Slide 6: CEO's Address

CEO's Address

Thanks David. Good morning everyone, and thank you for joining us today.

It's my great honour and privilege to be addressing you in my first Annual Meeting as your Managing Director and Chief Executive Officer.

Today I will start by providing an overview of last year's result, and the key actions we've taken recently to rebalance our inventory levels, invest in our brand, bolster our leadership team and refresh our growth strategy.

Slide 7: a2MC's extraordinary journey was disrupted in FY21

As you know, the a2 story is extraordinary – and a key feature of that story is its different chapters of growth over the years.

When I was joining the company, I was interested to learn that a2's original commercial ambitions were to license its intellectual property. When that wasn't successful, the company adapted, and in 2007 moved from an IP focus to launching the a2 Milk brand in Australia.

The years that followed, including the development of our Infant Milk Formula or IMF business, were truly remarkable.

However, after years of impressive growth, the business was disrupted in FY21, which has led us to reflect on and adapt our strategy for growth again.

Slide 8: Clearly FY21 was a disappointing result

This slide provides a brief overview of our FY21 results.

Clearly it was a disappointing financial result, with revenue for the Group down 30%, and EBITDA and net profit down 78% and 79% respectively.

Sales of China label IMF increased 15%, and our Australian milk business was up 11%. However, this was more than offset by the challenges experienced in English label IMF with sales down 52%.

I'll take some time now to reflect on the issues that disrupted our business, and the key actions we've taken in response.

Slide 9: A range of actions have been taken to address the disruption caused by COVID-19

COVID-19, and the border closures that followed, disrupted cross-border sales for us and other companies exporting through this channel. These disruptions caused significant volatility in our demand and supply, which ultimately led to material excess inventory which exacerbated the issue. All of this played a role in the significant decline in our English label IMF sales.

At the same time, and not immediately apparent to us until May this year, the China IMF market started to decline, driven by an almost ~20% reduction in the number of births.

However, as we discussed in May, and updated you at our results in August, we took significant actions to address the disruption:

- We took action to address excess inventory and constrain sales, to support English label IMF market pricing which is the key driver of channel economics
- We swapped older inventory at distributors with newer inventory where possible, to improve product freshness which is a key concern for consumers
- We increased brand investment to drive consumer demand
- We bolstered our leadership team and reorganised for enhanced focus, and
- We refreshed our strategy to adapt for growth in a new context

Slide 10: We have taken significant steps to rebalance our inventory levels

This slide summarises the steps we took in the second half of FY21 to address the inventory build-up, particularly in English label IMF

In total, 7.6 million units of English label product were written down, of which 1 million units were swapped with distributors for fresher product.

As a result of these actions, our English label product freshness across our distributors in CBEC and in our reseller network has improved significantly, with virtually all product now with greater than 18 months remaining shelf life.

These actions and other initiatives have supported improved pricing across all English label channels which is encouraging.

We also took similar actions, to a lesser extent, to rebalance China label inventory levels and to constrain sales in the fourth quarter of FY21 and the first quarter of this year.

Slide 11: We have increased investment to continue to support our strong brand

Another key action taken in the fourth quarter of FY21, was to deliberately increase brand investment to drive consumer demand. This was also done in recognition of the reduced brand activity being undertaken by English label resellers, and to compensate for the absence of a significant campaign in the first half.

Our brand health metrics are strong and have improved recently on the back of this increased investment. The top chart on the right-hand side shows improvements in brand awareness and trial across the funnel.

The chart below shows our opportunity to increase awareness, to leverage our relatively high levels of conversion to trial and loyalty.

We plan to continue to increase brand investment further as part of our strategy.

Slide 12: We have bolstered our leadership team and reorganised the business

Our leadership team comprises both our business unit leaders, as well as our functional leaders, working together as one team to lead a2 globally.

This year we have bolstered the team and reorganised our Asia-Pacific division.

There have been 4 internal role expansions and promotions, reflecting strength in internal talent, and we have brought 4 additional leaders into the business including our new Chief Marketing Officer, Edith Bailey from Danone, who will be commencing with us in a few weeks' time.

Slide 13: We have undertaken a holistic review of our growth opportunities

Over the past six months, we have reviewed our China market opportunity, our brand positioning, our route-to-market challenges and opportunities, our product portfolio, as well as the potential to expand into adjacent categories and new markets.

The work has been comprehensive and forms the basis of our growth strategy going forward.

Slide 14: We have adapted our a2MC growth strategy

We have endeavoured to summarise a lot of our work into this group strategy on a page, which sets out our ambition, goals, strategic priorities, enablers and values.

Our purpose remains *"To enrich lives by harnessing the nutritional wonders of nature"*.

Our ambition, as articulated here, is new. We are committed to rebuilding a2 into the growth company we've been throughout our history, returning to our pioneering and innovative roots, and elevating our focus on sustainability.

Our ambition is reflected in our high-level goals, covering People, Sustainability, Consumers and Shareholders. I am committed to creating long-term value for our shareholders and building a trusted and transparent relationship.

To deliver on our ambition and goals, we have 5 strategic priorities:

- Firstly, we will be investing in **people and planet** leadership. Without a strong team, we can't deliver on our priorities, and without being conscious of the impact we're having on the planet, we can't ensure sustainability of our business in the long-term. We're setting ourselves a bold ambition here, which is one of our most important priorities
- Secondly, our most critical business objective is to achieve our full potential in **China IMF**. While we have a portfolio of initiatives to deliver on this priority, two key themes to note are: firstly, we will streamline our distribution model over time to get closer to our consumer; and secondly, we will invest in our brand to generate ongoing consumer "pull" for our product, in a way that reflects evolving consumer needs and channel preferences
- Third, it's important that we significantly **ramp-up our product innovation**. We need to expand our IMF portfolios, for both China label and English label, and in all markets, we need to enter adjacent product categories to drive growth. Given the success of the a2 business until recently, new product development hasn't been a priority, but it will be going forward
- Next, we need to transform our **supply chain** – this includes expanding our China label market access, utilising the capacity we now have at MVM and, over time, developing supply chain capabilities in China to support our growth ambitions
- Finally, achieving **profitability** across all our business units – we are determined to find a pathway to profitability in the US as quickly as possible, and to increase MVM utilisation through insourcing a2 volumes and developing 3rd party business

Slide 15: Our ambition is to be a top-5 CL IMF brand and the no.1 EL product range in China

This slide illustrates our ambition and measures of success for our China label and English label IMF businesses. Most importantly, our aim is to be a top-5 China label brand, and to have the number 1 English label product range.

Our medium-term ambition is to increase sales in China label by approximately $400 million, by doubling our share from around 2.5% to over 5%, and to grow English label by approximately $300 million, through channel recovery and gaining share in the reseller and CBEC channels.

To achieve this, we have refined our priorities to adapt to the change in market context. Our number one priority is to continue to invest in and nurture our brand, to remain relevant to next generation mothers, both functionally and emotionally, and to drive demand. We will also drive distribution growth in store and online, focusing on early-stage recruitment and late-stage retention.

Lastly, in relation to China, some shareholders have asked, why we still sell through the Daigou channel. The reality is that the Daigou channel has evolved significantly over time from a suitcase trade, to corporate Daigou, to a sophisticated multi-channel reseller business. This reseller channel is largely an e-commerce business through a range of Consumer-to-consumer and Offline-to-online platforms. The closed Consumer-to-consumer network, such as that conducted through WeChat, is only about 30% of the reseller channel and 10% of our overall China IMF business. Having said that, the Daigou channel is an important new-user recruitment and brand building channel, which we will continue to support going forward.

Slide 16: Our strategic partners are key to enabling execution of our China strategy

On the next page, I want to reiterate, and publicly acknowledge, the incredible support we receive from our strategic partners in relation to our China business. Starting with the long-term relationships we've had with China State Farm and Synlait, and more recently with the MVM acquisition, China Animal Husbandry Group. Both CSF and CAHG are part of the larger China National Agriculture Development Group, which is an important State-Owned Enterprise.

These relationships are very important to enabling the effective execution of our strategy in China. We are very committed to investing in and developing our China business as our highest priority.

Slide 17: Outside our core, we are pursuing other opportunities for growth in Asia

We are also looking outside our core for new growth opportunities. We are expanding our portfolio in China to target the whole family. And we have identified several new markets to prioritise for growth.

Our medium-term ambition is to generate approximately $200 million in sales from expanding our portfolio in China, and around $100 million of sales from existing and new markets over time.

Slide 18: We have plans to grow ANZ and are focused on achieving profitability in the USA

In ANZ, our ambition is to generate approximately $100 million in additional sales over time while maintaining our no.1 position in fresh milk and seeking to expand into new categories. In the US, while we have goals to grow the business over time, our focus is on achieving profitability as quickly as possible.

Slide 19: We are focused on five key non-financial measures of success over time

Our non-financial measures of success focus on people, sustainability, brand health, market share and innovation.

I won't go through each of these measures in detail today, but I did want to highlight how seriously we are taking sustainability, by upgrading our commitments to achieve Scope 1 and 2 net zero by 2030 and Scope 3 by 2040. Our recently announced MVM electrification project is indicative of our commitment in this area.

Slide 20: We have an ambition to grow sales to over NZD$2 billion and improve margins

In terms of financial goals, our ambition is to grow sales to over $2 billion in the next five or more years and to improve margins.

Most of our sales ambition is expected to be driven by growth in our China business – through China label IMF, English label IMF, macro milk and other nutritional products. Whilst we would of course like to have greater diversification in our markets over time, the reality is that the size of the opportunity we have in China is substantially greater than other options. So, we must focus our resources on capturing this opportunity.

In terms of EBITDA margins, it is worth noting that IMF sales, and particularly English label, will be the key driver of our margin outcomes. Over the next few years, we are anticipating EBITDA margins in the "teens" due to a range of factors, including market conditions, mix of business, investment levels and innovation.

Whilst it is possible that EBITDA margins may improve further into the low-to-mid 20s in the medium-to-long term, this would, amongst other things, require a much higher-than-expected recovery in our English Label IMF business.

In terms of achieving our ambition, there are a wide range of outcomes possible with significant upside and downside risk. In addition to execution risk, there are a number of macro factors that could materially impact our results in the future, including:

- How the China birth rate will evolve, and the impact policy changes may have on this
- The extent and pace of recovery in cross-border trade post COVID-19
- How the competitive landscape will evolve in China, including the outcome of the new GB registration process
- The extent and pace of change in consumer product and channel preferences, and
- How the China regulatory framework and international relations may evolve and impact trade

Notwithstanding these uncertainties, I hope that we have clearly communicated our ambition and strategy to you, and how we are going to achieve it over time. If you'd like further information on this, I'd refer you to our investor day presentation on 27 October which is available on our website.

Slide 21: FY22 trading update as provided at investor day on 27 October 2021

In relation to this year, we provided a brief update on our trading at our investor day a few weeks ago, with no material change to the FY22 position as outlined in our FY21 August results announcement – except, that we are seeing a different mix in our business, favouring English label IMF.

The only additional update today is in relation to our trading over the 11/11 online sales period in China which completed at the end of last week. Last year, our English label IMF product was promoted heavily in the 11/11 event, which caused some disruption between CBEC and reseller pricing and trade. This year, we prioritised overall channel economics through reduced inventory levels and promotional activity in CBEC. As a result, and as expected, our English label sales during the 11/11 online sales period were down on last year, but with improved market pricing across CBEC platforms and reseller channels. Conversely, our China label sales were up significantly on a smaller base. Overall, we believe our platform rankings were maintained or improved relative to the competition, which is subject to confirmation by the platforms in due course.

Slide 22: Key messages to takeaway

So, to summarise the key messages I want you to take away:

- Firstly, the overall market environment has gone through significant change over the past 12 months – the speed and extent of the change has been more than anyone could have anticipated
- These changes have required us to adapt our approach. Adapting to the market and capturing opportunities is in our company's DNA, and this will be the next iteration in our company's growth story
- Importantly, our brand, and the proposition that underpins it, remains strong and relevant – consumers love the a2 Milk story and what we stand for. In China, which is our key growth market, we have a relatively small share and a significant opportunity to grow despite current headwinds
- We have refreshed our strategy, we have a great leadership team in place, and throughout our business we have a culture built on a pioneering spirit that we're confident will support us to achieve our ambition

Thank you very much for your time, and I'll now hand back to our Chairman.