Dairy Day 2019

FNZC & Credit Suisse | Sydney | 3 April 2019

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All values are expressed in New Zealand dollars unless otherwise stated; and our financial statements are prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and not U.S. general accepted accounting principles.

Also, this presentation includes certain financial measures that were not prepared in accordance with NZ GAAP. Reconciliations of those non-NZ GAAP financial measures to the most directly comparable NZ GAAP financial measures can be found in our annual report and half-yearly report. Any non-NZ GAAP financial measures presented are not, and should not be viewed as, substitutes for financial measures required by NZ GAAP, have no standardized meaning prescribed by NZ GAAP and may not be comparable to the calculation of similar measures of other companies.

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The a2 Milk Company at a glance

- Single minded focus on providing high quality branded dairy nutritional products in targeted global markets
- We uniquely focus only on products based on the A2 beta casein protein type rather than conventional cows' milk products containing both A1 and A2 protein types
- Our strong, modern brand is building momentum in the two largest consumer markets in the world

(all figures NZ$)

$613m

1H19 Revenue ↑ 41% YoY

20.9c

1H19 EPS[1]

$10.5b

Market capitalisation[2]

[1] *Basic earnings per share (EPS)*
[2] *Based on share price of NZ$14.30 at 29 March 2019 (quoted securities only)*

Macro consumer trends support our momentum

Growing consumer demand for health and wellness products

Food safety, naturalness and provenance

Growing middle class in Asia

What makes us so unique?

- Single-minded focus
- Focussed investment in brand, IP and growth
- Unique, modern and premium brand
- Capital-smart approach
- Innovative and agile approach
- Australia and New Zealand sourcing for Asia Pacific

Global strategic supply partnerships

We continue to be well supported by our key strategic supply partners

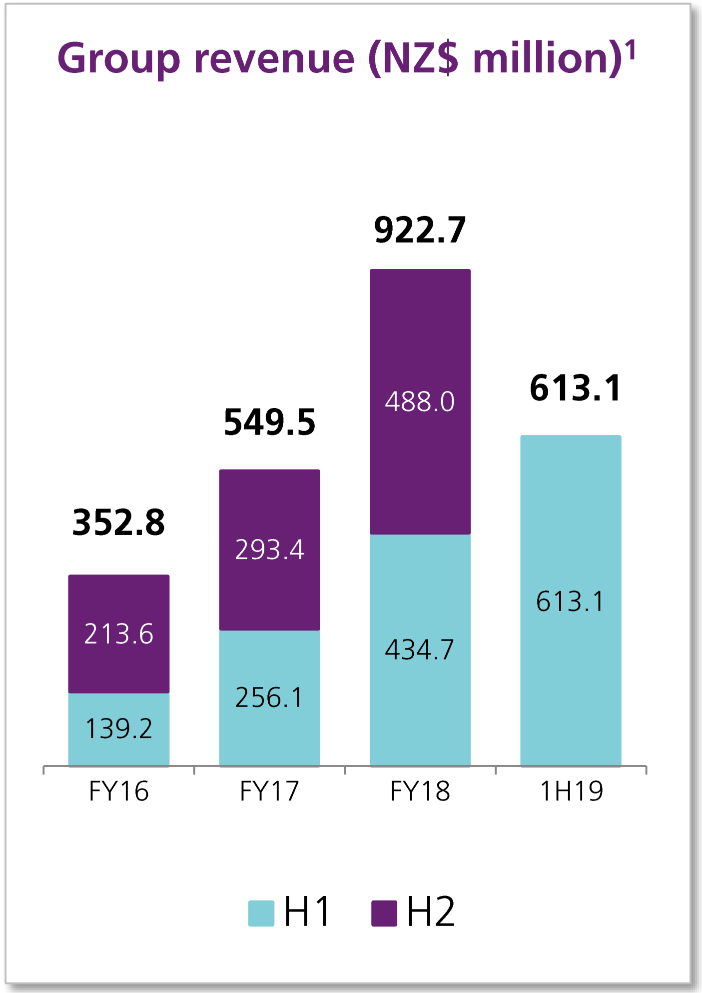
Synlait

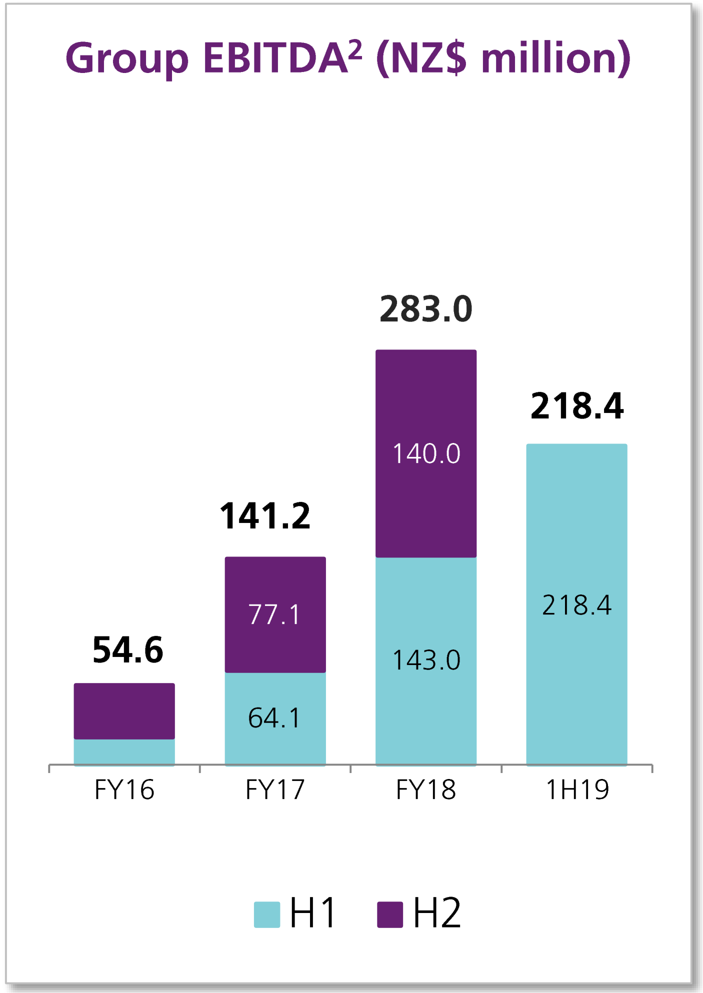
- Foundation infant nutrition partnership
- Exclusive supply rights for infant nutrition into ANZ & China
- 5 year minimum supply agreement signed July 2018
- Building capacity to support future growth:
  - Auckland canning facility
  - Pokeno facility

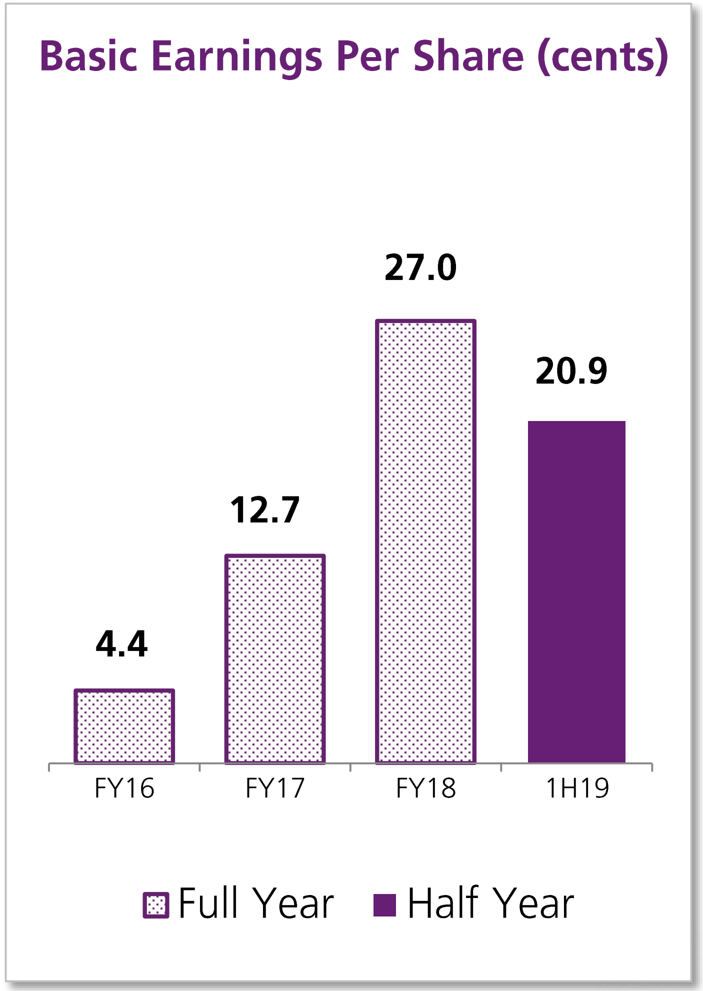
Fonterra

- Emerging markets & multi-products partnership
- Exclusive supply rights for infant formula and other products into new priority markets
- *a2 Milk*™ branded fresh milk launched in NZ (Aug-18)
- Building capacity to support future growth with the development of milk pools in Australia and New Zealand

1H19 results highlights







[1] The Company's financial year ends 30 June; H1 refers to the first half period from 1 July to 31 December; H2 refers to the second half period from 1 January to 30 June
[2] EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation, and is shown before non-recurring items

Record first half results, step changing investment for the future

Record financial results in 1H19, continuing strong momentum

- Group revenue: $613.1 million[1] +41.0%; EBITDA[2]: $218.4 million +52.7%
- Net profit after tax: $152.7 million +55.1%
- Strong balance sheet with closing cash balance: $287.9 million

Record market share positions underpin strong results in each region

- Infant formula consumption market share in China of 5.7%[3]; China label revenue +82.6%, brand leadership in Australia at 35.7%[4]
- US sales growth +114.1% (USD) and over 10k store distribution
- Australian fresh milk value share 10.8%[5], revenue +11.7% (AUD)

Step changing investment for the long term health of our brand and core markets

- Accelerating strategic investment in consumer insights, brand and organisational capability
- Marketing spend +75% in first half (#1 priority China, #2 priority USA)
- Number of new senior and broader team hires, focussing on China, NPD and capacity for continued growth and resilience
- Building both depth and breadth of organisational capability and infrastructure

[1] All figures quoted in New Zealand Dollars (NZ$) and all comparisons are with the six months ended 31 December 2017 (1H18), unless otherwise stated
[2] Operating EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation
[3] Kantar Infant Formula market tracking of China Tier 1 and Key A cities for 12 months ending 28 December 2018 by value
[4] Aztec Australian Grocery and Pharmacy Scan 12 months ending 30 December 2018
[5] Aztec Australian Grocery Weighted Scan 12 months ending 30 December 2018

Quarter 3 key regional update

China

- Pleasing progress for China label and English label (CBEC[1]) infant formula sales
- Up-weighted 2H19 marketing program on track
- Continued strengthening of infant formula market share position
- Appointment of Li Xiao, CE Greater China, effective 29 April 2019

ANZ

- Continued strong infant formula and liquid milk sales with continuing growth in market share
- The business has not experienced any impact to infant formula sales from new e-commerce or CBEC regulations[2] in China

USA

- Continuing positive momentum in sales velocities and distribution growth for liquid milk
- Recent portfolio extension to include premium and natural coffee creamers

[1] Cross Border E-Commerce (CBEC)
[2] CBEC policy framework as announced by Chinese Government on 30 November 2018

FY19 outlook[1]

- In the first half the Company has invested strongly in both internal and external capability to better understand our Chinese consumers, channel dynamics and ways of improving brand awareness

- Following a very strong first half performance, and encouraged by growing market share in China, the Company is now in a position to reinvest the benefits of scale into increased marketing activities in the second half. This is intended to drive brand awareness, predominantly in China, and the US. Increased brand and marketing investment is expected to continue into FY20

- The Company expects the Group revenue growth rate in the second half to continue broadly in line with the first half. The increased investment in brand building in 2H19 is expected to support revenue growth in FY20 and beyond

- Second half EBITDA margins will consequently be lower than first half, with full year FY19 EBITDA as a percentage of sales expected to be approximately 31-32%. This is due largely to:
  - Marketing investment in 2H19 to approximately double 1H19
  - Continued investment in building organisational capability; and
  - A weaker Australian Dollar (vs New Zealand Dollar)

- We do not anticipate any significant impact to gross margin % during FY19 as a result of recent increases in dairy pricing as reflected in Global Dairy Trade Indices. However, these increases are likely to have some impact in FY20

[1] *The Company's forecast has been calculated using exchange rates as at 31 December 2018*

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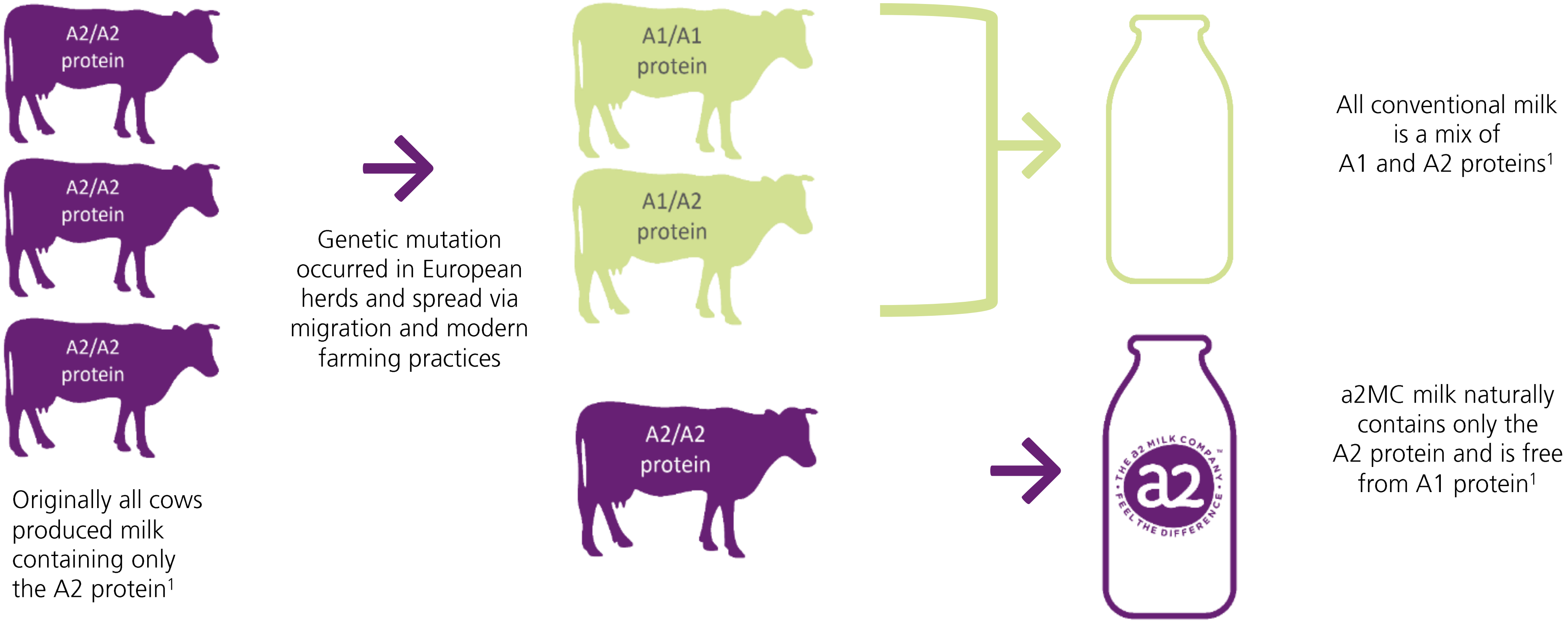
Appendix

What is the a2 Milk® brand difference?

- The brand difference starts with specially selected cows
- The a2 Milk Company has significant years of knowledge and experience and takes great care in bringing our consumers the very best quality dairy nutritional products always free from the A1 protein
- A1 and A2 proteins digest differently - many people who have issues digesting conventional milk find they can enjoy a2 Milk®



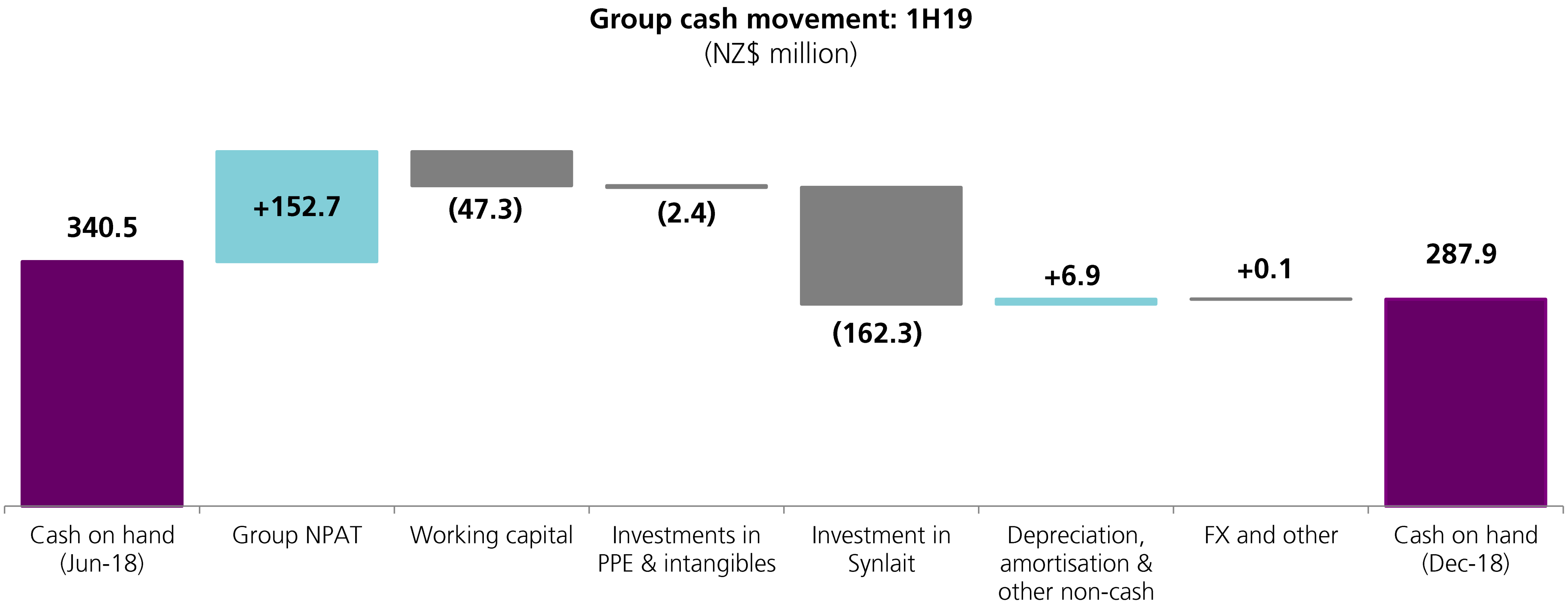
[1] *A1 and A2 protein refers to A1 and A2 beta casein protein types respectively*

1H19 financial summary – step changing investment

NZ$ million	1H19	1H18	% change	Commentary
Revenue	613.1	434.7	+41%	Reflects continuing strong growth across key regions
Gross margin	340.6	216.5	+57%	GM of 55.6% reflects benefits of scale and mix (higher proportion of infant formula sales), partially offset by currency movements (most notably a weaker AUD)
Distribution	(14.8)	(13.0)	+14%	
Marketing	(45.5)	(26.0)	+75%	Increased marketing investment primarily to support growth in China and the US
Employee costs	(27.4)	(16.4)	+67%	Employee cost increases reflect capability build in core markets and corporate
Administration & other	(34.5)	(18.0)	+91%	Reflects strategic investment in consumer insights and costs to support business expansion
EBITDA	218.4	143.0	+53%	
EBIT	217.4	141.9	+53%	
NPAT	152.7	98.5	+55%	

NZ$ million	Dec-18	Jun-18	% change	Commentary
Cash on hand	287.9	340.5	-15%	Cash on hand reflects strong NPAT contribution, offset by investment in Synlait
Inventory	72.8	64.1	+13%	Increase in infant formula inventories; includes $35.3m of goods in transit

1H19 cash position – strong balance sheet



- Working capital movement reflects timing of tax and supplier payments, impact of revenue phasing on debtors and increased infant formula inventory
- Increased investment in Synlait to 17.4% shareholding in August 2018

Geographic and product segment performance

	Geographic segment revenue & EBITDA						Product segment revenue		
NZ$ million		Australia & New Zealand	China & other Asia	UK & USA	Corporate	Total Group	Liquid milk	Infant nutrition	Other
1H19	Revenue	418.4	171.7	23.0	-	**613.1**	83.4	495.5	34.2
	EBITDA[1]	192.0	68.4	(14.6)	(27.4)	**218.4**			
	EBITDA %	45.9%	39.9%	NM	-	**35.6%**			
1H18	Revenue	304.3	114.4	16.0	-	**434.7**	69.4	341.0	24.3
	EBITDA	116.4	48.3	(8.4)	(13.3)	**143.0**			
	EBITDA %	38.3%	42.3%	NM	-	**32.9%**			
% Change	Revenue	37.5%	50.1%	43.1%	-	**41.0%**	20.2%	45.3%	40.4%
	EBITDA	64.9%	41.6%	NM	105.2%	**52.7%**			

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

Reconciliation of non-GAAP measures

NZ$ million	1H19	1H18
Australia & New Zealand segment EBITDA	192.0	116.4
China & other Asia segment EBITDA	68.4	48.3
UK & USA segment EBITDA[1]	(14.6)	(8.4)
Corporate EBITDA	(27.4)	(13.4)
EBITDA[1]	218.4	143.0
Depreciation/amortisation	(1.0)	(1.1)
EBIT[1]	217.4	141.9
Net interest income	1.6	0.8
Income tax expense	(66.3)	(44.2)
Net profit for the period	152.7	98.5

[1] *EBITDA and EBIT are non-GAAP measures. However, the Company believes they assist in providing investors with a comprehensive understanding of the underlying performance of the business*

China regulatory environment

- The Chinese government issued a number of regulatory updates during the half with respect to e-commerce and CBEC across all products and services. A new e-commerce law (effective 1 Jan 2019) and CBEC policy framework (effective 31 March 2019) together confirmed:
  - A strengthening of compliance obligations for e-commerce operators (domestic and CBEC)
  - English label infant formula and milk powder products can continue to be sold via CBEC as imports for personal use[1]
  - A continuation of preferential tax rates for imports via CBEC bonded warehouse zones
  - An increase to the number of approved CBEC bonded warehouse zones across China
- Synlait Milk facility registrations progressing:
  - Late December 2018, Synlait Milk obtained registration renewal of its Dunsandel plant with the GACC[2] allowing Synlait to continue to export canned infant formula to China; Auckland plant has achieved GACC dairy registration and is progressing with the GACC infant nutrition process

[1] Provided CBEC participants adhere to the responsibilities as outlined in the policy framework by 31 March 2019
[2] General Administration of Customs of the People's Republic of China

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