Slide 3: Welcome

Welcome

Good morning, ladies and gentlemen.

My name is David Hearn.

As Chair of your Board I have the privilege of chairing this Annual Meeting.

Who would have thought last year, when we had our first ever virtual meeting that it would not be our one and only. But sadly, due to the tenacity of the COVID-19 pandemic, we are forced to have a virtual meeting again this year. I'm sure we all hope that, next year, our lives will be freer again and as a result we will be able to schedule this meeting in person.

As always, today you can vote and ask questions online.

I would encourage you to send through your questions as soon as you can so that we can make the process as efficient as possible.

So, on behalf of the Board of The a2 Milk Company Limited, I would like to welcome you formally to The a2 Milk Company's Annual Meeting.

In accordance with the constitution of the Company I am satisfied that a quorum is present – and I declare the meeting open.

Introduction of Directors, Management, Advisors and Auditor

Let me introduce the Company's Directors who are joining us today. We have:

- Julia Hoare, the Company's Deputy Chair, joining us from New Zealand,
- Warwick Every-Burns, joining us from Sydney,
- Pip Greenwood, joining us from New Zealand,
- Bessie Lee, joining us from China, and
- David Bortolussi, our Managing Director and CEO, joining us from Melbourne.

Let me also introduce:

- the Company's Chief Financial Officer, Race Strauss, and

- the Company's Chief Legal & Sustainability Officer and Company Secretary, Jaron McVicar.

Also joining us today are representatives from the Company's legal advisors, and our Auditor, Ernst & Young.

Apologies

We have received ***no*** apologies in advance of this meeting.

Slide 4: Agenda

Agenda & Notice of Meeting

The agenda for the meeting is shown on the slide here.

I will make a short introductory speech, after which I shall ask David Bortolussi, our CEO, to address the meeting.

We will then proceed to the formal business of the meeting and any general business as outlined in the notice of meeting, which has been circulated to all shareholders.

Unless there are any objections, I will proceed on the basis that the Notice of Meeting is taken as read. The Notice of Meeting and the Annual Report are available on our website.

Proxies

I have been advised that ***1,401*** valid proxies have been received representing more than ***348 million shares*** (or ***roughly 47***%) of the total number of votes able to be cast at the meeting.

Minutes of the previous Annual Meeting

The minutes of the last Annual Meeting, held on 18 November 2020, have been signed by me as the Chair of that meeting, as a correct record of those proceedings.

Slide 5: Chair Speech

Chair's Speech

Given that the last 18 months have been tumultuous for the Company and our shareholders, I would now like to make some remarks to put these events in perspective.

As I noted in my letter to shareholders a few months ago, there is no hiding from the fact that the 2021 fiscal year was very challenging for the Company.

I don't need to explain to you that we as a Company, along with all of us individually, have experienced an extended period of great uncertainty and volatility, caused by several different factors including of course the COVID-19 pandemic.

But if it was a challenging year for the company and its management, I recognise that it was a very disappointing year for you, our shareholders, in many ways.

While we were disappointed with our financial performance and the pressure this put on our share price, we were pleased to deliver many significant achievements against our strategic objectives, despite the challenging market conditions.

Today, I would like to take the opportunity to cover a number of topics that we believe are of importance to you.

- Firstly, I would like to step you through some of the challenges we faced during the course of the 2021 fiscal year and the actions the Company has taken to address these issues.
- Secondly, I would like to provide the Board's perspective of the Company's revised growth strategy that has been undertaken in recent months. David Bortolussi will provide more detail on this in his address as well, but it is important that shareholders also understand this from the Board's perspective.
- Thirdly, and related to this, I will discuss how the Board is thinking about capital allocation and capital management.
- I will then cover the board renewal and management changes that have occurred during the year.
- And finally, I will address some additional topics that we know are on shareholders' minds.

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First, **stepping through FY21 – the challenges and actions taken**.

As we all know, in FY21, the Company experienced great uncertainty and volatility.

During this period of volatility, the normal behaviours of both our consumers and our trade customers changed, in some cases radically, as a result of their reaction to the covid crisis, and this had a profound and very challenging effect on many aspects of our business.

Across the early phase of the pandemic, and particularly in our infant nutrition business, there were highly unusual swings in demand as consumers tended to panic buy and pantry load, creating a large spike in sales, followed several months later by a gradual unwinding of these pantry stocks as things settled down.

These dramatic swings in consumer behaviour subsequently drove equally significant changes in the behaviour of many of our trade customers as they tried to meet these volatile demand patterns whilst trying to balance off their own challenges at the same time.

The other point to make, is that these swings in consumer demand were exacerbated by real concerns over the future availability of certain key infant nutrition ingredients, which are sourced from all over the world.

In order to make sure that we were able to meet any further spikes in demand, in the early period of COVID-19 we chose to build our own inventory levels to ensure we were able to meet potential demand patterns without facing supply chain disruption.

Whilst this was a rational decision to make at the time given the prevailing uncertainty, especially bearing in mind that we commit to production three months in advance, the anticipated demand for these increased orders didn’t materialise and as a result this led to increases in our own inventory.

As a result of these challenges, excess inventories built up right across our business both internally and externally throughout our distribution channels. This excess inventory build-up was also exacerbated by a marked general slow down on the overall infant formula market within China for the first time in over 15 years. To address the excess inventory levels, the board and management put in aggressive measures in the fourth quarter of the fiscal year to address the situation.

These challenges impacted our English label infant nutrition business in particular. In the first quarter of the fiscal year, we were impacted by the flow-on effect of pantry destocking following the strong sales uplift in 3Q20. Furthermore, there were lower than anticipated sales to retail Daigous in Australia, due to multiple reasons including reduced tourism from China and international student numbers.

By the end of the first quarter, our major reseller customers started to feel increased disruption within their businesses, impacting our trading with them. With the effect of the disruption in the reseller channel, we shifted our focus to activating the CBEC channel in a manner which complemented our reseller business.

By the end of the second quarter, it became clear that the disruption we were experiencing in the reseller channel was also impacting our CBEC business. Following a Board-initiated comprehensive inventory review undertaken by management in the second half, it became clear that the challenges in the reseller and CBEC channels were being exacerbated by the overall high level of channel inventory, as a result of the highly complex and multi-layered distribution and channel systems in which we operate.

In the third quarter of the fiscal year, we announced a number of initiatives, particularly in those heavily affected channels, to address the issues.

Specifically, we deliberately slowed down our own sales into the CBEC channel to reduce the inventory levels; we reduced our forward orders from our infant nutrition supplier Synlait to reduce our own internal stock levels; and we embarked on a series of promotional programmes designed to move product through these channels more quickly. Whilst these initiatives had some positive effect, the board and management took the decision that we ultimately needed to take more aggressive action to address these issues fully and allow the business to return to growth as quickly as possible.

As we disclosed in our update on May 10, the Board made the difficult decision to address the inventory issues head-on and aggressively deal with the situation in a substantive way. This decision required significant inventory write-downs and external distributor inventory swaps which was costly but effective in helping to restore balance and appropriate pricing in the market. Ultimately, we believe that these decisions were in the Company's, best medium and long term interests by creating a platform for a return to growth in the future.

I, along with the Board and the executive management team, am confident that the approach we have taken, while painful in the short-term, will place the Company in a much better position to begin to return to a growth trajectory, primarily by continuing to build our strong brand from the solid base that we have created over the past several years.

Pleasingly, as David and the management team updated the market a few weeks ago, we are starting to see positive signs from the actions we took earlier in the year.

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This background leads on to our **growth strategy review**.

The overall market environment we are trading in has changed more significantly and more quickly in the past year than anyone could have predicted.

Not only did we have significant disruption to cross-border channels, but for the first time, the market started to decline as a result of a decrease in the number of births in China. We are also starting to see that translate into retail price pressure as competitors and retailers turn to discounting to try to maintain sales.

A further point to make is that consumers are no longer actively prioritising international brands alone. There has been a mix shift from international to domestic brands. However, in our view, this is not necessarily about consumers preferring domestic brands per se but rather, being an international brand is no longer a critical success factor on its own. More so than ever, it is the underlying strength of a brand, and its ability to connect and engage with local consumers not just its geographic provenance that will ultimately dictate success or otherwise. This trend puts a2 in a fundamentally good place for the long term. We have established a real point of difference with our brand which we know resonates strongly with local consumers. We have never relied solely on our New Zealand heritage, although it remains an important component of our story, and we can see this in the underlying resilience in our market shares and our consumer health data which shows that we are still seen as an attractive brand with a real reason for being in an overly crowded market with far too many 'me too' brands fighting over a diminishing cake.

However, despite these strengths, these changes do mean that we need to adapt our approach to driving growth in this changed market in the future. Over the past several months, the management team has undertaken an extensive review of our growth strategy. We will need to continue to develop new and appropriate strategies to succeed in the future, not by discarding the foundations on which we have built past success, but by building on them and developing them further to remain fit for purpose in this new world.

It is for this reason, and because of our confidence in the underlying strength of the a2™ brand, that we will be continuing to invest behind the brand through this period of rebalancing and into the future.

David and the management team shared a lot of detail on our strategy at our Investor Day a few weeks ago but it is important for shareholders to be aware that the Board also has been fully involved in the growth strategy review and we fully endorse the strategy and are confident in the plans that David and his team are developing off the back of this work.

The overall market environment has changed more significantly and more quickly than we could have predicted, but we understand the present challenges, we have adapted our growth strategy, and we are confident in the plan going forward.

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The next topic that I would like to spend some time on is **capital allocation and capital management**. In many ways this is inter-related to what I have just spoken about in terms of our strategy. However, it is important to make a few specific points.

We continue to be in a very strong position from a financial perspective, with a significant cash balance.

There are numerous potential opportunities both in the growth of the business, to secure market access into China and/or invest in our supply chain.

This year we utilised some of that balance sheet strength to acquire a 75% interest in Mataura Valley Milk which we firmly believe is an example of our continuing 'capital smart' strategy. In MVM we have secured control of a potentially world class manufacturing site with the opportunity to own our own licences in the future, for a price significantly below the replacement cost to build and without the 4 to 5 year time frame that it would take to do so. While there is further work to be done to integrate this world-class manufacturing asset into our business, we are excited about the opportunities it opens up for us.

Very importantly, we are also very excited about partnering with China Animal Husbandry Group. This partnership deepens our relationship with, and highlights our strong commitment to, China. As you all know, strategic partnerships have been an essential ingredient to our success, as they are to any international business in China. This relationship complements our already excellent relationship with China State Farm. China Animal Husbandry Group and China State Farm are both part of CNADC. Our strategic partnerships also include our strong relationship with Synlait and Bright and we believe that this acquisition therefore puts us in an even stronger position with a number of different local partners all of which add value to our business and will strengthen our ability to operate successfully in China in the future.

While our capital allocation framework prioritises investment in growth initiatives ahead of returning capital to shareholders, that is not to say the Board doesn't regularly review various capital management options in detail. During the past year, the Board has actively reviewed capital management initiatives and will continue to do so in the future. The good news is that, despite the challenges that the business has had to deal with, the company remains in a strong capital position which gives us both security in these uncertain times and importantly the ability to be able to capture opportunities for additional growth as and when they arise. The board believes that the continued uncertainty and volatility in the markets in which we operate actually creates new opportunities for growth which we are continuing to evaluate and as a result the Board has decided that, at least in the immediate term these opportunities potentially offer more value to shareholders than a simple return of capital and therefore now would not be the right time to return capital or introduce a dividend. That said, as I have commented already, the board will continue keep this situation under review since we are always mindful that our strong balance sheet ultimately belongs to our shareholders.

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The next topic I would like to cover is the **board renewal and management changes** that have occurred during the year.

During the year we were sad to announce the retirement of Jesse Wu as a director but at the same time delighted to announce the appointment of Bessie Lee as an independent non-executive director of the Company.

Bessie is up for election today, so you will hear from her later and I will make some specific comments in respect of her election later, but let me say upfront that even in the short time that Bessie has been with us, she has made a valuable contribution to the board.

I and the Board are cognisant of the benefits of having a range of experiences on the Board and supplementing or renewing the Board over time as the business develops.

Over the coming years, we will be undertaking an orderly Board renewal process to refresh the Board. This will focus on finding new Directors with experience aligned with our growth ambitions, especially within the China market and in manufacturing / supply chain given our recent investments in these areas.

While it is premature for us to outline the precise plan at this point, we will update shareholders as appropriate.

As you also know, there have been a number of changes to the Executive Leadership Team in the past year, most importantly the appointment of our new CEO David Bortolussi from whom you will hear from later in the meeting.

On behalf of the Board, I would like to thank Geoff Babidge for returning to the Company in 2019 and for his leadership during a tumultuous year. In the second half of the fiscal year, we also bid farewell to Lisa Burquest, Susan Massasso and Peter Nathan, all of whom had contributed significantly to the growth and success of the business in the past. We wish each of them every success in the future.

Given the changes that our business has had to make in response to all the challenges, particularly those in the past year, it was a particularly opportune time to usher in a new management team and so we were pleased in February 2021 to welcome David Bortolussi.

David's leadership and contribution has already been immense. Alongside a complete review of all aspects of the business, one of the many tasks David has undertaken has been to bolster the Executive Leadership Team. Consequently, there have been a number of changes, promotions and new appointments which the Board is confident will set the business up strongly for the future.

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Finally, there are a **few additional issues** I would like to address, as I expect they are questions on shareholders minds.

The first issue that some shareholders have raised with us is a view that we should have kept the market better informed during FY21. As I mentioned earlier, FY21 was no ordinary year. We faced unprecedented changes in our markets – things were rapidly evolving. In the face of this volatility and uncertainty, we made numerous announcements to the market over the period to keep you informed about the shifting market conditions, consumer behaviours, new initiatives and financial outlook. These updates were based on the best information we had at the time. It is disappointing to make multiple updates to our outlook in a single year but we exercised our judgment in determining reasonable and appropriate guidance and did so in difficult and unprecedented circumstances.

The second are the announcements we have made in relation to potential **class actions**.

On 6 October, the Company announced it had been notified that group proceedings had been filed in The Supreme Court of Victoria, which name the Company as the defendant. The proceedings, filed by Slater and Gordon Lawyers, are said to be brought on behalf of shareholders who acquired an interest in fully paid ordinary shares in the Company.

In an additional statement on 21 October, the Company announced it was aware of media reports concerning a potential class action against the Company that is apparently being investigated by Shine Lawyers. The Company is not aware of any legal proceeding having been filed by Shine Lawyers at this time.

It is important for shareholders to know that the Company considers that it has at all times complied with its disclosure obligations, denies any liability or wrongdoing and will vigorously defend the proceedings.

For obvious reasons, we will not be able to make any further comment in relation to this today.

The other topic I would like to address is the decision made by the board to award the Executive Leadership Team a short-term incentive payment for the FY21 year. This has been raised by shareholders and other market participants, so I'll address it up front rather than waiting for the question and answer session.

The Board considered carefully the correct and balanced judgement when considering the 2021 short term incentive payments, to ensure that the correct balance was struck between the disappointing overall financial results of the company across the period and the motivation and retention of key staff who delivered significant achievements against our strategic objectives and have worked harder than ever in addressing the challenges of the business. Striking the right balance between these two perspectives is clearly important and critically is in the long-term interests of all shareholders.

The Board felt it was important to recognise the contribution against our strategic objectives made by a highly capable executive team who worked tirelessly in an extremely challenging external environment, and the need to ensure they remain fully engaged and retained, which is in the best long-term interests of all shareholders.

As a result of these deliberations, the decision was taken to pay out 30% against a maximum potential outcome for the Group Performance Scorecard of 120%. That 30% out of 120% was comprised of 0% for the non-achievement of the financial measures, and 30% reflecting the partial achievement of the non-financial measures. No personal performance multiplier was applied to any individual for 2021. Whilst some may feel that this decision was not correct, it is important to note that a) the board took great care to work through the issues in a balanced and what we considered was a fair way and b) it should be recognised that the management team's LTI payments for the last 2 years will not be triggered in addition to a cut back in STI payments - which is wholly appropriate given the events of the past 18 months.

We felt given the interest in these topics, we would address this up front.

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Some **final thoughts** I would like to leave you with.

While the issues that arose in FY21 were undoubtedly a challenge, the business remains at its heart a very robust, differentiated branded business with exceptionally strong financials. In my opinion, this is the reason that we have been able to weather this period of volatility at all. It would not be hard to see that these challenges could have broken a weaker company and business completely.

The a2 brand remains strong and it should be noted that it is the only major international brand of scale that gained share in China Label in the past financial year.

I recognise the serious pain felt by the performance of the business in the last year for you, our shareholders and I regret that, despite an extended period of stellar performance, we were not able to weather the storm better in 2021.

However, the Board and I, along with the management team, remain confident in the fundamental strengths of the business, confident in our brand, confident in the new management team and confident in the plans to take us forward.

I will now invite David Bortolussi to present his address.

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Slide 31: Close

Closing

[***David Hearn final closing remarks***]

Before I close, I would just like to thank you, our shareholders for your patience and commitment to our business. A great company like The a2 Milk Company is not built in a short time but equally it is not damaged beyond repair in a single blow either. We have the essential ingredients for success in this market – a powerful and differentiated brand, a strong financial position which gives us resilience under pressure and the ability to go after opportunities in the future, a dedicated and talented senior management team who are determined to prove our critics wrong, a group of highly powerful and well-connected Chinese partners with whom we have built excellent relationships over many years, and finally a set of plans for the future that are built on a solid foundation and understanding of the drivers of our business. All of these components give us confidence that the future is most definitely brighter than our most recent past.

Thank you to everyone here today, for embracing the technology and attending virtually, for your time, and importantly for your support for the business.

I now formally declare the meeting closed.