%¹
 - Achieved top sku within the category and two skus ranked in the category top five¹
 - Number 3 brand in infant formula category in latest quarter across supermarket and pharmacy¹
 - The growing success of a2 Platinum® is based on the well established reputation of the a2 Milk™ brand in Australia
- Majority of sales occurred across Australian grocery and pharmacy channels
- Direct sales into China increased significantly in cross border e-commerce channels and mother baby retail stores
- Continue to experience stock shortages in first half despite increased production
- Synlait Milk positively supporting a2 Platinum® business growth
- Further building milk supply in NZ to increase production in FY17

1. Australian Grocery and Pharmacy Scan, quarter to date December 20, 2015



Australia and New Zealand

- ANZ business continues to perform extremely well
- Segment revenue grew by 76% on pcp to NZ\$127.9 million
- Operating EBITDA before intercompany charges totalled \$34.5 million (an increase of 146% on pcp)
- Encouraging 5% growth on pcp in fresh milk revenue despite flat market
- a2 Ice Cream™ distribution now broadened to all major retailers
- New advertising campaign “Believe in better” launched in October building brand awareness and sales
- Expanding a2 Milk™ whole milk powder given the strong growth opportunity
- a2 Platinum® infant formula showing exceptional sales growth, particularly in November and December with increased supply
- a2 Platinum® continues to be the fastest growing infant formula brand with a grocery market share by value of ~16.7% across supermarkets and pharmacy¹
- Continuing out of stocks on shelf despite orders from Synlait Milk being progressively increased

1. Australian Grocery and Pharmacy Scan, quarter to date December 20, 2015



China

- The China business performed well ahead of plan and returned positive operating EBITDA of \$1.2 million
- a2MC now directly manages sales and distribution with a growing team based in Shanghai and Auckland
- Multi product, multi channel strategy to build both local China product and cross-border ANZ label infant formula and milk powder
- Strong emphasis on e-commerce retailers and Mother & Baby channels where distribution is over 1,000 stores
- E-commerce partners include Tmall, JD.com and other strategic digital platforms
- Participation in the November “11/11” annual sales event in China was very successful
 - “The a2 Milk Company” Tmall flagship store placed in the top 3 infant formula brands selling cross-border offers¹
- Distributor network now totals 32 with strength in East and West China with plans to expand
- Entered an exclusive distributor agreement with DKSH (China) Co., Ltd for five key provinces from October (Zhejiang, SiChuan, ShanDong, LiaoNing, HuBei)

1. Tmall supplied sales data

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United Kingdom

- The UK business on track to achieve monthly breakeven ahead of plan, by year end
- Improved EBITDA forecast in FY16 compared to prior year
- Continuing to explore opportunities to build scale more quickly
- a2 Milk™ fresh milk unit sales continue to grow from modest base, distributed in 4 of the 5 key UK grocery retailers
- Marketing focused on digital advertising, promotional events and health care professional engagement
- Revised UK business model broadens the product portfolio beyond fresh milk with UHT milk available from Q2 and a market trial for a2 Platinum® underway



United States of America

- Initial launch of a2 Milk™ brand into the West Coast region extending into further states
- a2MC pleased with progress in building distribution in Southern and Northern California
- Sales behind original plan given slower build in store numbers than previously assumed
- Estimated retail weighted distribution in California of over 85% from February following acceptance across Safeway/Alberstons/Vons stores
- Units per store per week building, on track to achieve target rates of 30¹ by end FY16 in key retailers
- Marketing activity to date includes digital and social media platforms, PR, shopper marketing and in-store promotional activity
- TV campaign has commenced in the Los Angeles market from February with an incremental cost of USD \$3 million
- Milk sourcing, processing, logistics functions for California in place, capability to extend to other states
- Initiated best practice on-farm management program for a2 Milk™ dairy suppliers

1. Refers to the units per store per week for the total range



New USA advertising campaign kicked off February 2016

- TV and radio campaign launched February 11 across major Los Angeles broadcast networks
- Supported by heavy social digital campaign across total California

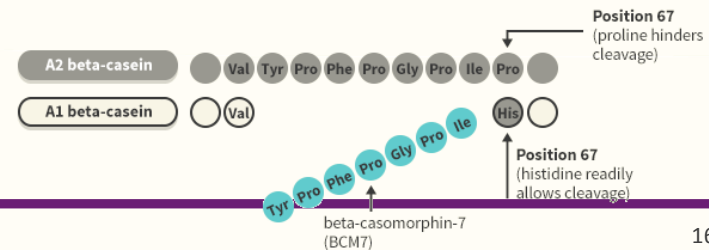


Click the link below to view new television commercial

<https://www.youtube.com/embed/wb4lGdRuZ8Q?rel=o>

R&D

- Continuing to develop and enhance portfolio of brand assets, intellectual property and participate in R&D associated with the benefits of the A2 beta-casein protein and the absence of A1
- Research findings from recent completed studies:
 - Explains at the human cell level the mode of action and digestive benefits of a2 Milk™
 - The consumption of A1 beta casein protein can trigger inflammation of the gut leading to digestive discomfort
 - The consumption of a2 Milk™ products can increase antioxidant production (glutathione) over and above regular dairy
 - BCM-7 from A1 protein has a negative effect on human neural stem cell growth and development
- Several research studies have been initiated across China, USA and Australia
 - Professor Gibson in conjunction with Monash University Australia will lead a human clinical study examining the benefits of a2 Milk™ on IBS/bowel inflammation
 - A clinical trial into the benefits of a2 Milk™ to digestive function with a leading USA biomedical research centre
 - Further clinical trials in China to assess benefits of A2 beta casein protein amongst adults, pre-schoolers and infants
- New Zealand government awarded the Company a significant NZ\$1.1 million research grant in partnership with AgResearch and The University of Auckland as part of a government push to invest funds into areas of High-Value Nutrition (<http://www.highvaluenutrition.co.nz/en.html>)



FY16 Financial update

- An update on the Group's revenue and operating earnings forecast was provided on 18 December 2015
- The Company has since delivered a strong first half and an exceptional performance in January 2016
- Based on this, and our assessment of the reasonable risks relating to potential changes in infant formula regulations, the Company has determined it appropriate to further revise its full year outlook upward
- Group revenue is now forecast to be in the range of \$335 million to \$350 million and Group operating EBITDA in the range of \$45 million to \$49 million for the 2016 financial year¹

1. Please refer to the comments in relation to forward looking information which appear on the last page of this release

The a2 Milk Company is a unique business and brand

- A fast growing, high margin, differentiated business based on branded products that are all A1 protein free, supported by an integrated portfolio of intellectual property
 - A unique asset light business model which optimises return on capital by prioritising investment in brand, proprietary know-how, selling and distribution and close collaboration with key partner organisations
 - Unique products with broad consumer appeal across both emerging and developed international markets





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