



A2 Corporation

Strategic review outcomes

31 October 2012

Geoffrey Babidge
Managing Director & CEO



Disclaimer

This presentation has been prepared by A2 Corporation Limited (“A2C”) management based on information available to them as at 30 October 2012. The purpose of this presentation is to provide general information about A2C only and is not intended to take the place of due diligence. No representation or warranty, express or implied, is made as to the fairness, reasonableness, accuracy, completeness or correctness of, and no person should rely on, the information, opinions and conclusions contained within this presentation. To the maximum extent permitted by law, neither A2C nor any other member of the A2C Group, nor any of their respective directors, employees or agents, nor any other person accepts any liability for any loss or damage arising from the use of, or in connection with, this presentation or its contents or otherwise arising from fault or negligence on the part of any of those persons.



Table of Contents

1. Introduction
2. Market and industry overview
3. A2 science and IP
4. Current A2 Corporation capabilities
5. Strategic review outcomes
 - a) Australia and New Zealand
 - b) UK
 - c) China
 - d) New markets
 - e) New categories
6. Summary



Introduction

- A2 Corporation Limited (“A2C”) is a differentiated, premium price dairy Company which is building a global business based on unique intellectual property applying to a2™ brand milk and related dairy products
 - Listed on the NZAX with a current market capitalisation of c.NZ\$390m and achieved FY12 sales of NZ\$62.5m
- a2™ brand milk has a unique proposition that delivers a tangible consumer benefit which aligns with the positive macro global consumer health trend
 - Evidenced by strong customer testimonials and a deep and growing body of science
 - Unique, innovative and global dairy brand, positioned at a significant price premium
- A2C is one of the fastest growing Australian FMCG businesses
- A2C announced in April 2012 it was undertaking a strategic review of its options to accelerate growth and maximise shareholder value
 - This review was being undertaken in light of the Company’s strong growth options as well as approaches received from parties interested in partnering with A2C
- The Company remains open to discussions with third parties who may assist with its global ambitions
- The strategic review is now complete and this presentation provides the outcomes of the process

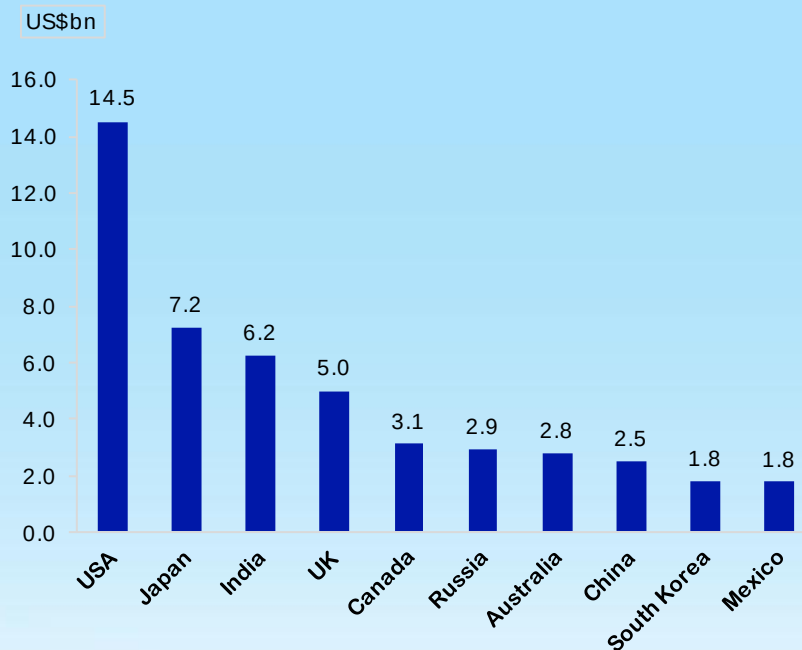


2 Market and industry overview



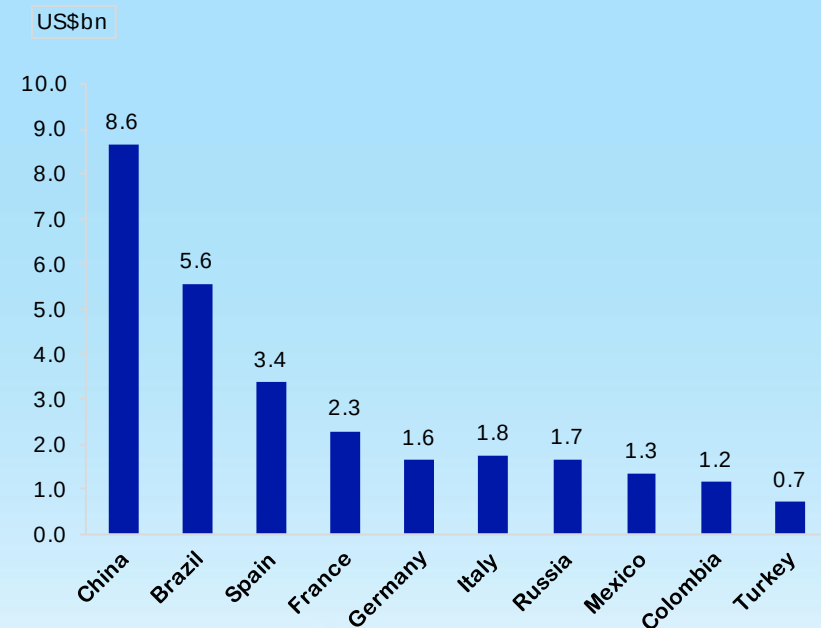
Global fresh and UHT milk market exceeds US\$120bn

Global Fresh Milk Market (2011)



Total World Fresh Milk Market \$85bn

Global UHT Milk Market (2011)



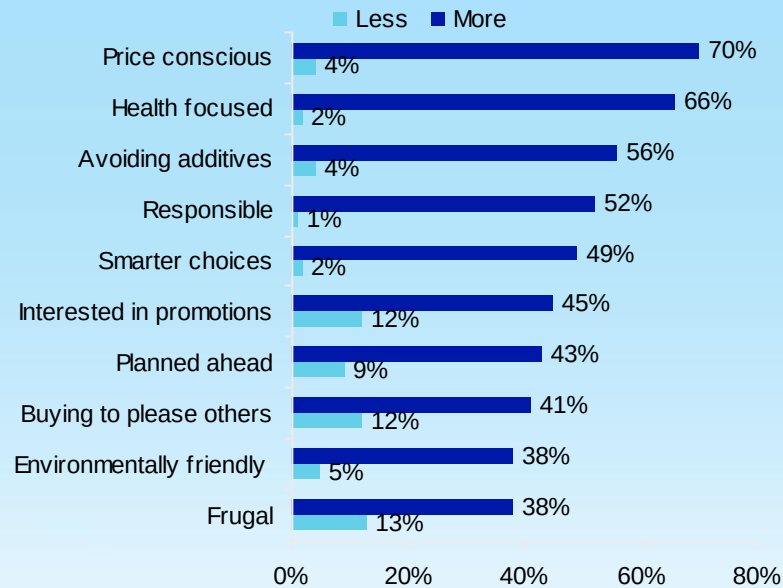
Total World UHT Market \$38bn

Source: Euromonitor (2011)



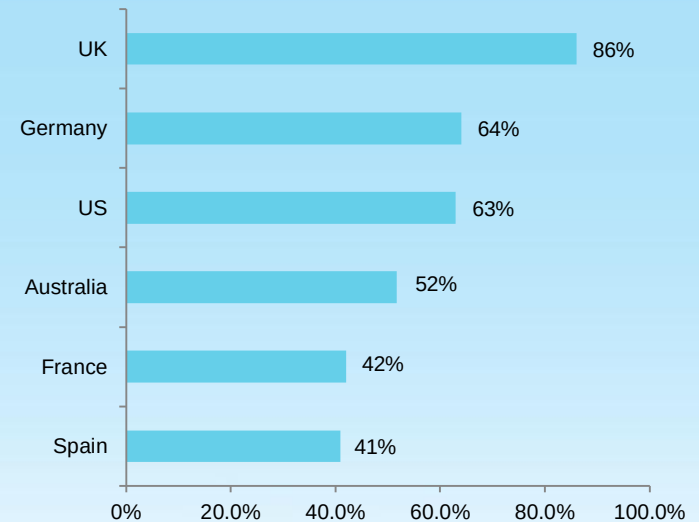
Scope for innovation in mature and commoditised global dairy markets

Consumer Trends



Source: SheSpot Consumer Survey (2012)

Generic milk share of Grocery



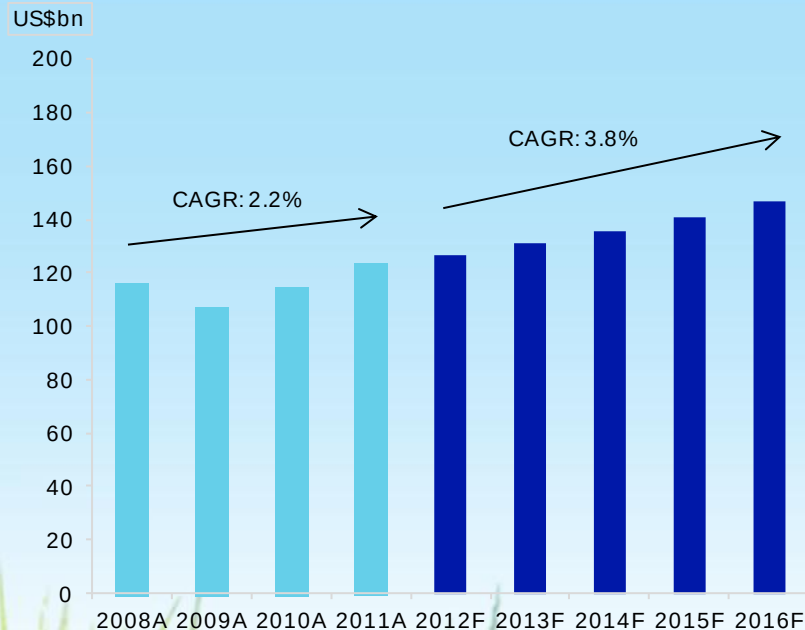
Source: Symphony IR (2009), Australia National Scan Chains (2009)



Asia—the major growth market for drinking milk

- Asian growth is being driven by the adoption of more Western eating patterns, rising living standards and an increasing focus on health
- At a forecast size of c.US\$61bn in 2016, emerging Asian countries are expected to account for 29% of the broader Drinking Milk category⁽¹⁾

Global Growth ex-Asia—Drinking Milk⁽¹⁾

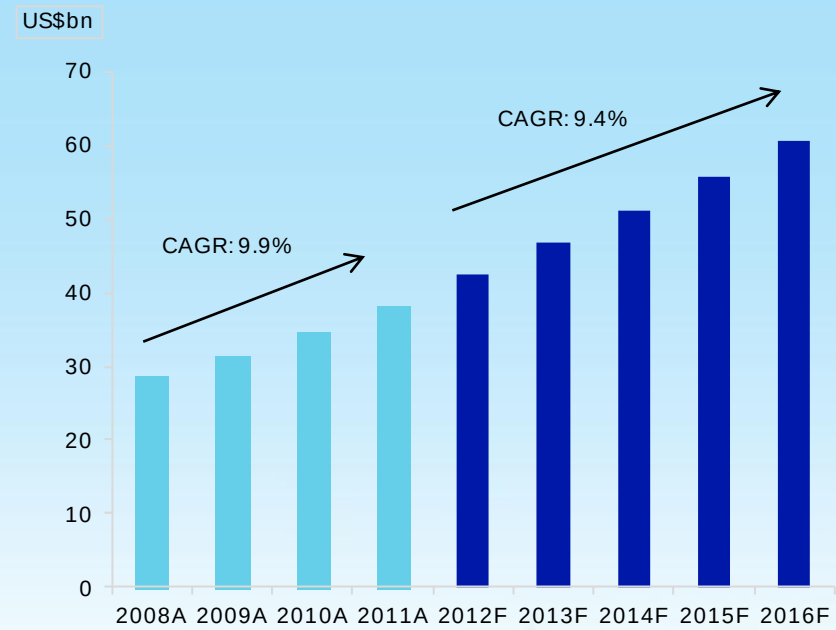


Source: Euromonitor (2011)

Notes:

- Drinking Milk includes Fresh, UHT, Flavoured Milk, Powder Milk, and Soy Milk
- Excludes Japan and Taiwan

Asian Growth—Drinking Milk⁽²⁾



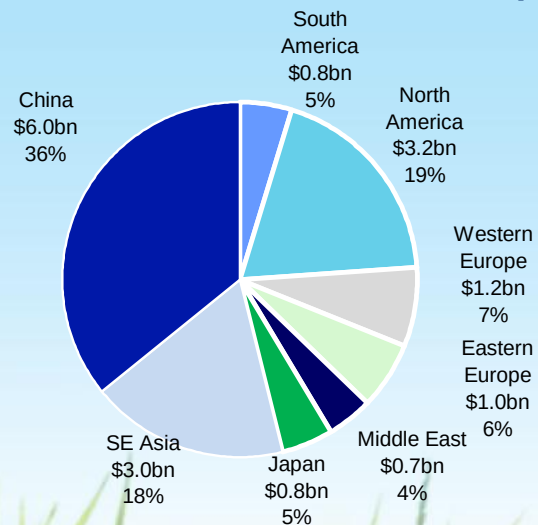
Source: Euromonitor (2011)



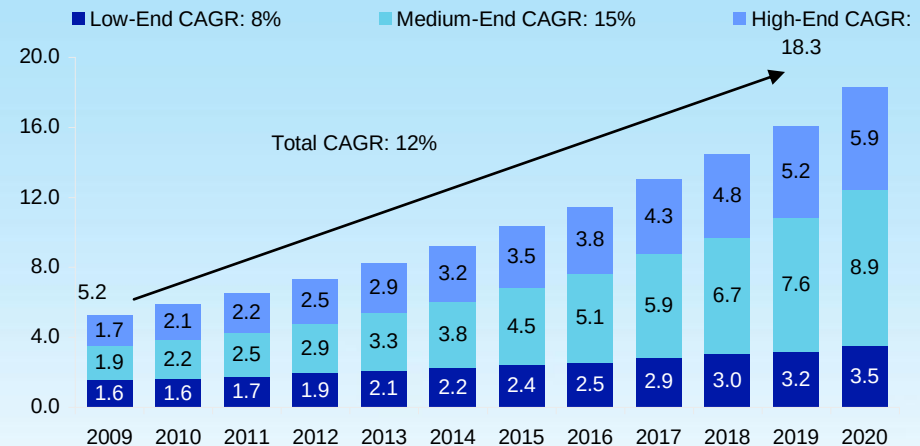
Asia—also the major growth market for infant formula

- The global market for infant formula is at least US\$17bn and is expected to grow at c.8% CAGR (mostly driven by China at c.12% CAGR)
- The China infant formula market is the largest at around US\$6bn in 2011. Estimated tonnage of 400,000 p.a. (up from 106,000 in 2000)
- The China infant formula market is growing at an average rate exceeding 12% per annum and is undersupplied. The growth is likely to continue due partly to the 'one child' policy being relaxed

Global Infant Formula Market (US\$bn)



China Infant Formula Market (US\$bn)⁽¹⁾



Source: InterChina's bottom-up estimation based on interviews with category insiders (March 2011)

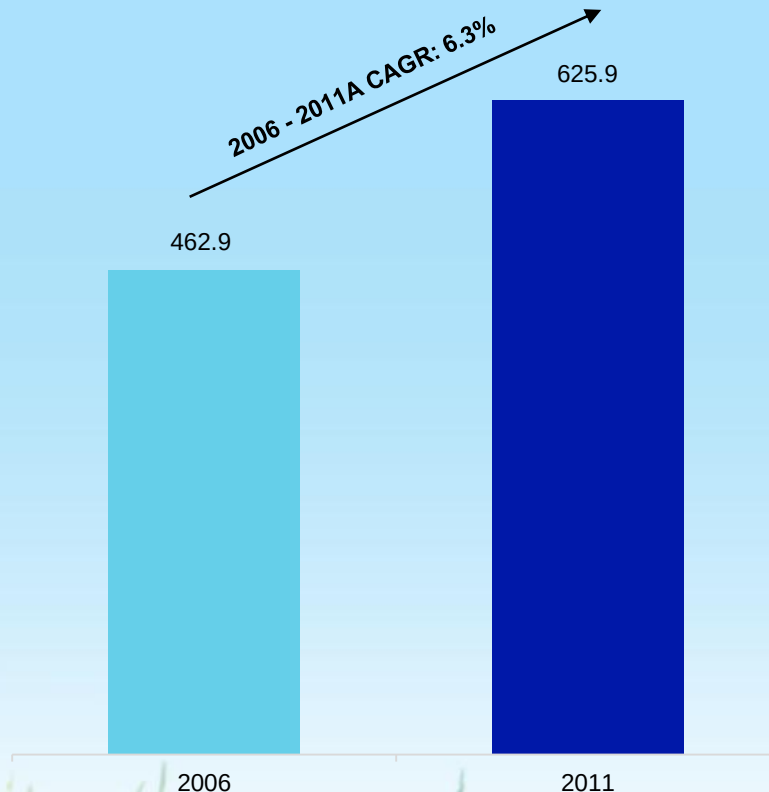
Note:

1. Market values have been converted from CNY to USD using rate of 6.29/USD as at 3 May 2012

There is an increasing global consumer focus on health and wellbeing



Global Health and Wellness Market (US\$bn)



Source: Euromonitor (2011)

- Foods that are capable of providing “health” characteristics can command a significant price premium
- Digestive health
 - Growing awareness and understanding that digestive health is important
 - Strong association in probiotic type products—a belief that digestive health is achieved via dairy (with something added to it)
- Allergies and intolerances
 - Allergies are a growing concern, particularly for children
 - Significant buying influence on young families



Consumer and industry trends strongly favour growth of a2™ brand products

Consumer focus on health and wellbeing

- ✓ a2™ brand products respond directly to the increasing global focus on digestive health, allergies and intolerances

Global milk market exceeds US\$120bn

- ✓ a2™ brand niche shares can deliver significant revenues given the large size of the markets

Scope for innovation in commoditised markets

- ✓ a2™ brand milk is a differentiated and innovative product
- ✓ Able to command and maintain a premium price position

Asia is the major growth market

- ✓ A2C can directly access high growth Asian dairy markets, including infant formula

Retailer margin benefit

- ✓ Target consumer is a high value shopper
- ✓ a2™ brand milk delivers attractive margin to retailers

Other dairy categories are large and high growth

- ✓ Ability to transition A2C into cheese, yoghurt and ice cream
- ✓ US\$272bn potential market and growing at c.5.0% p.a.⁽¹⁾

Dairy farmers benefit

- ✓ Premium prices paid by A2C to A2 farmers at farmgate (without additional costs to farmers)

Global partnership opportunities

- ✓ Industry consolidation creates the opportunity to partner with strong local players in key global markets

Note:

1. Euromonitor (2011), forecast CAGR 2011-2016



3 A2 science and IP



What is a2™ brand milk?

- a2™ brand milk is naturally produced cow's milk, not a product of genetic engineering
- Comparable in composition to conventional cow's milk, however the beta casein protein component differentiates a2™ from other milk
- As a result of natural genetic variation, beta casein may be present as one of two primary variant types, A1 or A2 in all cows milk
- A2 is recognised as being the original or ancestor beta casein gene in modern cattle
 - Originally all domesticated cows produced milk containing only the A2 type of beta casein
- a2™ brand milk contains only the original A2 form of the protein beta casein
- The difference in structure between the beta casein variants can lead to a difference in their breakdown during digestion
- Anecdotal and consumer reports link a2™ brand milk with improved digestive comfort relative to A1 beta casein containing milk (in addition to other benefits relating to adverse milk responses)

“..one in four American adults say they experience physical discomfort (lactose intolerance symptoms) after consuming dairy products, and 61 per cent of these people, representative of 15 per cent of American adults ages 15 to 70, say they do not drink milk” (1)
- There is a deep and growing body of science supporting these health benefits

Note:

1. Milk Opportunities Study, Phase I General Population (March 25, 2009)



The science of a2™ brand milk

A1 vs. A2	Key Difference of A1 and A2	Health Effects	Consumer Testimonials
Definitive Science	Definitive Science	Growing Body of Scientific Research	Fact
A1 c.70% of cows produce A1 variant of the beta casein protein in their milk (Different in structure to A2 owing to one amino acid)	Release of established exorphin BCM-7 during digestion owing to difference in structure (exorphins are food/environment derived molecules that bind opiate receptors)	- Potential for BCM-7 to interact with a range of tissues and impart biological effects on some individuals leading to: - Digestive and Immune dysfunction - Increased risk of Heart Disease - Increased risk of Type 1 Diabetes - Symptoms of Neurological Conditions (ASD) - Supported by wide ranging and growing lines of research: Epidemiology; animal feeding trials; human studies; and studies on A1 derived BCM-7	Consumers report various adverse responses and health effects when drinking standard milk containing A1 beta casein
A2 c.30% of cows produce A2 and not A1 in milk (Original beta casein protein. More comparable to every other mammalian beta casein)	<u>No</u> release of BCM-7 during digestion	- No known or potential issues - Protein fragments released from A2 associated with positive health effects	Consumers report health issues are <u>not</u> present when drinking milk containing only A2 type of beta casein

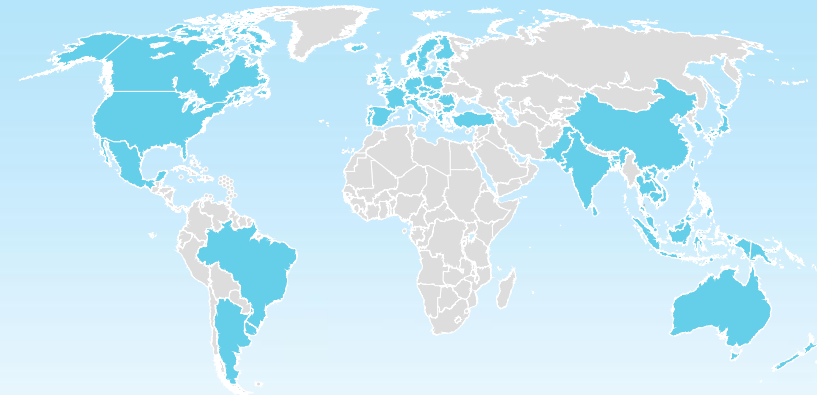


A2C's intellectual property—a strong and growing suite of rights

- A2C's Intellectual Property ("IP") includes patents, trade marks and trade names ("brands"), proprietary processes and know-how that is codified in the A2 System©
- The IP has been subjected to an independent legal review which concluded that the portfolio is strong and well balanced to deliver commercial value in both the short and long term:

"A2C's intellectual property is balanced across a variety of rights, with strength throughout the supply chain. Chain of title and rights are well documented, allowing a solid basis for exploitation and enforcement" Simpson Grierson

- The strength of A2C's intellectual capital will increasingly be driven by brand and know-how, in addition to patents
- A2C has rights to seven families of patents and patent applications in various combinations
- Ongoing R&D is continuing to enhance the scope and duration of existing patent rights



Patent and / or trade mark registrations or pending applications



A2C owns rights to seven families of patents across key global markets

	Family	Patent Title(s)	Expiry ⁽¹⁾	Territories
Genotyping, herd formation and use	1	- Food Product and Process - Bovine Genotype Testing for Beta-caseins - Breeding and Milking Cows for Milk Free of Beta Casein 1	9 May 2016	Australia, Canada, Denmark, Finland, France, Germany, Switzerland, The Netherlands, Ireland, UK, NZ, USA
	4	- Animal Genotyping Method	23 May 2023	Australia, Canada, China, Hong Kong, India, Japan, NZ, Singapore, South Korea, USA, Vietnam
Phenotyping and use	2	- Method of Selection ⁽²⁾ - Non-diabetogenic Milk or Milk Products and Milk or Milk Products so Selected ⁽²⁾	3 Nov 2015	Australia, Canada, UK, The Netherlands, Ireland, Finland, NZ, Norway, USA

Note:

1. Earliest expiry date indicated. The actual date will vary between territories
2. Jointly owned patent



A2C owns rights to seven families of patents across key global markets

Use and
compositions

Family	Patent Title(s)	Expiry ⁽¹⁾	Territories
3	- Prophylactic dietary supplement based on Milk	29 June 2020	Australia, China, New Zealand
5	- Method for Altering Fatty Acid Composition of Milk	3 July 2023	Australia, China, <i>Canada</i> , <i>Europe</i> , Hong Kong, <i>India</i> , <i>Japan</i> , NZ, Singapore, South Korea, USA, <i>Vietnam</i>
6	- Therapeutic Use of Beta Casein A2 and Dietary Supplement Containing Beta Casein A2	3 October 2023	Canada, China, India, Japan, NZ, Singapore, South Korea, Vietnam, UK, The Netherlands, Switzerland, Sweden, Spain, Italy, Ireland
7	- Beta casein and Methods of Use	Up to 29 May 2033	<i>All Patent Convention territories currently nominated.</i>

Note:

1. Earliest expiry date indicated. The actual date will vary between territories

Italics = Territories where the patent application is still pending

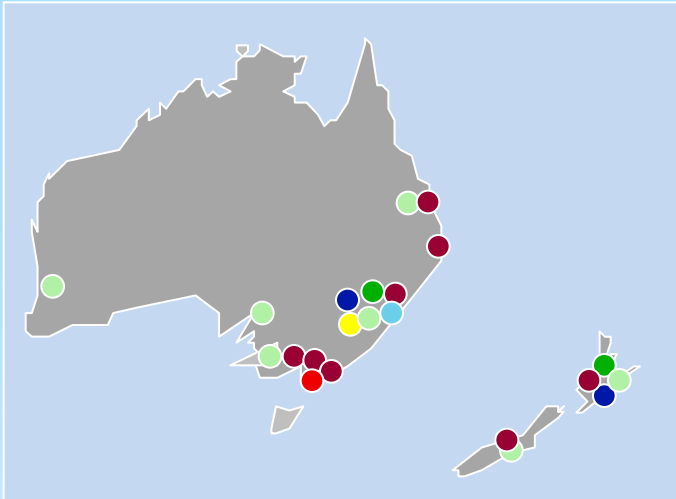


4 Current A2 Corporation capabilities

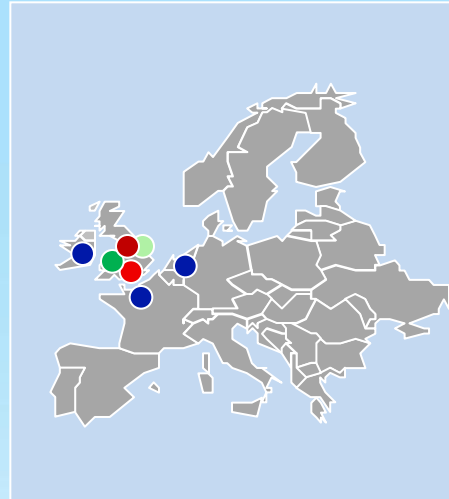


A2C's current global infrastructure

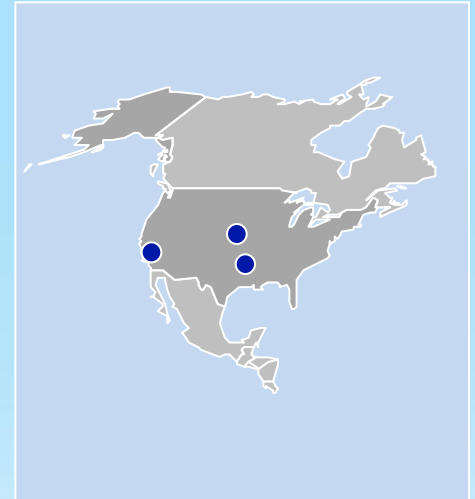
Australia / NZ



Europe



Americas





Australian dairy supply chain model is a template for other markets

Proprietary

- ✓ Proprietary processes
- ✓ Supply contract restrictions
- ✓ Ownership of testing outcomes
- ✓ Experience and know-how

Protects A2C's position as provider of A2 milk

Highest Quality

- ✓ Quality assurance procedures
- ✓ Farmer selection procedures
- ✓ Farmer incentives for overall milk quality
- ✓ Distribution capability (e.g. direct to distribution centres)

Delivers highest quality products known for freshness, taste consistency and longevity

Scalable

- ✓ Attractive farmer proposition
- ✓ Established and efficient practices / procedures
- ✓ Management of supply / demand
- ✓ "Plentiful" supply of A2 cows
- ✓ Economic proposition (testing)
- ✓ Ability to leverage existing infrastructure

Provides scalability on low cost, efficient and capital light basis (demonstrated in Australia and being applied in the UK)



A2C senior management — substantial FMCG and dairy industry experience

Managing Director & CEO

Geoffrey Babidge
25 years as FMCG chief executive

Chief Financial Officer

Sarah Kolkman
15 years in senior FMCG finance roles

GM Infant Nutrition, Operations

Simon Hennessy
Experienced operational executive

CEO Australia/NZ

Peter Nathan
Senior FMCG sales & marketing executive

A2 Milk (UK) CEO

Sean Uprichard
Senior FMCG sales & marketing executive

Chief Scientific Officer

Dr Andrew Clarke
10 years managing A2C R&D and IP

Chief Supply Chain Officer

Shareef Khan
13 years in senior supply chain roles

China Market Manager

Xu (Joseph) Pengqi
Former General Manager CSF



5 Strategic review outcomes



Strategic review confirms A2C is well-positioned for growth

- Further developing the strong suite of intellectual property and the uniqueness of a2™ brand dairy products
- Further growing the Australia and New Zealand fresh milk businesses by investing in additional processing capability in Australia and extending the Australian sales and marketing model into New Zealand
- Accelerating investment in the UK fresh milk market now that the Robert Wiseman JV is established
- Accelerating investment in the large and rapidly growing China infant formula market now that the China State Farm distribution arrangement is established
- Entering new international markets with an immediate focus on North America and specific countries in Europe
- Entering new categories, with UHT milk and Yoghurt the immediate focus
- Financial and human resources are considered appropriate to support the strategic agenda

a2™ brand milk is the fastest growing and largest brand in the Australian premium segment



% Share of Fresh Milk (Latest Quarter—by value)



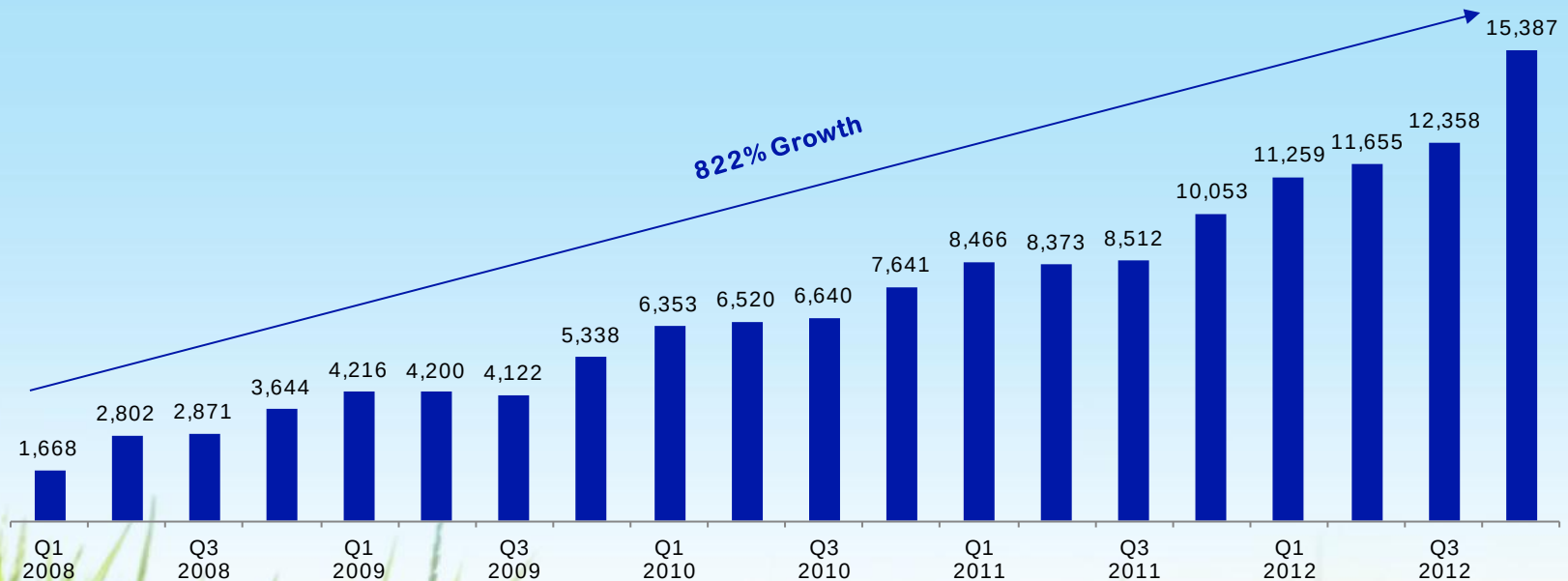
Source: Aztec Scan Data (week ending 2/9/12)



a2™ milk is now a c.A\$50m brand in Australia

- A2C has generated significant and sustained growth over the last three years with effectively no change in wholesale price
- Commissioned a state of the art modular processing facility in NSW to support growth

Quarterly Gross Sales of a2™ Brand Fresh Milk in Australia (FY08–FY12) (A\$'000)

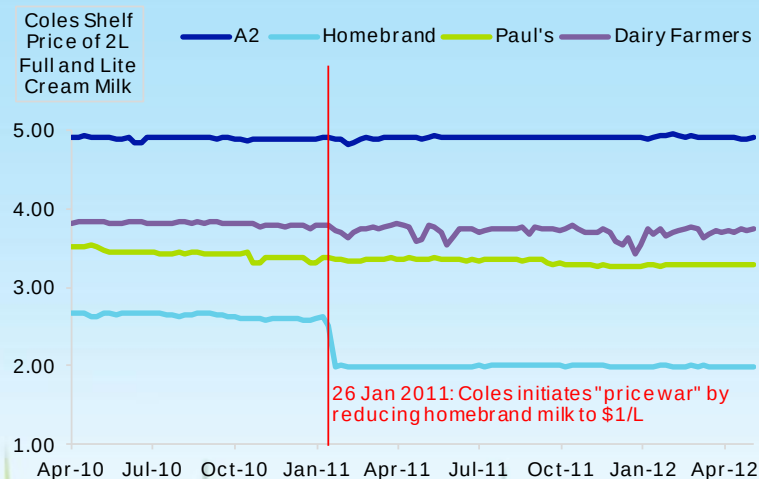




a2™ brand positioned at a premium in Australia

- Since inception, a2™ brand milk has retailed at the top end of branded milks, and from early 2011 has been at a c.150% premium over generic milks
- Despite the 2011 grocery-led “price-war” which saw most of its branded competitors reduce prices, A2C retail prices remained broadly unchanged while still enjoying strong growth in sales

Fresh Milk Shelf Price (Coles)⁽¹⁾

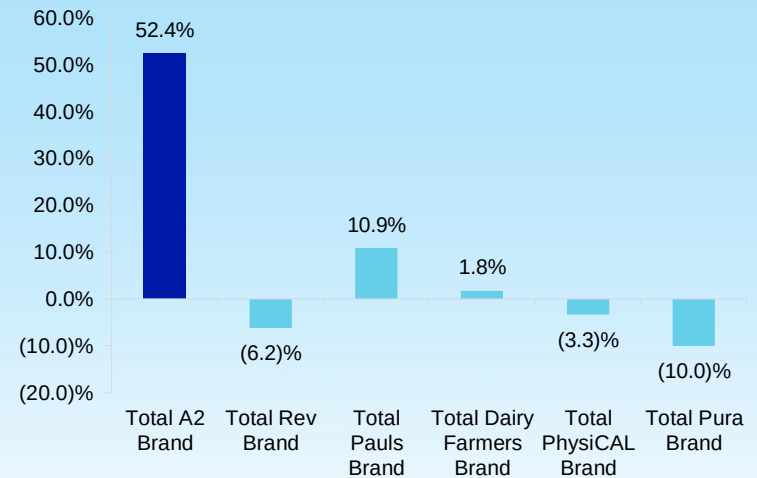


Source: Aztec Scan data (June 2012)

Note:

1. For A2C Full and Light Cream milk

Retail Sales Growth (Latest Quarter)



Source: Aztec National Scan data (week ending 2/9/2012)



Current trends and strategy suggest value share of at least 10% of Australian grocery is achievable

Australia Growth Strategy

Priority 1	Media and Marketing - Increased investment in media and marketing - Maintain spend at c.6% of strongly growing sales - Maintain high consumer engagement through creative excellence	Distribution - Plan launch in the “route trade” through distribution partnerships - Expand SKU count - Broaden non-chain distribution	Health Care Health Care Professional recommendation through an expansion of the effective HCP programme
Priority 2	Processing Facilities Additional processing capability to cater for rising domestic demand and effectively manage the supply chain	Operational Improvement - Margin enhancement in existing plants due to volume expansion - Options to reduce freight to WA	New Products - Evaluate market potential for launch of other dairy products - Enhance yoghurt offering

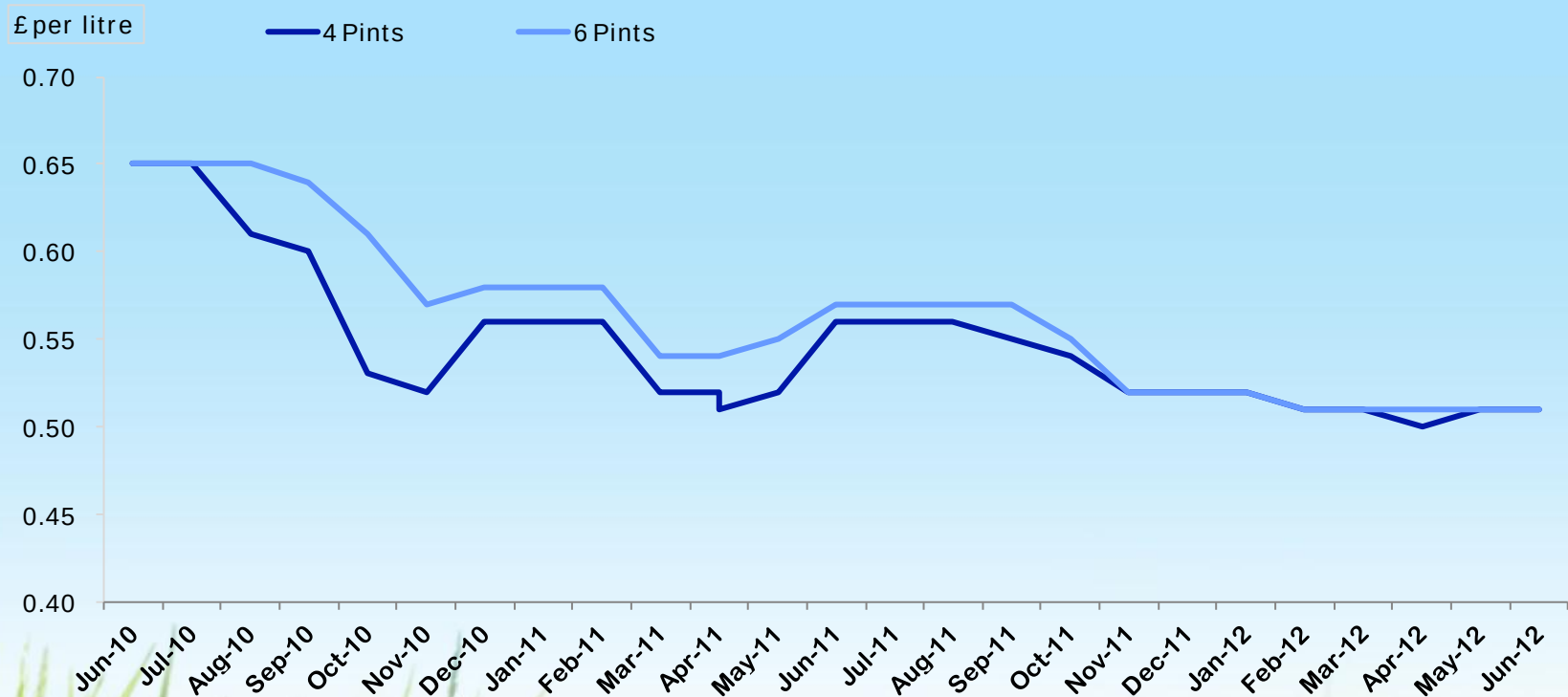
Source: Management Forecasts

Commoditisation of the UK milk market has created a need for innovation to restore profitability for participants



- Competitive pricing pressures have driven conventional milk margins to unprofitably low levels for most producers

UK Fresh Milk Prices



Source: Nielsen Scantrack, £ per litre (Rolling 4 weeks)



UK business model

- In November 2011, A2C established a Sales and Marketing JV with Robert Wiseman Dairies in the United Kingdom and Ireland
- Launch of a2™ brand milk into the UK underway, with three major supermarket chains listing a2™ brand milk in approximately 700 outlets nationwide (Tesco, Morrisons and Budgens)
- Performance expected to follow Australian experience – a ‘slow build’ driven by effective consumer marketing, engagement with health care professionals and broadening distribution
- Opportunity exists to expand the product portfolio in the UK and Europe





UK creative direction

Before

"I've been dairy intolerant for years"
Jessica, 29,
Manchester

"I thought it was soya milk or nothing"
Jerome, 34, Brighton

"Tummy cramps were a constant pain"
Sam, 32, Cardiff

"Daily discomfort was really getting to me"
Emma, 38, London

"My children's eczema was terrible"
Faisal, 40, London

"My diabetes was a constant worry"
Kate, 25, Edinburgh



After

"At last an answer to my problems!"
Jessica, 29,
Manchester

"Dairy tastes great again"
Jerome, 34, Brighton

"No more bloated tum!"
Sam, 32, Cardiff

"Thank you for giving me my life back"
Emma, 38, London

"They are like different kids"
Faisal, 40, London

"After a month I was feeling 100%"
Kate, 25, Edinburgh

The Natural Answer

- Initial brand position will be largely similar to that originally in Australia, tailored as appropriate for the UK market
- Key positioning as "The Natural Answer" (as compared to "Feel the Difference"), supported by market research
- Clear communication of the a2™ product benefit (the natural answer to A1 milk intolerance) and the a2™ product health benefits (expressed through testimonials)

Source: Sample testimonials



China business model

- A2C will source shelf-ready packaged, 100% New Zealand a2™ brand infant formula and sell FOB to its distribution partner in China, who will then on-sell to 3rd party distributors and retailers
 - A2C has secured New Zealand supply through a manufacturing agreement with Synlait (NZ)
 - A2C has appointed China State Farm (“CSF”), a leading Chinese SOE, which has the local relationships and financial resources to build distribution and market premium priced a2™ brand infant formula to major cities in Greater China (including Hong Kong and Macau)

Business Model



A2 cows milk sourced from A2C's suppliers in New Zealand



Infant formula manufacturing agreement with Synlait in New Zealand



A2C to sell 100% New Zealand made infant formula to CSF



CSF to distribute to 3rd party distributors and retailers in Greater China

Marketing spend to be jointly managed



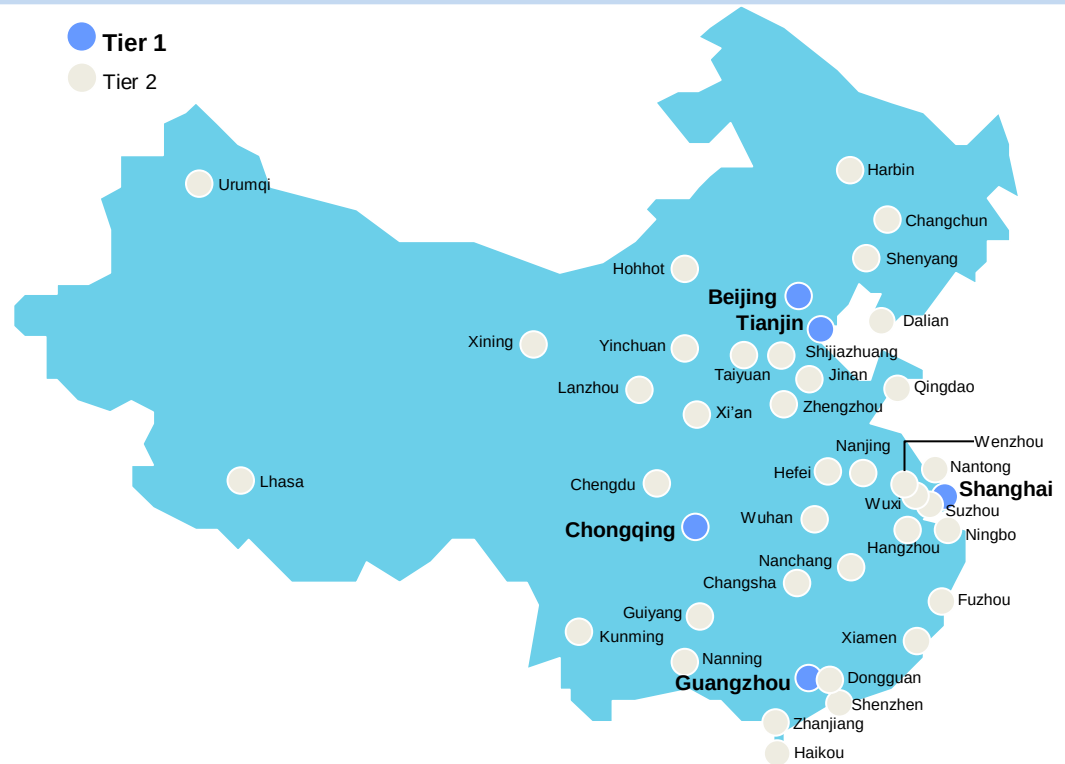
Expected roll-out of a2™ infant formula in China

- A2C, together with its distribution partner, plans to progressively roll-out the a2™ infant formula product across c.45 Tier 1 and 2 cities in the Greater China region (including Hong Kong and Macau)

China—Indicative Roll-out of Distribution



CSF advised that a2™ branded infant formula was the only unique infant formula product offering at the July 2012 Child Baby Maternity Exhibition in Shanghai





New markets for the a2™ brand

A2C's Key Market Selection Criteria

White milk market
size

Per capita milk
consumption

Existing top end in
the market

Health conscious /
intolerances

A2C IP registered

Likely entry cost /
speed of return

Cost effective
distribution options

Perceived
regulatory
environment

Tier 1
USA
China
UK
Germany
Canada

Tier 2
Spain
Italy
France

Tier 3
Japan
India
Mexico
Korea
Brazil



New categories for the a2™ brand

- The high growth UHT and Yoghurt categories have been identified as attractive opportunities for the a2™ brand
- Other potential products include dietary supplements, cheese and milk powders

Target Markets

UHT



- ✓ Global growth potential with a number of potential target markets
- ✓ Chinese market for UHT milk is c.US\$8bn with demand growing rapidly
 - Discussions with Chinese distributors are currently underway

China
France
Germany
Spain

Yoghurt



- ✓ Target markets have a combined market size c.US\$20bn⁽¹⁾
- ✓ The fastest growing segments are those that offer functional benefits
- ✓ Strategic agenda would likely leverage licensing arrangements with international groups

Australia⁽²⁾
France
Germany
Spain
UK
USA

Note:

1. Euromonitor (2011)
2. A2C has a non-exclusive licence and supply agreement with Jalna Dairy Foods to manufacture, market and sell a range of A2 branded yoghurts in Australia



6 Summary



Summary

- ✓ There is an increasing consumer focus on health and wellbeing which strongly favours a2™ brand dairy products
- ✓ Large global drinking milk markets exceed US\$120bn with scope for innovation in mature, commoditised markets
- ✓ A2C can directly access high growth Asian dairy markets, including infant formula and UHT
- ✓ A2C has a strong suite of global intellectual property supported by a growing body of know-how and developing brand equity
- ✓ A2C's proven Australian dairy supply chain model provides a scalable technical & commercial template for other markets
- ✓ The strategic review confirms that A2C's capital light, partnership focused model will facilitate the Company's global expansion into new dairy markets and categories



Feel the Difference™

