



21 August 2020
NZX/ASX Market Release

The a2 Milk Company enters into exclusive due diligence on Mataura Valley Milk

The a2 Milk Company (**a2MC**) is pleased to confirm that it is engaged in discussions with Mataura Valley Milk (**MVM**), a New Zealand dairy nutrition business, to explore options for a2MC to participate in manufacturing at MVM's facility in Southland, New Zealand.

As a result of these discussions, a2MC advises that it made a non-binding indicative offer to acquire a 75.1% interest in MVM, for a total consideration of approximately NZ\$270 million, based on an enterprise value of circa NZ\$385 million. MVM has now agreed to provide a2MC a period of exclusivity to conduct confirmatory due diligence and negotiate definitive transaction documentation.

The exclusivity arrangements are supported by MVM's current majority shareholder, China Animal Husbandry Group (**CAHG**), which would retain a 24.9% interest in MVM alongside a2MC under the terms proposed. CAHG is a wholly owned subsidiary of China National Agriculture Development Group, which is also the parent company of a2MC's strategic partner in China, CSFA Holdings Shanghai, Co., Ltd. (China State Farm).

Chief Executive Officer, Geoff Babidge said: "As previously announced, due to the increasing scale of our infant nutrition business, we have been assessing participation in manufacturing capacity and capability. The potential investment in Mataura Valley Milk's recently commissioned facility, alongside China Animal Husbandry Group, aligns with this strategic objective as we look to complement and build upon our current strategic relationships with Synlait Milk and Fonterra Co-operative Group, which remain in place. Our intention would be to invest further to establish blending and canning capacity at Mataura's facility to support the establishment of a fully integrated manufacturing plant for infant nutrition."

The discussions with MVM are ongoing and remain incomplete, with any potential transaction subject to further due diligence, negotiation of definitive agreements, and requisite regulatory and third party approvals. Any transaction that results from the current discussions is expected to be settled towards the end of a2MC's FY21 year and would be funded entirely from existing cash reserves.

A further announcement will be made should the transaction progress to execution or as otherwise required in accordance with the NZX and ASX Listing Rules.

Geoffrey Babidge

Chief Executive Officer
The a2 Milk Company Limited
Authorised by the Board of Directors

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