



# A2 Corporation presentation to Synlait Milk Conference

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# A2 Corporation - a fast growing differentiated dairy business



- Listed on the New Zealand stock exchange
- Market capitalisation of circa USD 350m
- The only company engaged in the commercialisation of a2™ brand dairy products globally
- a2™ brand milk - natural milk from dairy cows who produce milk with only the A2 variant of the beta casein protein
- Comprehensive global suite of intellectual property rights
- Operations in New Zealand, Australia, China and the United Kingdom
  - Liquid milks
  - Yogurt
  - Infant formulas
- Seeking further opportunities to expand in global markets through partnering



## What is a2<sup>TM</sup> brand milk?

- Naturally produced cow's milk, not a product of genetic engineering
- Identical in composition to conventional cow's milk with the sole exception of the beta casein protein component
- Owing to natural genetic variation, beta casein may be present as one of two primary variant types, A1 or A2
- 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 beta casein is therefore the original milk protein
- a2<sup>TM</sup> brand milk contains only the A2 variant of the protein beta casein
- The difference in structure between the beta casein variants can lead to a difference in their breakdown during digestion
- A1 milk releases beta casomorphin-7 (BCM-7) on digestion, A2 does not



# Intellectual property and brands

- A2C's Intellectual Property ("IP") includes patents, trade marks and trade names ("brands"), proprietary processes and know-how
- A2C's suite of IP provides unique first mover advantage around a2™ brand milk and a2™ brand dairy products in key global markets

## IP Suite



## Brand Suite





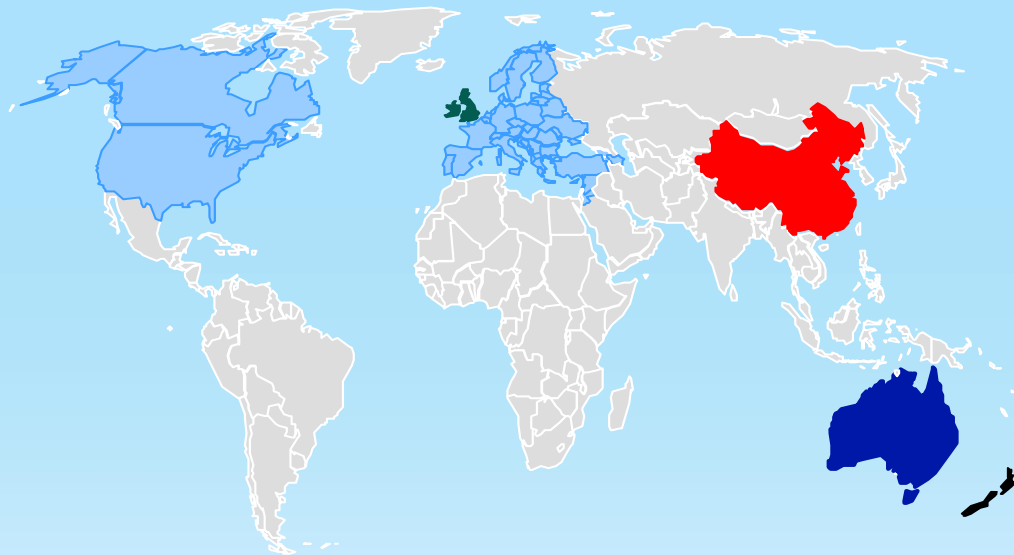
# Digestive function & symptoms of food intolerance

- Anecdotal or consumer reports link a2™ brand milk with improved digestive comfort and the reduction of symptoms associated with food intolerance
- Recent studies report dairy discomfort is often incorrectly attributed to Lactose Intolerance (2010 Innovation Center for US Dairy);
  - one in four American adults say they experience physical discomfort (lactose intolerance symptoms) after consuming dairy products
  - 81% of people surveyed who experience LI symptoms said they would add more milk and other dairy foods to their diets if they knew they could avoid symptoms
- A1 beta casein derived BCM-7 is linked to:
  - delay in gut transit, mucous production and thickening
  - increased inflammatory activity of colonic immune cells
  - triggering histamine release in mast/immune cells
  - triggering respiratory dysfunction
  - aggravation of symptoms of neurological conditions



# Current geographical and product overview

## Geographic overview



### KEY:

-  Australia: Sourcing, processing, marketing and sale of fresh milk, and licensing of yoghurt to Jalna
-  NZ: A2 entering the NZ fresh milk market directly, and infant nutrition manufacturing agreement with Synlait Milk
-  UK & Ireland: Sales and marketing JV with Robert Wiseman Dairies for sale of fresh milk and cream
-  China: Infant Formula growth area – nutritional powders manufacturing agreement with Synlait Milk and distribution agreement with China State Farm
-  US / Canada / Europe: Tier 1 “near term” global growth areas

## Current product offering





# Australia - strong revenue growth

- ✓ Significant and sustained growth over the last three + years
- ✓ No change in wholesale price over this period



# Feel the Difference™



- a2™ brand milk is positioned on a broad health platform focused on digestive wellbeing
- In Australia, approximately 25% of consumers are dairy sensitive or intolerant
- A2C's focus on positioning the brand as being “good for you” (i.e. “feel the difference”) has a strong connection with consumers
- Significant anecdotal evidence to support the benefits of a2™ brand milk

*“Well we have had the a2 Milk™ for nearly 2 weeks and I have to say I have been pleasantly surprised. My kids are not complaining of tummy aches anymore. They are actually asking for glasses of milk, whereas before they would only ask for water or juice. My son loves the taste. I love the taste. I actually sat down and drank a glass of milk, which I never do. I will definitely be buying this from now on!!!”*

## **Customer Testimonial**

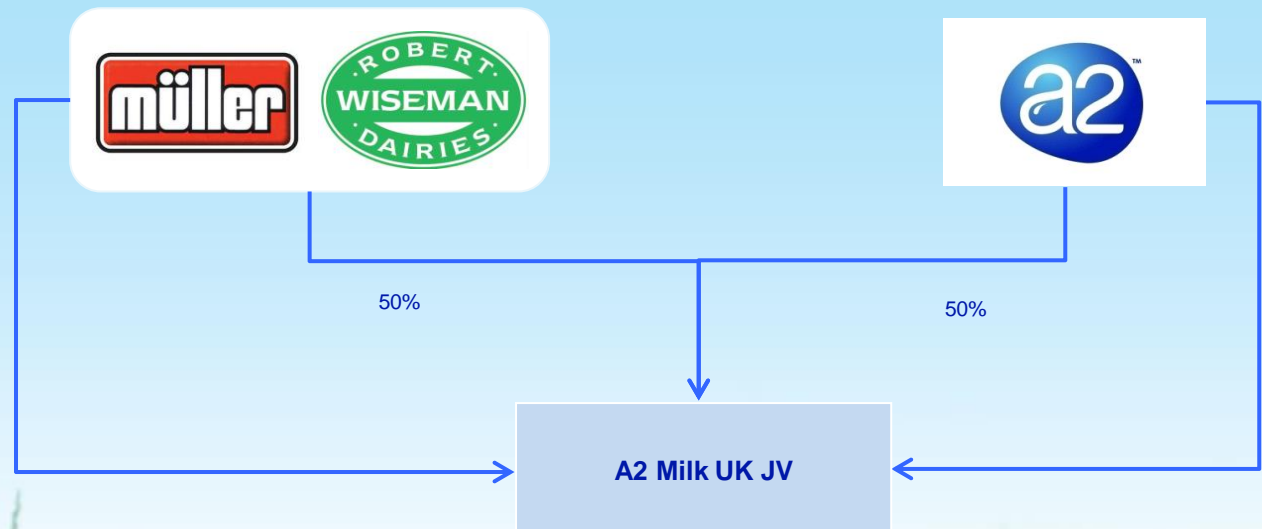
*“I just wanted to say “thank you” for a2 Milk. Our family uses low fat a2 Milk. We all love milk, but all of us have a reaction to standard milk. Late last year my 5 year old was having stomach aches. We noticed a2 Milk in our supermarket, so we bought it. What a wonder - no more stomach aches for her! I'm very sure it's the milk and I'm so happy. We have not changed anything else. Just wanted to say thank you!”*

## **Customer Testimonial**



# a2™ brand milk in Europe

- Joint venture with Muller Wiseman Dairies in the United Kingdom and Ireland. MWD is largest UK milk processor
- Launch of a2™ brand fresh milk into the UK from October 2012. Initial listing in 900 outlets nationwide, seeking wider distribution
- Opportunity to expand the product portfolio in other European markets





# Infant formula strategy underway

- In October 2012, A2C announced the appointment of China State Farm (CSF) as the exclusive distributor of a2™ brand infant formula for China
  - as part of the agreement, A2C and CSF have formed a joint marketing structure to support the development and implementation of marketing activities
  - A2C has a complete end-to-end infant formula supply chain for China
- Highly qualified management team now in place
- First shipment expected to be on the shelf from October 2013

## China Business Model



A1-free cow's milk sourced from A2C's certified suppliers in New Zealand



a2™ brand infant formula produced by Synlait on behalf of A2C in New Zealand



A2C sells FOB 100% New Zealand made a2™ brand infant formula to CSF



CSF distributes to third party distributors and retailers in China Marketing strategy and expenditure jointly managed

### Note:

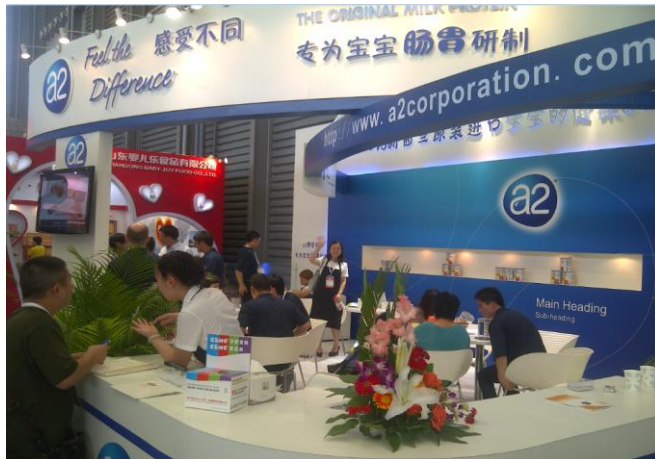
1. Illustrative packaging only



# Roll-out of a2® Platinum™ in China

- A2C, together with CSF plans to progressively roll-out the 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



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



# Communication strategy in China



- Actively engage mothers to influence brand choice pre-store visit





## Key Performance Indicators for a2® Platinum™

- Supply Chain Management
  - Product availability/flexible supply chain and lead time management
  - Inventory and cost controls continuously reviewed
  - Product quality compliance in each territory
- Integrated and effective communication strategy
- Driving PR messaging to build awareness
- HCP Program to build credibility with Regulators and KOL's
- ANZ launch and distribution activities to leverage home market advantage
- Distribution channel establishment by CSF



## Synlait & A2 Corporation

- First entered into discussions, January 2011
- Signed a Strategic Supply Agreement, April 2012
- First two farms tested and certified, May 2012
- Commenced supply of a2™ raw milk and production of SMP & WMP on the specialty drier, September 2012
- First production of base for Step 1, 2 & 3 infant formula, December 2012
- First production run, April 2013, shipment to China, June 2013
- Farmer base expanded to 12 in June 2013 with certification process under way

## Synlait & A2C are partners

- A common desire to provide value added dairy products
- Synlait's investment provides a scalable high quality manufacturing capability which includes a well structured and managed operation
- A2C provides a unique point of differentiation and has the strategy and financial capability to build a global brand



# Summary

- ✓ a2™ brand dairy products - one of the fastest growing emerging products in the dairy category
- ✓ Demonstrably differentiated product, maintaining a premium price point and growing market share in Australia, with expansion into China and the UK underway
- ✓ Infant Formulas and our Synlait relationship are highly strategic
- ✓ Unique and comprehensive Intellectual Property provides competitive advantage in establishing the product in global markets
- ✓ Opportunity for further expansion by geography and product in new markets
- ✓ Further scientific developments may drive step change in awareness and public support of a2™ brand milk.



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