



The a2 Milk Company

2024 Interim Report

We pioneer the future
of Dairy for good

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Financial statements

Directors' declaration

for the six months ended 31 December 2023

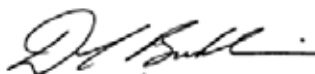
The directors of The a2 Milk Company Limited are pleased to present the interim report for the six months ended 31 December 2023. The interim report is unaudited and was authorised for issue by the directors on 18 February 2024.

Signed on behalf of the Board by:



Pip Greenwood

Chair



David Bortolussi

Managing Director and CEO

18 February 2024

Consolidated statement of comprehensive income (unaudited)

for the six months ended 31 December 2023

	Notes	31 Dec 23 \$'000	31 Dec 22 \$'000
Sales	2	811,099	781,986
Cost of sales		(432,299)	(410,058)
Gross margin		378,800	371,928
Other revenue	2	1,005	1,353
Distribution expenses		(25,530)	(23,989)
Marketing expenses		(136,700)	(135,120)
Administrative and other expenses		(113,168)	(115,285)
Operating profit		104,407	98,887
Interest income		19,300	12,089
Finance costs		(2,793)	(2,288)
Net finance income		16,507	9,801
Profit before tax		120,914	108,688
Income tax expense		(42,320)	(40,215)
Profit for the period		78,594	68,473
Profit/(loss) for the period attributable to:			
Owners of the Company		85,261	73,777
Non-controlling interests		(6,667)	(5,304)
		78,594	68,473
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation loss		(4,019)	(9,759)
Cash flow hedges fair value profit		1,024	15,461
Items not to be reclassified to profit or loss:			
Listed investment fair value (loss)/profit	6	(30,780)	17,774
Total other comprehensive (loss)/income		(33,775)	23,476
Total other comprehensive (loss)/income attributable to:			
Owners of the Company		(34,507)	22,422
Non-controlling interests		732	1,054
		(33,775)	23,476
Total comprehensive income		44,819	91,949
Total comprehensive income/(loss) attributable to:			
Owners of the Company		50,754	96,199
Non-controlling interests		(5,935)	(4,250)
		44,819	91,949
Earnings per share			
Basic (cents per share)		11.80	9.95
Diluted (cents per share)		11.76	9.92

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity (unaudited)

for the six months ended 31 December 2023

Six months ended 31 December 2023	Attributable to owners of the Company										Total equity \$'000
	Foreign currency translation reserve \$'000	Fair value revaluation reserve \$'000	Employee equity settled payments reserve \$'000	Treasury shares reserve \$'000	Hedging reserve \$'000	Total reserves \$'000	Retained earnings \$'000	Share capital \$'000	Total \$'000	Non-controlling interests \$'000	
Balance 1 July 2023	(6,780)	(216,816)	61,247	(13,602)	(1,528)	(177,479)	1,323,199	100	1,145,820	3,681	1,149,501
Profit after tax for the period	-	-	-	-	-	-	85,261	-	85,261	(6,667)	78,594
Foreign currency translation differences - foreign operations	(4,019)	-	-	-	-	(4,019)	-	-	(4,019)	-	(4,019)
Changes in cash flow hedges taken to equity	-	-	-	-	(2,303)	(2,303)	-	-	(2,303)	462	(1,841)
Cash flow hedges reclassified to profit or loss	-	-	-	-	1,855	1,855	-	-	1,855	270	2,125
Listed investment - fair value movement	-	(30,780)	-	-	-	(30,780)	-	-	(30,780)	-	(30,780)
Income tax	-	-	-	-	740	740	-	-	740	-	740
Total comprehensive income for the period	(4,019)	(30,780)	-	-	292	(34,507)	85,261	-	50,754	(5,935)	44,819
Transactions with owners in their capacity as owners:											
Employee withholding tax payments	-	-	(235)	-	-	(235)	-	-	(235)	-	(235)
Treasury shares transferred	-	-	(4,896)	4,896	-	-	-	-	-	-	-
Share-based payments	-	-	5,519	-	-	5,519	-	-	5,519	-	5,519
Total transactions with owners	-	-	388	4,896	-	5,284	-	-	5,284	-	5,284
Balance 31 December 2023	(10,799)	(247,596)	61,635	(8,706)	(1,236)	(206,702)	1,408,460	100	1,201,858	(2,254)	1,199,604

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity (unaudited)

for the six months ended 31 December 2023

Attributable to owners of the Company											
Six months ended 31 December 2022	Foreign currency translation reserve \$'000	Fair value revaluation reserve \$'000	Employee equity settled payments reserve \$'000	Treasury shares reserve \$'000	Hedging reserve \$'000	Total reserves \$'000	Retained earnings \$'000	Share capital \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance 1 July 2022	(332)	(153,521)	46,311	(15,798)	(13,001)	(136,341)	1,167,561	149,157	1,180,377	13,583	1,193,960
Profit after tax for the period	-	-	-	-	-	-	73,777	-	73,777	(5,304)	68,473
Foreign currency translation differences - foreign operations	(9,759)	-	-	-	-	(9,759)	-	-	(9,759)	-	(9,759)
Changes in cash flow hedges taken to equity	-	-	-	-	8,124	8,124	-	-	8,124	(1,678)	6,446
Cash flow hedges reclassified to profit or loss	-	-	-	-	10,656	10,656	-	-	10,656	2,732	13,388
Listed investment - fair value movement	-	17,774	-	-	-	17,774	-	-	17,774	-	17,774
Income tax	-	-	-	-	(4,373)	(4,373)	-	-	(4,373)	-	(4,373)
Total comprehensive income for the period	(9,759)	17,774	-	-	14,407	22,422	73,777	-	96,199	(4,250)	91,949
Transactions with owners in their capacity as owners:											
Share buyback	-	-	-	-	-	-	-	(90,255)	(90,255)	-	(90,255)
Treasury shares transferred	-	-	(1,158)	1,158	-	-	-	-	-	-	-
Share-based payments	-	-	8,740	-	-	8,740	-	-	8,740	-	8,740
Total transactions with owners	-	-	7,582	1,158	-	8,740	-	(90,255)	(81,515)	-	(81,515)
Balance 31 December 2022	(10,091)	(135,747)	53,893	(14,640)	1,406	(105,179)	1,241,338	58,902	1,195,061	9,333	1,204,394

The accompanying notes form part of these financial statements.

Consolidated statement of financial position (unaudited)

as at 31 December 2023

	Notes	31 Dec 23 \$'000	30 Jun 23 \$'000
Assets			
Current assets			
Cash and term deposits	8	792,096	802,234
Trade and other receivables		87,553	79,216
Prepayments		49,383	45,682
Inventories	5	196,578	193,440
Other financial assets	6	9,238	1,536
Total current assets		1,134,848	1,122,108
Non-current assets			
Property, plant and equipment		245,925	245,216
Right-of-use assets		16,852	17,349
Investment property		24,025	17,927
Intangible assets		107,831	108,419
Other financial assets	6	41,848	72,078
Deferred tax assets		29,185	28,617
Total non-current assets		465,666	489,606
Total assets		1,600,514	1,611,714
Liabilities			
Current liabilities			
Trade and other payables		297,360	313,212
Lease liabilities		4,713	4,181
Loans and borrowings	10	-	15,000
Income tax payable		34,396	43,314
Other financial liabilities	7	11,704	3,501
Total current liabilities		348,173	379,208
Non-current liabilities			
Trade and other payables		460	423
Lease liabilities		14,387	15,309
Loans and borrowings	10	37,890	67,038
Other financial liabilities	7	-	235
Total non-current liabilities		52,737	83,005
Total liabilities		400,910	462,213
Net assets		1,199,604	1,149,501
Equity			
Share capital	12	100	100
Retained earnings		1,408,460	1,323,199
Reserves		(206,702)	(177,479)
Total equity attributable to owners of the Company		1,201,858	1,145,820
Non-controlling interests		(2,254)	3,681
Total equity		1,199,604	1,149,501

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows (unaudited)

for the six months ended 31 December 2023

	Notes	31 Dec 23 \$'000	31 Dec 22 \$'000
Cash flows from operating activities			
Receipts from customers		799,690	806,651
Payments to suppliers and employees		(701,466)	(792,045)
Interest received		18,128	5,715
Interest paid		(2,345)	(1,638)
Taxes paid		(51,872)	(21,878)
Net cash inflow/(outflow) from operating activities	9	62,135	(3,195)
Cash flows from investing activities			
Payments for property, plant and equipment		(12,909)	(6,214)
Payments for investment property		(6,843)	(1,257)
Payments for intangible assets		-	(95)
Payments for term deposits		(350,000)	(50,000)
Receipts from term deposits		350,000	150,000
Net cash (outflow)/inflow from investing activities		(19,752)	92,434
Cash flows from financing activities			
Payments for share buyback		-	(90,255)
Payments of lease principal		(2,056)	(1,949)
Net repayments of borrowings		(45,000)	(794)
Net cash outflow from financing activities		(47,056)	(92,998)
Net decrease in cash and short-term deposits		(4,673)	(3,759)
Cash and short-term deposits at the beginning of the period		352,234	437,308
Effect of exchange rate changes on cash		(5,465)	(6,354)
Cash and short-term deposits at the end of the period	8	342,096	427,195

The accompanying notes form part of these financial statements.

Notes to the interim financial statements

for the six months ended 31 December 2023

1. Basis of preparation

The a2 Milk Company Limited (the Company) and its subsidiaries (together the Group) is a for-profit entity incorporated and domiciled in New Zealand.

The Company is registered in New Zealand under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013. The Company is also registered as a foreign company in Australia under the *Corporations Act 2001* (Cth, Australia). The shares of The a2 Milk Company Limited are publicly traded on New Zealand's Exchange (NZX), the Australian Securities Exchange (ASX) and Cboe Australia (CXA). The financial report is presented in New Zealand dollars, and all values are rounded to the nearest thousand (\$'000), unless otherwise indicated.

The principal activity of the Company is the sale of branded products in targeted markets made with milk naturally containing the A2-type protein.

These consolidated financial statements were authorised for issue by the directors on 18 February 2024.

Statement of compliance

These interim financial statements have not been audited. The interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, comply with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*, and have been the subject of a review by the auditors.

This interim report should be read in conjunction with the Group's annual report for the year ended 30 June 2023, available at www.thea2milkcompany.com/results.

The same accounting policies and methods of computation are followed in this interim report as were applied in the preparation of the Group's financial statements for the year ended 30 June 2023, or if new in the period are included in the relevant note.

Certain comparative amounts have been reclassified to conform with the current period's presentation.

Changes in significant accounting policies

The Group has applied all of the new and revised Standards and Interpretations issued by the New Zealand External Reporting Board that are relevant to the Group's operations and effective for the current accounting period. Their application has not had any material impact on the Group's assets, profits or earnings per share for the half-year ended 31 December 2023.

New standards and interpretations not yet adopted

There are no new standards and interpretations that are issued, but not yet effective as at 31 December 2023, that are expected to have a material impact on the Group in current or future reporting periods.

2. Operating segments

The Group's key performance measures are segment revenue and segment results before interest, tax, depreciation and amortisation (Segment EBITDA, a non-GAAP measure). Further information and analysis of performance can be found in the Half Year Results Commentary, which has been lodged concurrently with the interim report.

For management purposes, the Group is organised into business units based primarily on geographical location, and in the current period has four reportable operating segments as follows:

- The *Australia and New Zealand* segment receives external revenue from infant milk formula, milk and other nutritional products, along with rent, royalty, and licence fee income.
- The *China and Other Asia* segment receives external revenue from infant milk formula, other nutritional products and milk.
- The *USA* segment receives external revenue from milk, infant milk formula and licence fees.
- The *Mataura Valley Milk* segment receives external revenue from the manufacturing and sale of nutritional and commodity products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is assessed on segment EBITDA and is measured in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Notes to the interim financial statements

for the six months ended 31 December 2023

2. Operating segments (continued)

Six months to 31 December 2023	Australia and New Zealand \$'000	China and Other Asia \$'000	USA \$'000	Mataura Valley Milk \$'000	Eliminations \$'000	Total \$'000
Consolidated sales	161,370	549,459	56,759	43,511	-	811,099
Other revenue	824	-	181	-	-	1,005
Total external revenue	162,194	549,459	56,940	43,511	-	812,104
Inter-segment revenue	-	-	-	8,007	(8,007)	-
Reportable segment revenue	162,194	549,459	56,940	51,518	(8,007)	812,104
Reportable segment results (Segment EBITDA)	34,764	135,911	(8,337)	(15,268)	-	147,070
Corporate EBITDA						(33,845)
Group EBITDA						113,225
Interest income						19,300
Interest expense						(2,740)
Depreciation and amortisation						(8,871)
Income tax expense						(42,320)
Consolidated profit after tax						78,594

Six months to 31 December 2022	Australia and New Zealand \$'000	China and Other Asia \$'000	USA \$'000	Mataura Valley Milk \$'000	Eliminations \$'000	Total \$'000
Consolidated sales	212,474	471,579	52,273	45,660	-	781,986
Other revenue	1,188	-	165	-	-	1,353
Total external revenue	213,662	471,579	52,438	45,660	-	783,339
Inter-segment revenue	-	-	-	17,229	(17,229)	-
Reportable segment revenue	213,662	471,579	52,438	62,889	(17,229)	783,339
Reportable segment results (Segment EBITDA)	62,012	111,479	(12,216)	(13,408)	-	147,867
Corporate EBITDA						(40,054)
Group EBITDA						107,813
Interest income						12,089
Interest expense						(2,232)
Depreciation and amortisation						(8,982)
Income tax expense						(40,215)
Consolidated profit after tax						68,473

Notes to the interim financial statements

for the six months ended 31 December 2023

3. Revenue

Disaggregation of revenue

In the following table, revenue is disaggregated by geographical location (reportable segments) and major product types.

Six months to 31 December 2023	Australia and New Zealand \$'000	China and Other Asia \$'000	USA \$'000	Mataura Valley Milk \$'000	Total \$'000
Infant milk formula:					
China label	-	299,001	-	-	299,001
English and other labels ¹	53,951	210,509	807	-	265,267
Liquid milk ²	93,315	-	55,952	-	149,267
Other nutritionals ³	14,104	39,949	-	-	54,053
Ingredients	-	-	-	43,511	43,511
Other revenue	824	-	181	-	1,005
	162,194	549,459	56,940	43,511	812,104

Six months to 31 December 2022	Australia and New Zealand \$'000	China and Other Asia \$'000	USA \$'000	Mataura Valley Milk \$'000	Total \$'000
Infant milk formula:					
China label	-	270,727	-	-	270,727
English and other labels ¹	109,365	175,600	-	-	284,965
Liquid milk ²	91,963	-	52,273	-	144,236
Other nutritionals ³	11,146	25,252	-	-	36,398
Ingredients	-	-	-	45,660	45,660
Other revenue	1,188	-	165	-	1,353
	213,662	471,579	52,438	45,660	783,339

1 Revenue is allocated based on management responsibility and usually reflects the geographical location of the Group's wholesale customers. It is understood that the majority of the infant milk formula sales to customers in the Australia and New Zealand segment are ultimately consumed in China.

2 Excludes liquid milk products (plain and fortified) exported to China and Other Asia markets.

3 Comprises powdered milk products (plain and fortified), and liquid milk products (plain and fortified) exported to China and Other Asia markets.

4. Expenses

	31 Dec 23 \$'000	31 Dec 22 \$'000
Profit before income tax includes the following items:		
Salary and wage costs	50,493	48,806
Equity settled share-based payments (refer to Note 13)	5,519	8,740
Bad and doubtful debts (recovery)/expense	(44)	286
Depreciation and amortisation	8,871	8,982
Net foreign exchange gains	(1,205)	(6,527)
Cash flow hedge losses	2,125	13,388

Notes to the interim financial statements

for the six months ended 31 December 2023

5. Inventories

	31 Dec 23 \$'000	30 Jun 23 \$'000
Raw materials	14,512	26,727
Finished goods	162,499	161,706
Goods in transit	19,567	5,007
Total inventories at the lower of cost and net realisable value	196,578	193,440

At period end \$8,900,000 (31 December 2022: \$12,600,000) was recognised as an expense in cost of sales for inventories written down, with \$6,200,000 (31 December 2022: \$6,900,000) relating to Mataura Valley Milk (MVM) inventory.

6. Other financial assets

	31 Dec 23 \$'000	30 Jun 23 \$'000
Current		
Foreign currency forward contracts	9,238	1,536
Non-current		
Foreign currency forward contracts	663	113
Listed investment at fair value	41,185	71,965
	41,848	72,078

Listed investment

The listed investment is a 19.8% holding in shares in Synlait Milk Limited (Synlait). Synlait is a dairy processing company (listed on NZX and the ASX) with which the Group has an ongoing Nutritional Powders Manufacturing and Supply Agreement. No dividends were received from this investment during the period (2022: \$nil).

A fair value loss of \$30,780,000 (2022: gain \$17,774,000) was recognised in other comprehensive income for the period.

Shareholding in Synlait Milk Limited

Movements in the period	Shares '000	Cost \$'000	Share price at report date	Market Value \$'000	Mark to market \$'000
Balance 30 June 2023	43,353	288,781	1.66	71,965	(216,816)
Balance 31 December 2023	43,353	288,781	0.95	41,185	(247,596)
Fair value loss in period				(30,780)	

7. Other financial liabilities

	31 Dec 23 \$'000	30 Jun 23 \$'000
Current		
Foreign currency forward contracts	11,704	3,501
Non-current		
Foreign currency forward contracts	-	235

Notes to the interim financial statements

for the six months ended 31 December 2023

8. Cash and term deposits

	31 Dec 23 \$'000	30 Jun 23 \$'000
Cash at banks and on hand	125,395	176,064
Short-term deposits	216,701	176,170
Cash and short-term deposits	342,096	352,234
Other current term deposits	450,000	450,000
Cash and term deposits	792,096	802,234

Other current term deposits comprise term deposits with a maturity greater than three months and less than twelve months. Term deposits are presented as cash equivalents in the consolidated statement of cash flows if they have a maturity of three months or less and are readily convertible to known amounts of cash with no significant risk of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	31 Dec 23 \$'000	30 Jun 23 \$'000
Cash at banks and on hand	125,395	176,064
Short-term deposits	216,701	176,170
Cash and short-term deposits	342,096	352,234

9. Reconciliation of after tax profit with net cash flows from operating activities

	31 Dec 23 \$'000	31 Dec 22 \$'000
Net profit for the period	78,594	68,473
Adjustments for non-cash items:		
Depreciation and amortisation	8,871	8,982
Share-based payments	5,519	8,740
Net foreign exchange loss/(gain)	1,840	(2,212)
Changes in working capital:		
Trade and other receivables	(8,337)	4,772
Prepayments	(3,701)	(39,920)
Inventories	(3,138)	(41,935)
Trade and other payables	(8,767)	(29,301)
Tax balances	(8,746)	19,206
Net cash inflow/(outflow) from operating activities	62,135	(3,195)

Notes to the interim financial statements

for the six months ended 31 December 2023

10. Loans and borrowings

	31 Dec 23 \$'000	30 Jun 23 \$'000
Current		
Secured:		
Bank loans	-	15,000
	-	15,000
Non-current		
Secured:		
Bank loan	-	30,000
Unsecured:		
Loan from MVM's non-controlling shareholder	37,890	37,038
	37,890	67,038

All of the loans and borrowings are specific to Mataura Valley Milk Limited (MVM) and are interest bearing.

Finance facilities available to MVM:

- Total bank debt facilities of \$45 million (30 June 2023: \$75 million), undrawn as at 31 December 2023 (30 June 2023: \$45 million drawn).
- A performance guarantee facility of \$10 million, fully drawn as at 31 December 2023.

The bank loans are secured against MVM's property at Pease Street, Gore, New Zealand, and are subject to compliance with financial covenants requiring the maintenance of specified financial ratios, related solely to MVM. All borrowing covenant ratios and limits have been complied with as at 31 December 2023.

The \$30 million bank loan due to mature in July 2024 was fully repaid and closed during the period.

The unsecured subordinated loan is provided by MVM's non-controlling shareholder. The non-current loan has an initial term through to FY27, to be repaid thereafter at a time to be agreed by the shareholder lenders. The interest rate applicable as at 31 December 2023 was 2.56%.

Notes to the interim financial statements

for the six months ended 31 December 2023

11. Financial instruments**Carrying amounts versus fair value**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	Hierarchy level	31 December 2023		30 June 2023	
		Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
Cash and term deposits		792,096	792,096	802,234	802,234
Trade and other receivables		87,553	87,553	79,216	79,216
Foreign currency forward contract assets	2	9,901	9,901	1,649	1,649
Listed investment	1	41,185	41,185	71,965	71,965
Secured bank loans	2	-	-	(45,000)	(42,924)
Unsecured loan from MVM's non-controlling shareholder	2	(37,890)	(32,002)	(37,038)	(30,197)
Trade and other payables - excluding employee entitlements and customer contract liabilities		(277,206)	(277,206)	(279,124)	(279,124)
Foreign currency forward contract liabilities	2	(11,704)	(11,704)	(3,736)	(3,736)
		603,935	609,823	590,166	599,083

Fair value hierarchy

Financial instruments carried at fair value are classified by valuation method based on the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Carrying amount (equalling fair value) is applied consistently in the current and prior period to assets and liabilities not recognised in the consolidated statement of financial position at fair value.

Estimation of fair value

The following methods and assumptions are used in estimating the fair values of financial instruments:

- Listed investment - closing share price on NZX.
- Foreign currency forward contracts - calculated by reference to current forward exchange rates for contracts with similar maturity profiles, adjusted to reflect the credit risk of the various counterparties.
- Loans and borrowings - present value of future principal and interest cash flow, discounted at the market rate of interest at the reporting date.
- Cash and term deposits, trade and other receivables and payables - carrying amount equals fair value.

Notes to the interim financial statements

for the six months ended 31 December 2023

12. Share capital

Movements in contributed equity:	Number of shares	\$'000
Fully paid ordinary shares:		
Balance 30 June 2023	721,976,214	100
Movements in the period:		
Vesting of performance rights	958,594	-
Balance 31 December 2023	722,934,808	100

Vesting of performance rights: Shares issued to employees participating in Group employee share plans.

As at 31 December 2023, the trustee of the a2MC Group Employee Share Trust held 1,307,576 of the Company's shares (30 June 2023: 2,042,948 shares) purchased on market and available solely to participants in Group employee share plans.

13. Share-based payments

Long-term incentives (LTI)

The LTI plan is designed to retain and motivate senior management to achieve the Group's long term strategic goals by providing rewards that align the interests of management with shareholders.

During the period the Board authorised the issue of 3,069,769 performance rights to senior management under the LTI plan.

The performance rights vest subject to:

- Continuing employment; and
- Achieving the following performance hurdles over the performance periods:

Performance rights grants:	Performance period	EPS CAGR	Revenue CAGR hurdles		
			50% vest	85% vest	100% vest
FY24 plan					
3,069,769 rights	3 years to 30 June 2026	10%	4%	6%	8%

Both the minimum EPS CAGR (compound annual growth in diluted earnings per share) and minimum Revenue CAGR (compound annual growth in normalised total external revenue) must be achieved for any vesting of performance rights. The minimum vesting proportion is 50%; thereafter, vesting is on a straight-line basis.

EPS CAGR and Revenue CAGR are derived from the annual report of the Company for the relevant financial years and are subject to adjustment to remove the impact of material items as the Board may determine in its absolute discretion to normalise results (up or down) to more appropriately reflect underlying performance. Without limitation, adjustments may be made to exclude the impact of unusual or one-off items, discontinued operations, acquisitions and disposals, and capital management.

No amount is payable upon vesting of the performance rights and conversion to shares. Each exercised right is an entitlement to one fully paid ordinary share in the Company.

Fair value of performance rights

The fair value of services received in return for performance rights granted to employees is measured by reference to the fair value of the rights granted. The estimate of the fair value of the services received is measured by reference to the vesting conditions specific to the grant based on a simplified Black-Scholes option pricing model.

Fair value of performance rights granted during the period and assumptions

Grant date	1 Nov 23	15 Dec 23
Fair value at measurement date	\$4.20	\$4.37
Share price at grant date	\$4.20	\$4.37
Performance rights life	2.8 years	2.7 years

Amounts recognised in the consolidated statement of comprehensive income

During the period a \$5,519,000 expense was recognised in the consolidated statement of comprehensive income for equity settled share-based payment awards (2022: \$8,740,000).

Notes to the interim financial statements

for the six months ended 31 December 2023

14. Contingent liabilities

The a2 Milk Company Limited (“the Company”) is the defendant in a group proceeding in the Supreme Court of Victoria, jointly conducted by Slater & Gordon Lawyers and Shine Lawyers (the Australian Proceedings). The proceedings, now consolidated, were commenced in October and November 2021 respectively. The proceeding relates to the period from 19 August 2020 to 9 May 2021 inclusive (Relevant Period) and makes allegations that the Company engaged in misleading and deceptive conduct and breached its disclosure obligations by failing to disclose certain information to the market. The claim is said to be brought on behalf of shareholders who acquired an interest in fully paid ordinary shares in the Company on the Australian Securities Exchange (ASX) or NZX Main Board (NZSX): (1) during the Relevant Period; or (2) prior to 19 August 2020 and retained those shares until a date after 28 September 2020.

The claim makes allegations under both Australian and New Zealand law. On 28 November 2022, the Supreme Court of Victoria ruled that it has jurisdiction to hear and determine the claims brought under New Zealand law.

On 18 May 2022, the Company announced that a representative proceeding had been filed in the High Court of New Zealand which names the Company as the defendant (the New Zealand Proceeding). The New Zealand Proceeding, filed by Thorn Law and funded by CHC Investment Fund III Pty Limited relates to the same period (19 August 2020 to 9 May 2021) and makes allegations under New Zealand law only which are substantially the same as those advanced in the Australian Proceedings. The claim is commenced on behalf of group members who acquired an interest in ordinary shares in the Company on the ASX and/or the NZSX: (1) during the Relevant Period; and (2) prior to the Relevant Period and continued to hold some or all of those shares for part or all of the Relevant Period; and (3) those who fall into both categories (1) and (2).

The Company filed an interlocutory application for a stay of the New Zealand Proceeding under the Trans-Tasman Proceedings Act 2010 (NZ) on 23 June 2022. On 23 January 2023, the Auckland High Court granted the Company’s application for a stay of the New Zealand Proceeding, pending judgment on liability or a final settlement of the Australia Proceeding, whichever occurs first.

The Company considers that it has at all times complied with its disclosure obligations, denies any liability and will vigorously defend the proceedings. The Company filed its defence in the Australian Proceedings on 8 November 2022. The Company has not filed a defence in the New Zealand Proceeding, which is stayed.

The Australian Proceeding is to be listed for a further case management conference on 21 June 2024.

The claims of group members have not yet been and are not required to be quantified. Based on the current status of the Australian Proceedings and the New Zealand Proceedings, it is not practicable to provide: (a) an estimate of the financial effect; (b) an indication of the uncertainties relating to the amount or timing of any outflow; or (c) the possibility of any reimbursement.

15. Subsequent events

No matters or circumstances have arisen since the end of the period which have significantly affected or may significantly affect the operations, the result of these operations or state of affairs of the Group in subsequent periods.

Auditor's review report

for the six months ended 31 December 2023



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Independent auditor's review report to the shareholders of The a2 Milk Company Limited

Report on the review of the interim financial statements

Conclusion

We have reviewed the interim financial statements of The a2 Milk Company Limited and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the period ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting and International Accounting Standards 34 Interim Financial Reporting.

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our review procedures, for this report, or for the conclusion we have formed.

Basis for conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial statements* section of our report. We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Ernst & Young provides market research services in relation to brand health tracking, as well as Sustainability reporting (limited assurance review) to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Directors' responsibility for the interim financial statements

The Directors' are responsible, on behalf of the Entity, for the preparation and fair presentation of the interim financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34 Interim Financial Reporting and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's review report

for the six months ended 31 December 2023



Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standards 34 Interim Financial Reporting.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on those interim Financial statements.

Report on other legal and regulatory requirements

The engagement partner on the review resulting in this independent auditor's review report is Glenn Maris.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young
Sydney
18 February 2024

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Corporate directory

Company	The a2 Milk Company Limited	
New Zealand share registry	Link Market Services Limited PO Box 91976 Victoria Street West Auckland 1142 New Zealand Telephone: +64 9 375 5998	
Australian share registry	Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia Telephone: +61 1300 554 474	
Registered offices	Level 10 51 Shortland Street Auckland 1010 New Zealand	Level 4 182 Blues Point Road McMahons Point NSW 2060 Australia Telephone: +61 2 9697 7000
Auditor	Ernst & Young 200 George Street Sydney NSW 2000 Australia	
Corporate website	www.thea2milkcompany.com	
Company Secretary	Jaron McVicar	
Company Directors	Pip Greenwood (Chair and Independent, Non-Executive Director) David Bortolussi (Managing Director and CEO) Warwick Every-Burns (Independent, Non-Executive Director) Kate Mitchell (Independent, Non-Executive Director) David Wang (Independent, Non-Executive Director) Sandra Yu (Independent, Non-Executive Director)	



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