



A2 Corporation Annual Meeting

19 November 2013



A2 Corporation Presentation to AM

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**Geoffrey Babidge
Managing Director & CEO**



Presentation Agenda

1. Introduction
2. Key financial results
3. Australian business
4. UK business
5. China business
6. Intellectual Property
7. Organisation structure
8. Outlook



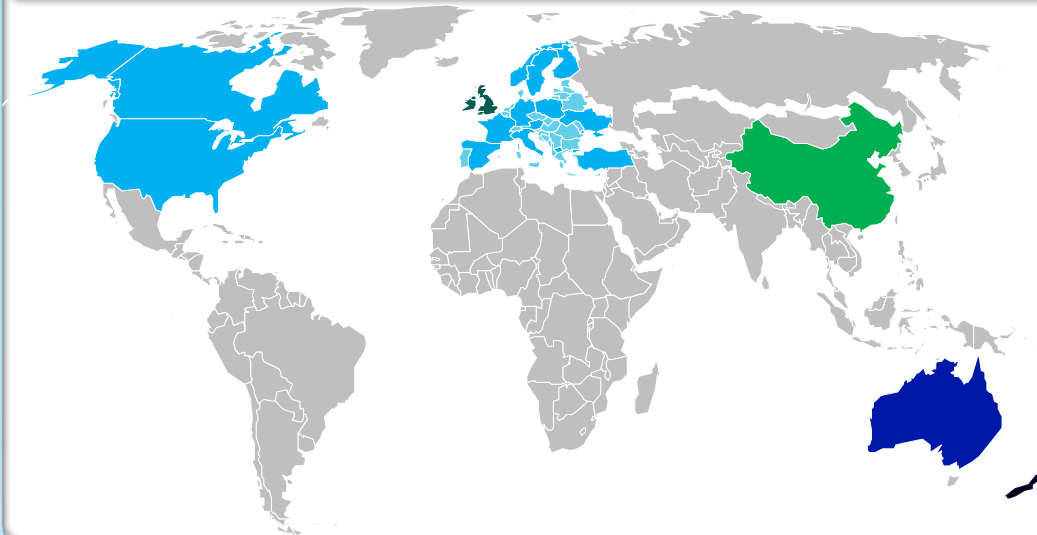
Introduction

- A2 Corporation (“A2C”) is a fast growing differentiated dairy business listed on the NZX from December 2012 and within the NZX50 index
- A2C is the only company engaged in the commercialisation of a2™ brand dairy products globally
- A2C is one of the fastest growing regional FMCG businesses in dairy
- a2® brand milk is natural milk sourced from dairy cows who produce milk with only the A2 variant of the beta casein protein
- a2® brand milk has a differentiated and unique proposition that delivers a tangible consumer benefit which aligns with the positive macro global consumer health trend
- The proposition is evidenced by strong consumer testimonials, a deep and growing body of science and supported by a suite of unique and robust intellectual property rights
- The Company has operations in Australia, New Zealand, China and the United Kingdom engaged in the sale of dairy milk, yogurt and infant formulas
- The Company is progressing its Strategic Growth Agenda announced in October 2012



Current Geographical and Product Overview

Geographical Overview



KEY

- Australia:** Sourcing, processing, marketing and sale of fresh milk, infant formula, and licensing of yoghurt to Jalna
- NZ:** Infant nutrition processing agreement with Synlait Milk and sales of infant formula
- UK & Ireland:** Sales and marketing JV with Muller Wiseman Dairies for fresh milk
- China:** Nutritional powders agreement with Synlait Milk and distribution agreement with China State Farm
- US / Canada / Europe:** Tier 1 “near term” global growth areas

Current Product Offering





Business Highlights





Key financial results

NZ\$'000	2013	2012	Variance
Trading Revenue	\$94,304	\$62,458	51%
Gross Margin – excl dep'n	\$34,604	\$21,297	62%
EBITDA	\$10,640	\$4,737	125%
NPAT	\$4,120	\$4,405	-6%
Equity	\$59,930	\$37,348	60%
EPS (diluted)	0.66	0.74	-11%
Current Ratio	3.85	2.03	
ROE	6.9%	11.8%	

Shares on Issue at August 21, 2013: 649,666,979



The Australian business performed ahead of plan

- **a2[®] Milk[™]** sales increased 48% on the prior year. Remained the fastest growing dairy brand in Australian grocery
- Continued growth in Operational Profit and in Gross Margin % of Sales given volumes and efficiencies for Sydney processing facility ahead of plan
- Estimated market share by value in grocery at June year end of 7.4%*
- Ongoing investment in marketing and communication and increased engagement with health care professionals
- Review of supply chain processes. Recently announced initiative to source a2 Milk[™] in WA through a contract packing arrangement with Brownes Food Operations
- Working to broaden the product range with **a2[®] Platinum[™]** infant formula launch under way from September 2013 and other products in development

*Source: Aztec scan data Australian chain grocery MAT as at June, 2013

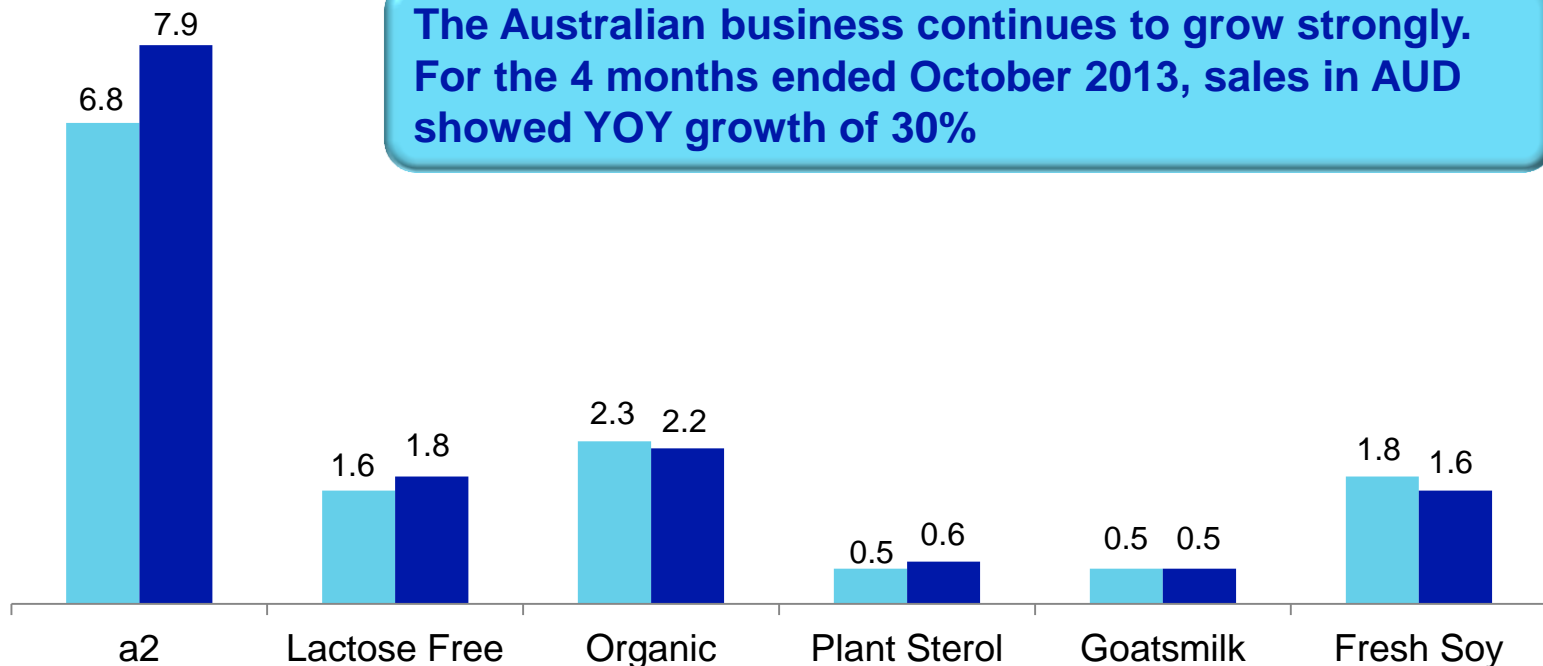
a2[®] brand milk: fastest growing and largest segment in the grocery premium market



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

% Market Share

■ Oct '12 ■ Oct '13




The Australian business continues to grow strongly. For the 4 months ended October 2013, sales in AUD showed YOY growth of 30%

*Source: Aztec scan data Australian chain grocery QTR as at 27/10/13



Thank you a2™

 www.a2nutrition.com.au

Available at

coles




and selected pharmacies.





Thank you a2™

 www.a2nutrition.com.au

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coles



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UK Business in 2013

- The plan in 2013 - completing JV business establishment and launching fresh milk
- UK management team comprises 6 full time or contract employees managing sales, marketing, HCP activities and farm services
- Supportive farmer supplier base developed - included a 2 year incentive scheme to support aggregation of **a2**[®] herds
- Product launch commenced from October 2012 and now ranged in 5 retailer groups (plus online) in around 950 retail outlets
- A2C's share of herd testing and conversion costs was £463k and marketing costs was £1057k
- Since launch the priority is to build trial and rate of sale to increase distribution over time
- Changes to European regulations around food and beverage advertising from January 2013 limited initial communication strategies
- Sales below original JV business plan given lower retailer distribution at launch than assumed. The Australian experience shows growth in distribution and ROS takes time to achieve



UK Business - the future

- A2C commenced the business with a partner Robert Wiseman Dairies (“RWD”) focused primarily on commoditised fresh milk market in the UK
- Soon after RWD was acquired by the Theo Müller Group, a diversified dairy group with interests spanning many markets and products
- A2C’s strategic priority is to accelerate its investment given the potential for a2 Milk™ products in the UK and Europe is significant
- A change in the structure and operation of the JV is now considered in the strategic interests of both partners
- The partners have agreed A2C will acquire the 50% interest in the JV owned by Theo Müller Group for nominal consideration and enter into a contract packing agreement from January 2014
- The contract pack arrangement will provide product on a cost plus margin basis
- Following the acquisition, A2 Milk (UK) will be operated as a wholly owned subsidiary of A2C
- The capital contribution to the UK business for the current year is likely to be in the order of \$5m
- A2C will implement a number of operational changes to support the business moving forward



UK Business - the future

- Under A2C control, the company will assume responsibility for marketing strategy and bolster the sales function with additional UK experienced selling skills
- These changes will provide A2C increased capability in building retail distribution and developing ongoing communication strategies appropriate for the UK market
- The A2 Milk (UK) Board structure will also change:
 - David Hearn, a highly experienced former FMCG executive and director will continue in the role of A2C nominated non-executive Chairman
 - William (Billy) Keane, former MD of RWD and recently appointed non-executive Chairman of the lead dairy industry body, Dairy UK to be appointed a second resident non-executive Director. Billy brings a wealth of UK industry knowledge and a continuing link to the former RWD business
 - Myself as A2C CEO will continue as the third Board Director




Recent UK Advertising Campaign



- 4 weeks commencing 4/11/13
- Outdoor/transit, press, PR and social media
- London metro focus
- Supported by distribution drive, in-store selling/promo programs

“Milk used to give Poppy tummy aches. Not anymore.”

Mary, Poppy's mum

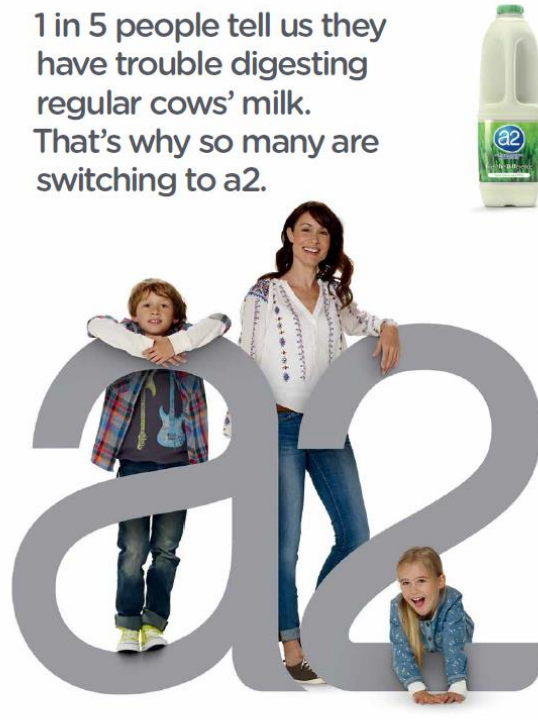


Great tasting British cows' milk with only the natural A2 milk protein, from specially selected cows that naturally produce a2 Milk. Try a2 Milk today and see if you **FEEL THE DIFFERENCE.**



  a2 Milk UK

a2 is not suitable for anyone medically diagnosed with galactosaemia, lactose intolerance or a cow's milk allergy.

1 in 5 people tell us they have trouble digesting regular cows' milk. That's why so many are switching to a2.



Great tasting British cows' milk with only the natural A2 milk protein, from specially selected cows that naturally produce a2 Milk. Try a2 Milk today and see if you **FEEL THE DIFFERENCE.**

  a2 Milk UK

a2 is not suitable for anyone medically diagnosed with galactosaemia, lactose intolerance or a cow's milk allergy.



China Business: Infant formula model in place

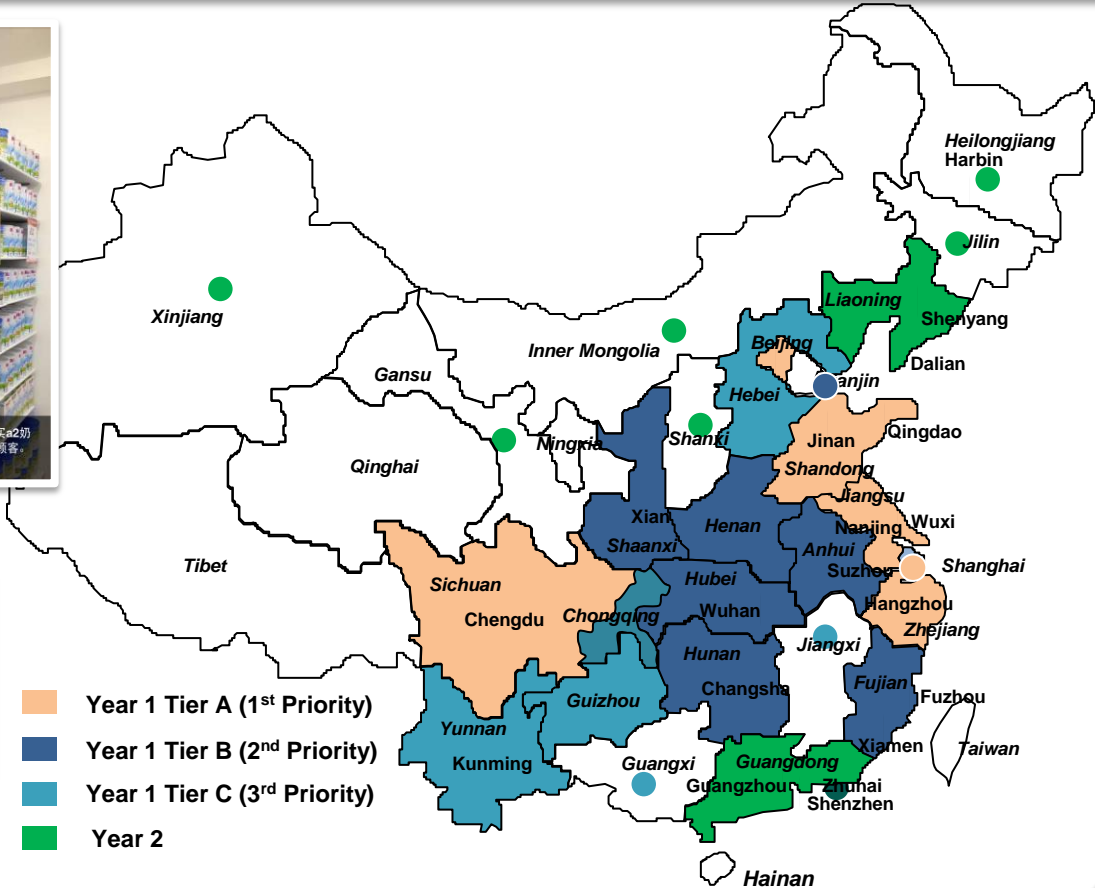
- China State Farm Holding Shanghai Company (“CSF”) appointed exclusive distributor in Greater China October 2012
- Joint marketing structure in operation
- With the Synlait Milk supply agreement, this provides an integrated model for supply of high quality NZ packaged infant nutrition products
- Recruited new management with experience in Infant Nutrition marketing, quality processes, supply chain and in-market manager in Shanghai
- Since year end, A2C has worked with CSF in developing marketing platforms to support the **a2[®] Platinum[™]** launch from November 2013
- CSF has progressively developed its own infrastructure including sales and support team and appointed sub-distributors in priority provinces
- CSF held a trade launch in the Great Hall of the People in Beijing on 29 October 2013
- Recently announced new A2C regional structure to manage the infant nutrition business together with other growth initiatives such as UHT milk in Asia
- Pactum Dairy UHT contract pack agreement negotiated, subject to shareholder approval



Roll-out of a2® Platinum™ in China

CSF plans to progressively roll-out a2® Platinum™ infant formula across Tier 1 and 2 cities initially targeting Baby Maternity stores and on-line in the Greater China region

China – Indicative Roll-out of Distribution

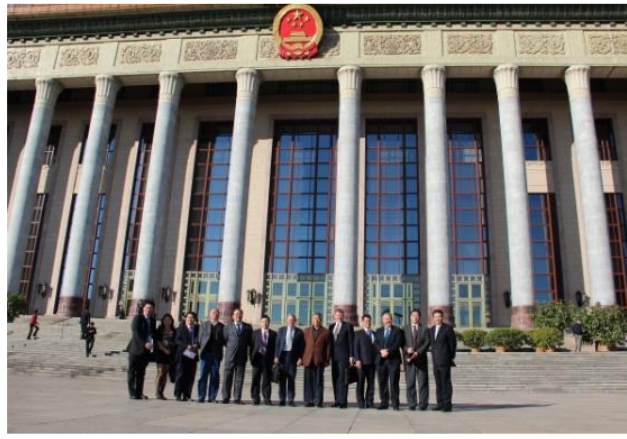


To date, in addition to its own resources, CSF has appointed 18 sub distributors in 11 provinces to sell and distribute a2 Platinum infant formula products



a2[®] brand infant formula in China

Joint launch in the Great Hall of the People, Beijing (October 29, 2013)





A2C Intellectual Property (IP)

- A2C IP comprises a suite of global patents, trade marks, proprietary commercial processes and know how
- Collectively A2C IP provides on-going exclusivity to the manufacture and sale of a2[®] branded milk products

A2C continued to reinforce and expand its IP portfolio in 2013

1 Patents: A2C Research has led to the filing of three further family patent applications concerning benefits of A2 based products to digestive and metabolic function.

2 Brands: Expansion of key word and logo trade marks registered or under application in various markets

3 Proprietary Processes: Codified protocols and procedures for maintenance of a2[®] certified supply chain and brand usage

4 Know how: Collateral for compliant and effective promotion of benefits covered by patent claim sets



Research & Development

A2C & Independent Research 2013

- 1** A2C in collaboration with third parties completed a rodent study examining A2 benefits to digestive function
 - Basis for further patent applications
 - Manuscript submitted for publication

- 2** A human study sponsored by A2C examining digestive function was completed by an Australian University
 - Consistent with rodent study
 - Manuscript submitted for publication

- 3** A French group reports physiologically significant levels of A1 derived BCM-7 produced in the gut of healthy humans (April 2013, Am J. Clin. Nutr.)
 - Supports A2 hypothesis around gastrointestinal function

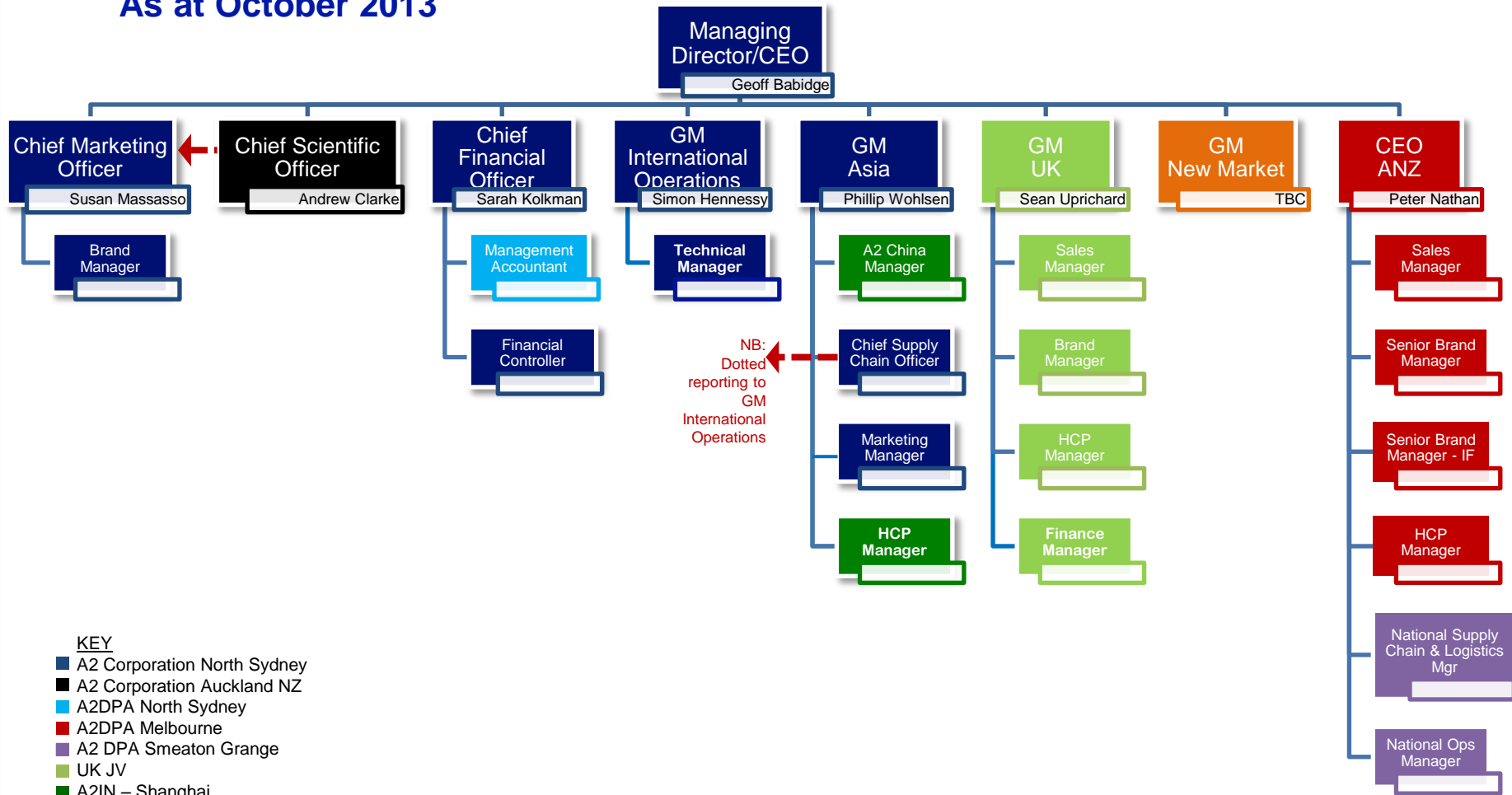
- 4** An Indian group reports increased intestinal inflammation in A1 fed mice (Sep 2013 Euro J. Nutr.)
 - Consistent with A2 hypothesis
 - Supports benefits of A2 to digestion

- 5** Mechanisms by which A2 may benefit people on Casein and Gluten free diets has been reported by Boston based university
 - Presented in July 2013 (ICFSN 2013, London)
 - Reports BCM-7 acts like morphine on cultured human cells
 - Indicate benefits of A2 are short and long term owing to DNA methylation
 - Manuscript submitted for publication



The Organisation Structure has been strengthened

As at October 2013





Outlook

- **A2C will continue to develop the business consistent with its strategic plan:**
 - Further develop the strong suite of IP and uniqueness of **a2[®]** brand products
 - Further grow the Australian fresh milk business and increase activities in NZ
 - Accelerate investment in the UK fresh milk business
 - Accelerate investment in the China infant nutrition business
 - Prioritise new product and market growth options standalone or with partners
- **The Company is actively assessing options to enter North America**
- **A2C will continue to maintain a conservative balance sheet position**
- **Revenue projections in aggregate consistent with 2012 PPM with additional opportunities being pursued**



Outlook

- **First Half FY2014 forecast currently reflects:**
 - Australian business continuing to show growth in sales and earnings
 - Australian sales and earnings YOY impacted by stronger NZD
 - Launch costs for **a2[®] Platinum[™]** infant formula in ANZ and China of circa \$3m
 - Share of associate earnings for A2 Milk (UK) in the order of (\$1.8m)
 - A third shipment of infant formula to China in December
 - Modest first half NPAT given infant formula launch costs and currency impacts

Thank You





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**Susan Massasso
Chief Marketing Officer**

a2[®] is a rare gem...

**opportunity that will
change the game
significantly...**

**manage the extraordinary growth potential in a
way that builds on the
current momentum of the business**



we are on a journey...



“relief”
for a few



“since switching to a2 Milk[®],

I'm able to enjoy all
dairy products
again.”

www.a2milk.com.au

“our baby son is super
sensitive...He's now 18 months and
the Jalna A2 yoghurt is his favourite
food -

no tummy pain at all!”

www.fedup.com.au

“...there are no scientific
studies... However, it is my
experience that so many of my
clients [ASD children] do much
better on A2 milk.. better
digestion, regular bowel
movements, less brain fog,
children are more engaged, less
skin rashes and ear infections,
no nasal congestion/runny
noses/hay fever, better mood and
concentration. I often hear that
language improves and that the
child is happier.”

www.paulatazzyman.com.au

“our life has been
transformed and this
happened literally overnight!”

www.fedup.com.au



a2[®] can be more



“relief”

for a few



evolve from...

physical
product
values
for a few



to...

compelling &
ownable brand
values
for many



ip

know how
(a2® system)

global power brand



“something extraordinary is something that
touches consumers and tells a story,
it's not just technology alone that builds a brand”

The future of branding - Rita J King

<http://www.fastcoexist.com/3021539/futurist-forum/the-future-of-branding-is-creating-real-connections-between-consumers-and-pro>



**We're in the process of developing our long term global brand territory.
This is a draft preview of our story...**

a2® is dairy as it should be.

Like it used to be in purer simpler times.

**We select better cows, purer cows without any genetic mutation.
They produce the real deal, milk that is 100% good, real, pure, A1 free.
Maybe that's why it tastes fresher...more importantly why it does
good things inside you.**

Many will physically *feel the difference*.

All of you will emotionally feel better, smarter, enlightened.

**Quality that is assured. That you're providing yourself and your precious
family with pure quality goodness (*with no strings attached*).**

**At a2® our mission is to genuinely *make a difference* by making the healthy
goodness of A2 dairy products accessible to everyone.**



Thank You

