



A2 Corporation Presentation

4 September 2012

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Presentation Agenda



- Overview
- 2012 Financials
- Key Results
- The A2C Growth Strategy
- Australian Business Summary
- A2 Milk (UK) Joint Venture Summary
- Further International Initiatives

Overview



During 2012, A2C progressed the company's strategic agenda from 2010

- **Australia:**
Continued strong growth in sales and profitability in Australia;
Commissioned green-field fresh milk processing facility in Sydney
- **International:**
Established fresh milk JV business in the UK and Ireland;
Further developed infant formula strategy for Asia;
Executed nutritional powders manufacturing agreement in New Zealand;
Settled long running dispute in Korea
- **Equity Raisings:**
Capital raising of \$2.6m in July 2011 and \$5.2m in March 2012

2012 Financial Summary



\$'000	2012	2011	Variance
Trading Revenue	\$62,458	\$42,206	48%
Gross Margin – excl dep'n	\$21,297	\$15,271	40%
EBITDA	\$4,737	\$2,683	77%
NPAT	\$4,405	\$2,116	108%
Equity	\$37,348	\$25,183	48%
EPS	0.74	0.40	85%
Current Ratio	2.03	2.66	
ROE	11.8%	8.4%	

Shares on Issue at August 31, 2012 – 604,666,979

Key Results

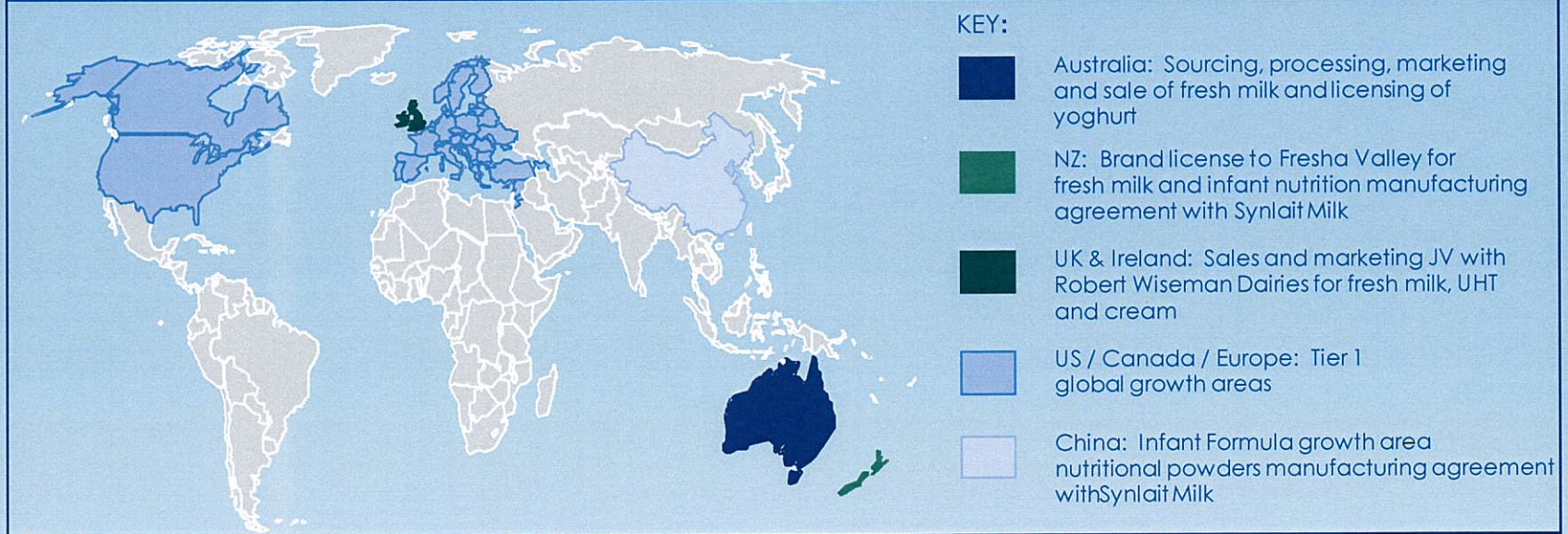


- Group Profit after Tax for 2012 of **\$4,405,000**, compared to **\$2,116,000** in prior year
- EBITDA before share of associate earnings and non recurring items of **\$4,737,000**. The Australian business contributed operational profit well ahead of plan and 2011
- Share of associate earnings (A2 Milk (UK)) of **(\$743,000)**; net proceeds from Korean settlement of **\$1,101,000**
- Costs associated with a Group Strategic Review process of **\$522,000**
- International business development expenses of **\$870,000**
- Income tax credit of **\$287,000** due to revaluation of assets for tax purposes
- Cash on hand at 30 June 2012 was **\$6.57 million**

Current Geographical and Product Overview



Geographical Overview



Current Product Offering



The A2C Strategic Growth Agenda



- A2C is focused on three core growth initiatives:

#1

Building the beverage business in Australia and New Zealand

#2

Capturing niche shares in global milk and other dairy product markets

#3

Developing an Infant Formula business in highly prospective markets

- The strategic agenda draws on
 - The credibility of the core a2™ brand proposition particularly given the successful commercialisation in Australia and the expansion into the UK & Ireland
 - Global opportunities exist across a number of international markets that have characteristics which support building niche businesses in premium white milk and other dairy products
 - a2™ brand Infant Formula into Asian markets represents a priority opportunity
 - The capital light operating model is highly scalable and allows rapid expansion
 - Our model to partner and take a hands-on approach to create a consistent business framework

A2C's global growth strategy in milk and other dairy product markets, and infant formula is a key driver of value beyond its existing Australia / NZ and UK operations

The Australian Business Performed Strongly

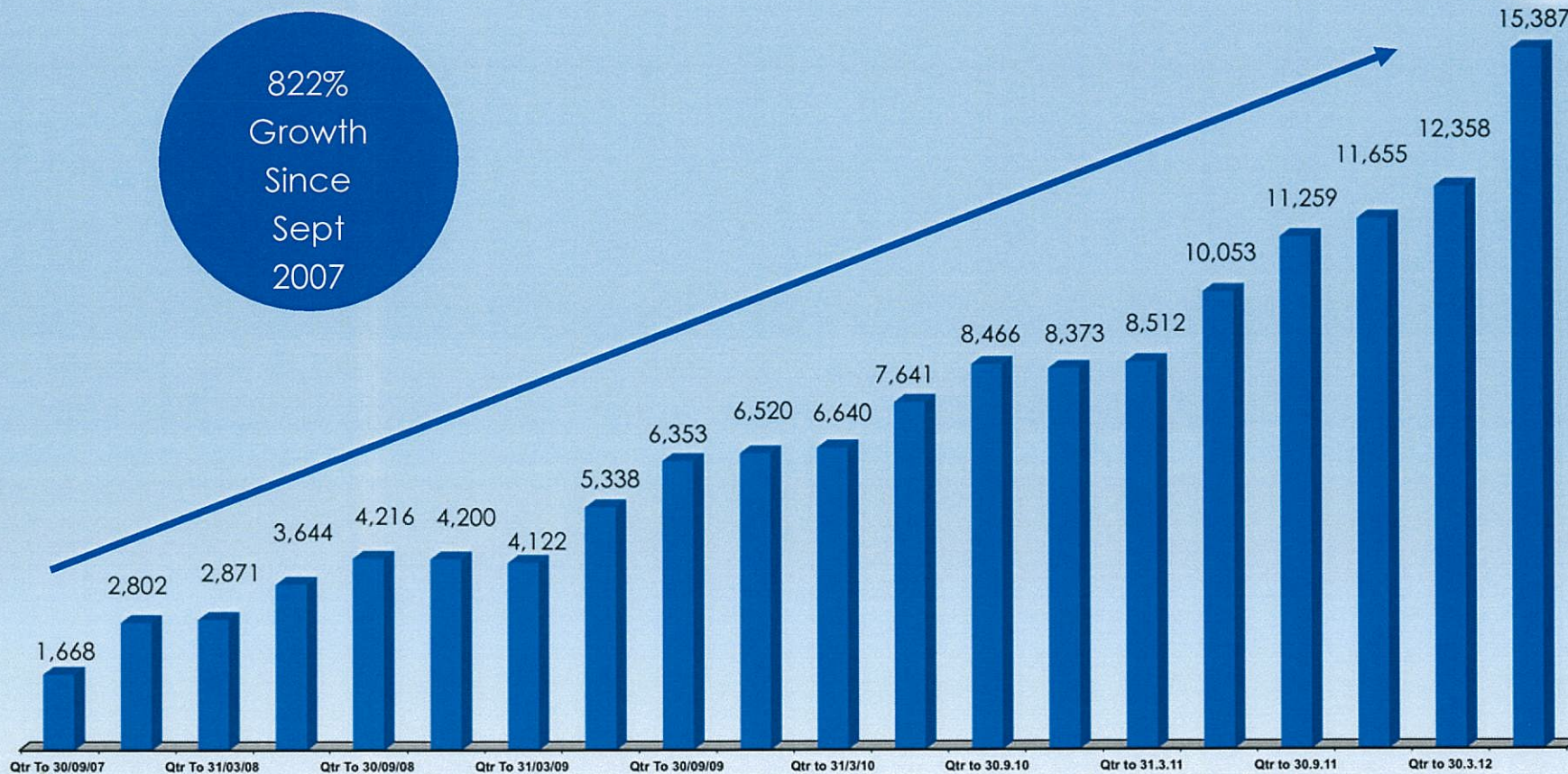


- a2 Milk™ sales increased **48%** on the prior year
- Significant growth in 2012 Operational Profit compared to last year
- Increase in marketing and communication including successful “Thank-you A2” campaign, public relations and HCP activity
- Further evolution in packaging to a broader health position
- Estimated market share by value in grocery at year end of **5.8%**
- Commissioned new milk processing facility in south west Sydney from February 2012 with progressive improvement in efficiencies

a2™ brand sales performance in Australia



822%
Growth
Since
Sept
2007



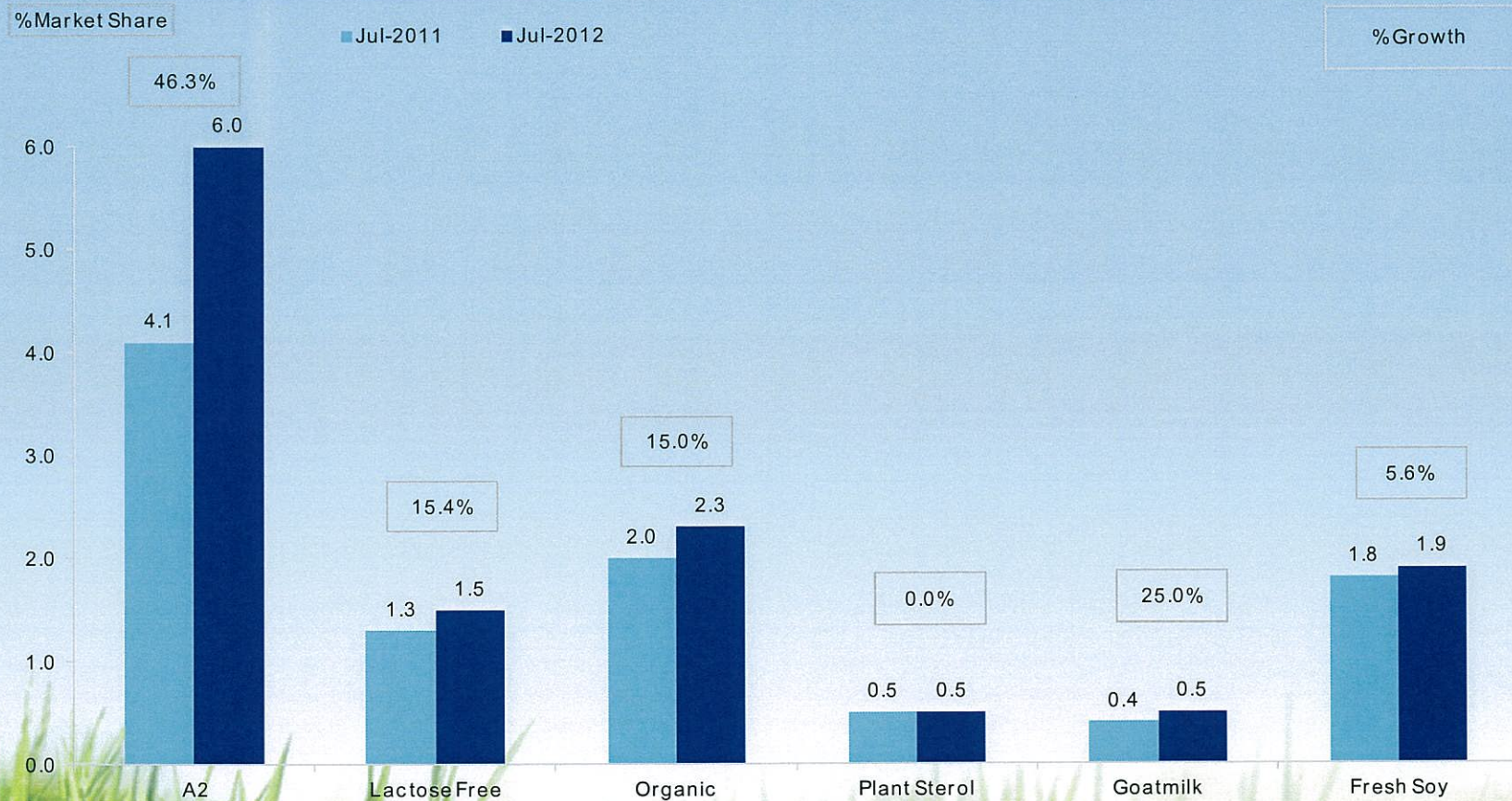
■ Gross Sales A\$ (000's)

Ex-Factory Gross Sales Fresh Milk A2DPA (A\$ 000' s)

a2™ brand milk: fastest growing and largest in the premium market



% Share of Fresh Milk in Australian Grocery (Latest Quarter – by value)



Source: Aztec Scan Data : w/e 8/7/12

A2 Sydney processing facility:
commissioned February 2012, officially
opened August 2012



Smeaton Grange facility opened
28th August 2012 by NSW Premier,
The Hon. Barry O'Farrell MP

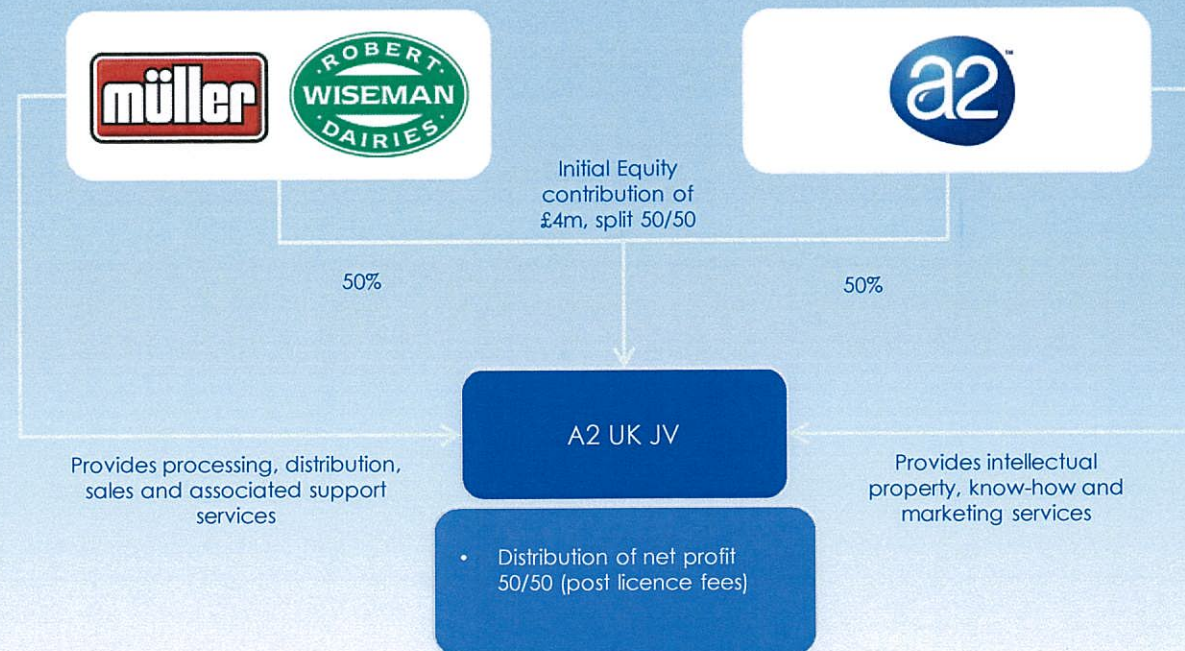
A2C to enter the UK market with the largest milk processor



- A2C established a Sales and Marketing JV for fresh milk, UHT and cream with Robert Wiseman Dairies in November 2011
- Management team, herd testing, marketing plans are in place
- Launch of a2™ brand milk now planned for last quarter 2012

Robert Wiseman Dairies

- UK's largest and most efficient liquid milk processor
- Annual sales of GBP950m
- Substantial investment in plant equipment over the past decade
- Subsidiary of Müller which has 5,400 employees
- Provides over 30% of fresh milk delivered in Britain



A2 UK marketing and communication plans: tailored for the UK market



Coming soon



THE NATURAL ANSWER

www.a2milk.co.uk

- Brand position largely similar to that originally in Australia, tailored as appropriate for the UK market
- Key positioning “The Natural Answer” supported by research
- Clear communication of the a2TM product benefit (The natural answer to a question of A1 milk intolerance) and a2TM product health benefits expressed through testimonials

Communication: 2 Pronged Strategy



- Building awareness and advocacy among UK Healthcare Professionals (Press, Events, Online, Social Media, PR)

- Engaging The UK Consumer (TV, Press, Outdoor, Online, Social Media, PR)

Milk intolerance under the microscope.

Those who suffer from milder forms of milk intolerance often presume it is an intolerance to lactose. However, the truth is there are other kinds of milk intolerance and though the symptoms can be very similar, the causes are different.

The milk intolerance landscape can be complex. At the milder end of the spectrum there are many different forms of intolerance – some well known, others less so. A main form of milk intolerance is

A1 milk protein intolerance

Some people who experience discomfort from the consumption of milk, may be reacting to the A1 protein that can release the endogenous opioid BCM-7 which has been implicated in a range of different symptoms that may affect digestive function.

Idiosyncrasy of Intolerance

A2 Milk does not contain the A1 protein and therefore does not produce BCM-7 during digestion.

The natural answer to A1 milk protein intolerance

Most cows' milk contains both A1 and A2 proteins but all natural a2 Milk comes from herds that produce milk containing solely the A2 protein.

The structural difference between A1 protein and A2 protein means that they may digest differently.

People who suffer from symptoms of intolerance from the consumption of milk (bloating, abdominal pain, nausea, diarrhoea and/or constipation) may well be reacting to the A1 protein.

That's why we believe a2 Milk is the natural answer.

a2 Milk proven in Australia

Launched in Australia five years ago, a2 Milk has proven to be a great success improving the quality of life for thousands of people.

a2 Milk will be available in the UK soon. For more information visit a2milk.co.uk or milkintolerance.co.uk

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www.a2milk.co.uk

Children under 2 years old who are milk sensitive are advised to avoid milk and not to try a2 as a possible solution.

[Home](#) [About a2 Milk](#) [Products](#) [Contact us](#)

"My whole family are getting on well with a2 Milk. It definitely helps my symptoms."

ALEXANDRA

If you've ever had issues with milk or dairy, you may have an intolerance to a protein in most cows' milk called A1. If so, a2 Milk could be the natural answer for you. Read on to find out why.

What is A1 milk protein intolerance?

NEW!

A Question of Milk Intolerance?

A1 milk protein intolerance is a type of milk intolerance that is less well known than other forms, such as lactose intolerance. Issues can occur when the A1 beta-casein protein present in most varieties of cows' milk is digested.

[Read more](#)

What is a2 Milk?

ORIGINAL MILK PROTEIN

a2 Milk is a completely natural type of cows' milk that is rich in A2 beta-caseins – but contains no A1 proteins. That's why it is the natural answer to A1 milk protein intolerance.

[Read more](#)

Where can I find a2 Milk?

a2 Milk is coming to Tesco supermarkets this Autumn. Look out for the a2 Milk brand.

[Store locator coming soon](#)

THE NATURAL ANSWER

a2 Milk is not suitable for anyone who has been diagnosed with a milk allergy or lactose intolerance.

SITEMAP PRIVACY

Further growth initiatives are underway



- A2C has progressed discussions with a number of parties in markets considered attractive for a2 Milk™ beverages
- The Company has undertaken significant planning around the introduction of infant formula into China, and considers this represents a standout growth opportunity
 - In April 2012, A2C announced a strategic agreement with Synlait Milk to manufacture a2™ brand milk powders and infant formulas in New Zealand.
 - Synlait Milk will source A2 milk from accredited dairy farms in Canterbury
 - A2C has reviewed alternate business models for the marketing and distribution of nutritional powders in China and is well advanced in selection of a quality distribution partner
 - Production of a2™ brand infant formula to begin from December 2012

A2C infant formula focused on the China market opportunity



- The China infant formula market is very large (c. US\$6bn), growing quickly (c. 12% p.a.) and is regarded as undersupplied
- The key driver of infant formula purchasing decisions in China is a strong focus on safety, quality, country of origin and health benefits
 - Chinese manufacturers have experienced a number of quality and incidents over recent years
 - Chinese consumers appear to perceive local manufacturers as having lower quality standards thereby making the emphasis on safety paramount
- As a consequence, 100% New Zealand sourced imports are generally recognised as of the highest quality in the Chinese infant formula market
 - New Zealand manufactured products have been growing strongly in China
 - The growth of the middle class establishes an ideal platform for A2C products
 - A2C will be able to leverage this along with the competitive advantage of offering the unique benefits associated with the A2 protein
- Premium infant formula in China commands a potentially attractive margin



Thank You

