



A2 Corporation Limited

1H14 results presentation

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1H14 result highlights

Results
consistent with
expectations

Australia
performance
ahead of 2013
strategic plan

Progress in UK
and China
market
initiatives

- Strong Revenue growth of +22.0% YOY in NZD, 28.3% in AUS
- NPAT consistent with recent company outlook
- Increase in market share in Australia ahead of plan
- New UK business structure in place and positive sales trends
- First sales of a2™ branded infant formula to consumers in China and ANZ
- Significant increase in marketing spend in support of existing and new products
- Plans advancing for entry into North America market
- Continuing strong balance sheet position

Financial highlights

NZ\$m	1H FY13	1H FY14	% change
Sales	44.3	54.0	+22%
NPAT	0.55	0.64	+16%
EBITDA	3.5	2.6	-26%
EBIT	2.9	1.7	-41%
Other expenses	6.9 ¹	8.0 ²	+16%
Cash on hand	20.2 ³	13.2	Na

- Sales of NZ\$54.0m (+22% cpp)
- EBITDA after launch costs of a2™ Platinum® infant formula and before share of associate earnings (-26% cpp)
- Increase in marketing expenses of NZ\$3.2m reflects on-going support for a2™ fresh milk in Australia and launch advertising and marketing costs for a2™ Platinum® infant formula in China and ANZ
- Share of costs associated with A2 Milk (UK) JV of NZ\$1.4m
- 1HFY13 non-recurring costs associated with the strategic review of NZ\$0.8m

Notes:

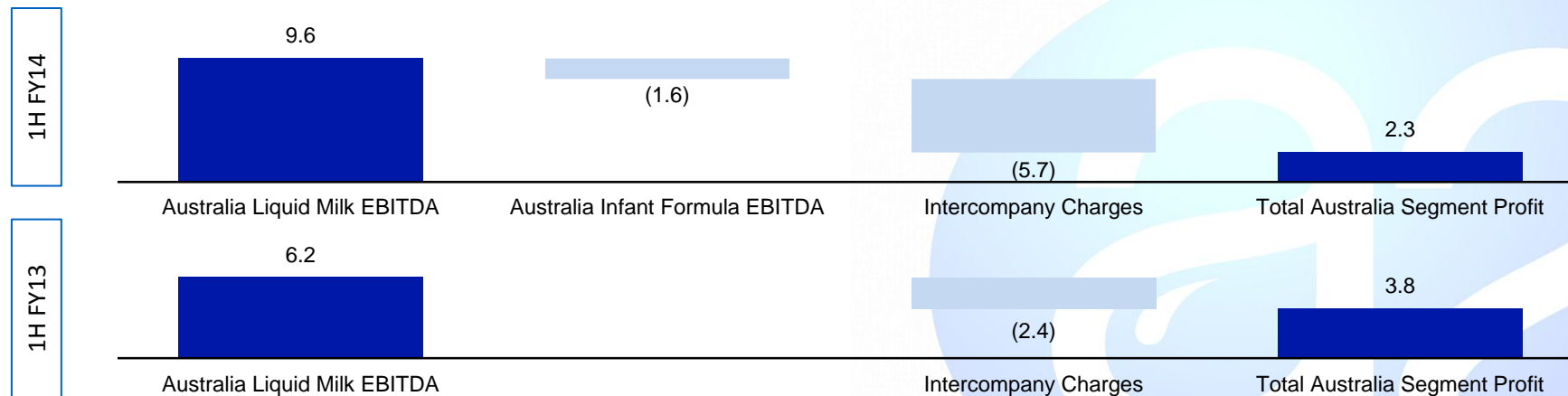
1 Includes NZ\$3.8m freight costs, NZ\$0.8m strategic review costs and NZ\$2.3m other operating expenses

2. Includes NZ\$4.1m freight costs and NZ\$3.8m other operating expenses. Increase in Other Operating Expenses arises from legal & consulting costs, amortization and f/x losses

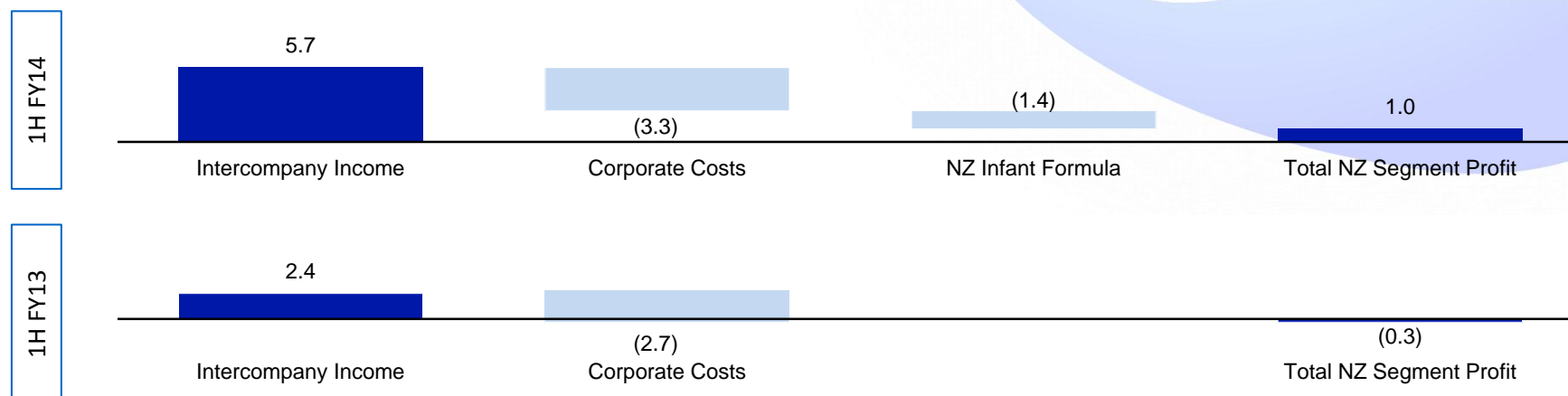
3. As at 30 June 2013

Financial highlights (cont'd.)

Australia EBITDA (NZ\$m)



New Zealand EBITDA (NZ\$m)



Strong performance in Australia, revenue and profit ahead of plan

- Increase in a2™ fresh milk sales on corresponding prior period in AUD of 28.3%
 - a2™ brand fresh milk continues to be the fastest growing dairy brand in Australian grocery
 - Significant investment in marketing / communication
 - Market share of a2™ brand milk of circa 8% by value in grocery (latest quarter 2013 Coles, WW)
 - Market share of 10% likely achieved ahead of plan
- Increase in gross margin for 1H14 given volume and efficiency gains at Sydney processing facility
- Contract processing commenced in Western Australia from November 2013
- Supply chain processes and further processing opportunities under review given volume growth
- New product launches
 - a2™ Platinum™ infant formula launched to consumers in ANZ from October 2013
 - a2™ Thickened Cream launched in Australian grocery from January 2014

New UK structure in place, positive sales trend

- Acquisition of MWD interest in A2 Milk (UK) and contract pack agreement completed 1 January 2014
- New leadership with UK CEO - Scott Wotherspoon, UK Board - Billy Keane, David Hearn, Geoff Babidge
- A2C to solely manage and fund ongoing development of the business
- Continued support for A2 farmer base with one-off herd incentive scheme and A2 milk premium
- Key focus on driving increased consumer trial and rate of sale to support increased distribution
- Increased distribution and sales growth in Tesco, growth in Ocado, ranging extended to circa 250 grocery stores within M25 area
- Messaging evolving in line with changed European regulations. A print and outdoor campaign focused on digestive benefits of a2™ brand milk in November 2013 was positive
- UK consumer profile generally consistent with positive Australian shopper profiles
- A2C committed to successful development of a2™ brand milk in UK - estimated funding calendar 2014, circa £5m

a2™ brand infant formula launched in China

- First sales of a2™Platinum™ infant formula to consumers in China from November 2013
- Formal trade launch ceremony in Great Hall of the People, Beijing, October 2013
- Second sale of inventory to China, November 2013
- China State Farm distribution network and infrastructure continues to build - distributors in 13 provinces, online sales capability
- A2C and CSF joint marketing structure managing communication strategies
- Significant work in establishing the raw milk to finished product supply chain in conjunction with Synlait Milk and implementing A2C quality systems
- A recent shipment to China and Australia delayed in part a consequence of implementing new processes
- Regulatory environment in China continues to evolve - present focus on domestic market and registering manufacturers exporting to China - A2C continues to monitor and respond to developments
- UHT supply agreement with FFG and Associates approval supports growth plans for UHT products
- New Asia regional structure in place with GM Asia managing team in Sydney and Shanghai

North America market entry advancing

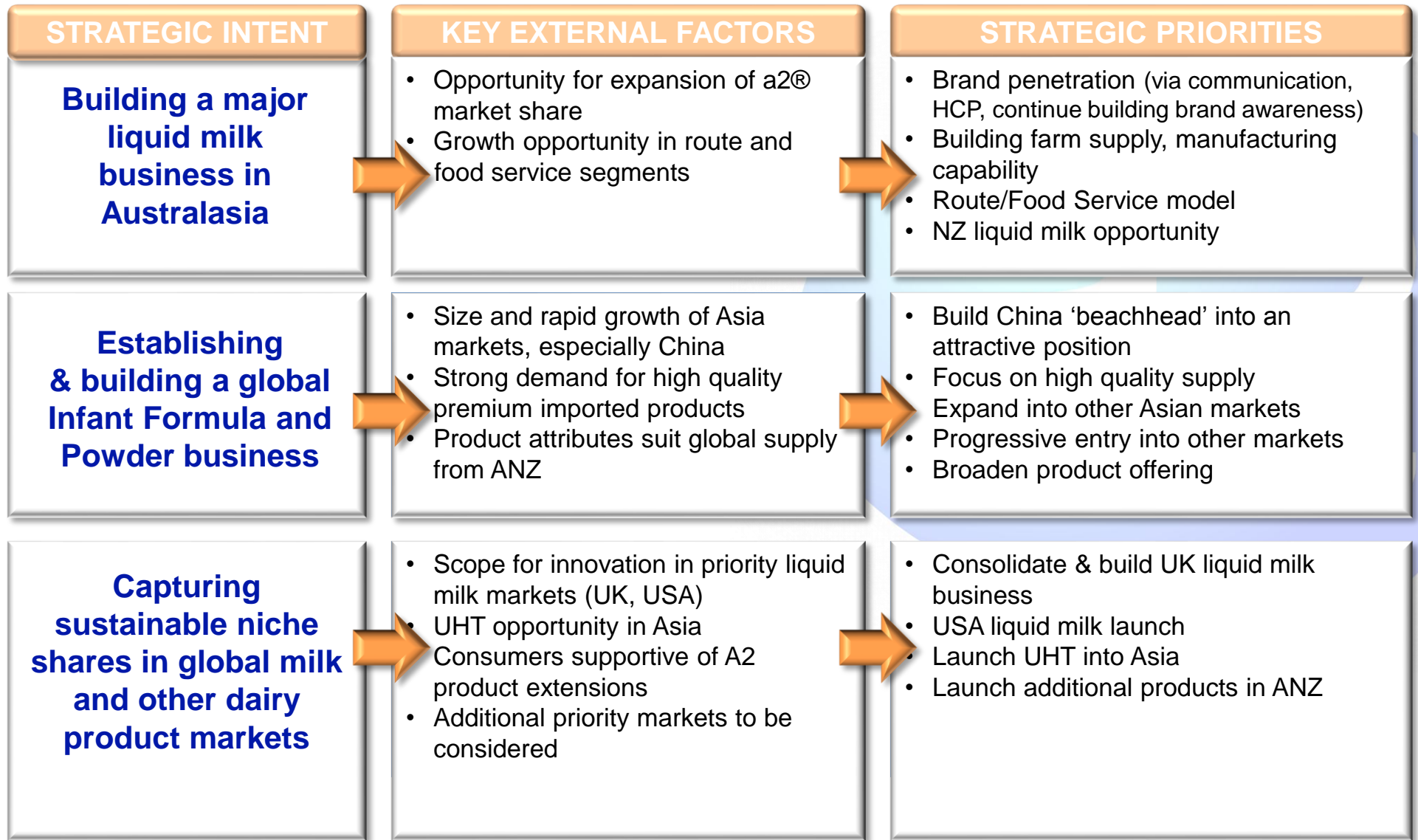
- A2C Board considers an entry in the USA milk market should be the next priority growth initiative
- UK business is established and showing growth, the Company has strong IP and know-how in the USA
- USA consumer research confirms attractiveness of the A2 proposition
- Plan assumes managing activities through a wholly owned USA subsidiary and recruiting an in-market team
- A2C to participate in a major natural foods exhibition in California in March 2014 as part of entry planning



Ongoing investment in intellectual capital

- Development of comprehensive global brand vision and trade mark suite well progressed
- Continuing investment in patents, research and development
- Acceptance for publication of recent research supporting digestive benefits of a2 dairy products. The collaborative study between A2C and AgResearch NZ reports the interference by A1 and not A2 beta casein to aspects of digestive function and provides insight into the biochemical mechanisms underpinning a range of digestive benefits reported by consumers of a2™ milk. This research corroborates other recent studies
- The company continues to encourage further research into the differences in consumption of A2 beta casein protein and A1 beta casein protein in dairy products and their potential impact on human physiology and health

A2 Corporation strategic growth roadmap



Reconciliation of non GAAP measures

NZ\$m	1H FY13	1H FY14	% change
Australia Segment Profit ¹	3.78	2.29	-39%
New Zealand Segment Profit ¹	(0.32)	0.98	+409%
UK & Unallocated Segment Profit ¹	(0.76)	(0.69)	-8%
EBITDA including non-recurring items ²	<u>2.70</u>	<u>2.58</u>	-5%
EBITDA ²	3.46	2.58	-26%
Depreciation/Amortisation	<u>(0.54)</u>	<u>(0.85)</u>	+56%
EBIT ²	2.92	1.73	-41%
Share of Associate loss	(1.48)	(1.36)	-8%
Non-recurring items ³	(0.76)	-	Na
Interest income	0.06	0.24	284%
Interest expense	(0.13)	-	Na
Income tax expense/income	<u>(0.06)</u>	<u>0.03</u>	Na
Net Profit for the Period	<u>0.55</u>	<u>0.64</u>	16%

Notes:

1 Segment Profits per note 8 of Interim Accounts

2. EBITDA and EBIT are non-GAAP measures, however, the company believes that they provide investors with a better understanding of the underlying performance of the business

3 Relate to costs associated with the Strategic Review in FY13

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