



# A2 Corporation Presentation to AGM

22 November 2011

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# Presentation Agenda



- Overview
- 2011 Financials
- Key Results
- Growth Strategy
- Australian business
- International
- Outlook for 2012

# Overview



During 2011, A2C progressed the new strategic agenda adopted in 2010

- Australia: Growth in sales and profitability of the Australian business  
Commencement of green-field fresh milk processing project in Sydney
- New Zealand: Management of ANZ activities merged
- International: Implemented new Business Development structure  
Acquired 50% interest of USA JV, A2 Milk Company not owned by A2C  
Pursued legal rights in Korea, settlement proceeds of \$1.1m now received  
In November 2011, announced market entry into the UK and Ireland
- Equity Raisings: Capital raising of \$3.9m in December 2010  
Capital raising of \$2.6m through option entitlement in July 2011

# 2011 Financial Summary



\$'000	2011	2010
Trading Revenue	\$42,297	-
Gross Margin	\$14,527	-
EBITDA	\$2,816	\$(2,351)
NPAT	\$2,116	\$(2,194)
Equity	\$25,183	\$7,267
EPS	0.40	(0.58)
Current Ratio	2.67	5.50
ROE	8.4%	(30.2)%

Shares on Issue at August 31, 2011 - 590,666,979

# Key Results



- Group Profit after Tax for 2011 of \$2,115,567, a maiden profit for A2C
- An additional Foreign Currency Translation Gain was recorded of \$424,604
- Group EBITDA was \$2,816,167. The Australian business contributed operational profit well ahead of budget and the prior year
- Non cash share based incentive scheme costs totalled \$249,579 and Korean legal fees expensed were \$138,331
- Net cash on hand at 30 June 2011 was \$7.5m, further enhanced by the July 2011 capital raising
- Issued capital increased to 590m ordinary shares at 31 August 2011

# A2C growth strategy



The A2C strategic growth agenda incorporates 3 key elements:

- Building the beverage business in Australia and New Zealand
- Capturing niche shares in global milk markets, and
- Developing an infant formula business in highly prospective markets

*The Strategic Agenda draws on:*

- *The steadily building credibility of the core A2 Proposition*
- *A number of international markets have characteristics that support building businesses at the premium end of the white milk market with critical mass*
- *A2 Infant Formula into Asian markets represents a priority*
- *Our desire to partner to create a consistent business framework across markets*

# Australian Business



- a2 Milk™ is positioned on a broad health platform focusing on digestive wellbeing
- In Australia, 23% of consumers have perceived dairy intolerances. Only 5% of the population are medically diagnosed as lactose intolerant\*
- *Product positioning: “My family drinks a2 Milk™ because it allows us to enjoy all the benefits of dairy milk without experiencing some intolerance responses to cows milk such as digestive discomfort, skin irritations and bloating which are normally associated with lactose intolerance. a2 Milk™ is totally natural and unmodified and contains the original milk protein*
- a2 Milk™ achieved sales growth following a major reduction in house brand dairy milk retail prices from January 2011

\*Sweeney Research October 2009

# Australian Business



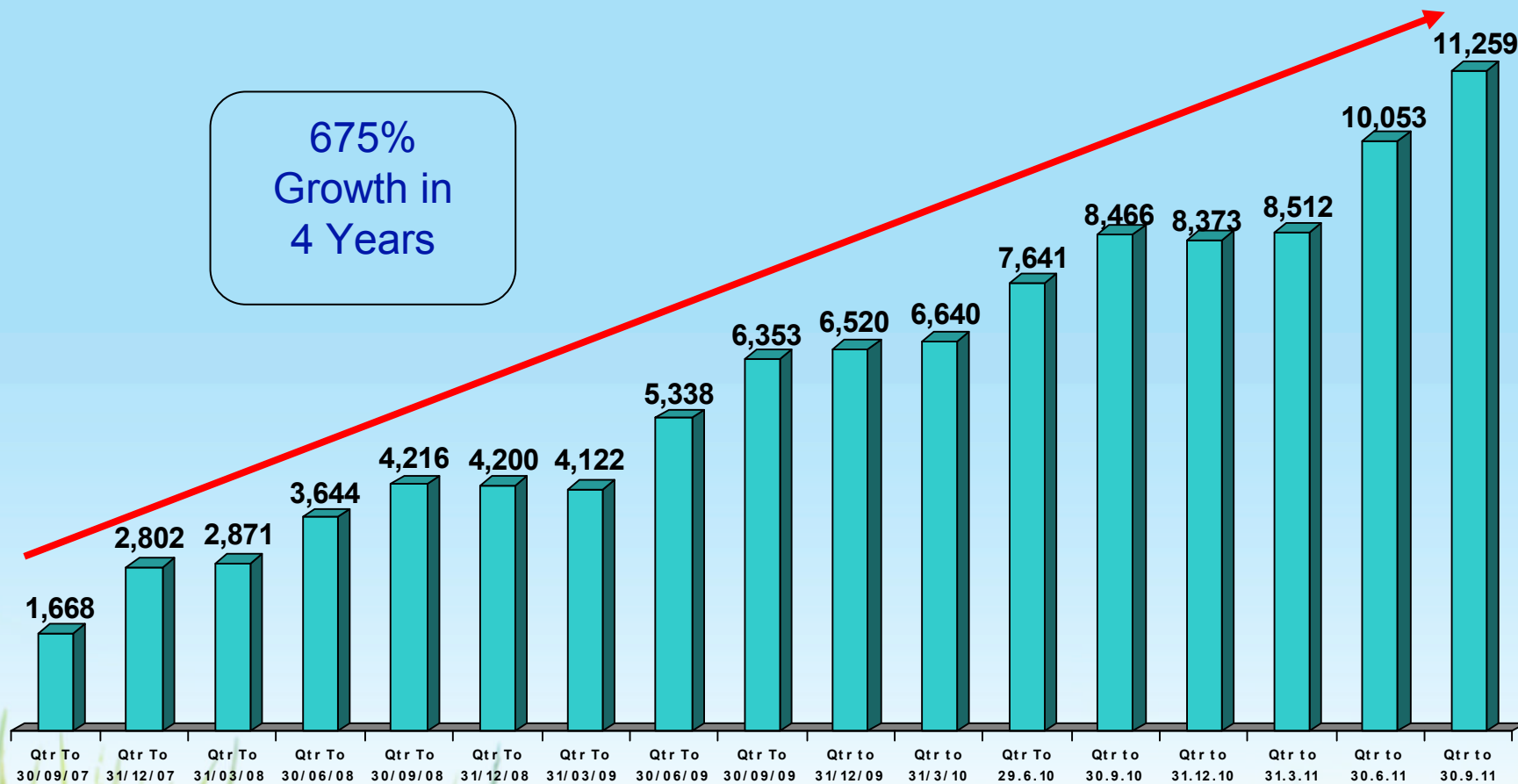
- a2 Milk™ sales volume increased to 21.6 m litres, a 43% YOY increase
- 2011 Operational Profit well ahead of budget and last year
- Estimated market share by value in grocery channel at year end: 4.2%
- Strengthening brand equity through communication strategies and new marks
- Commenced fresh milk processing project in SW Sydney. With final installation contracts in place, the capital cost budget has increased to AUD 8.4m. Production is planned from February 2012
- The business continues to perform well with growth in sales and profitability achieved in first quarter 2012



# The A2 Sales Journey



675%  
Growth in  
4 Years



■ Gross Sales A\$ (000's)

Ex-Factory Gross Sales Fresh Milk A2DPA (A\$ 000's)

Australian Business:



# “Thank you A2” communication

Go to Australian Business website: [a2milk.com.au](http://a2milk.com.au), media, to view TVC

# Smeaton Grange - NSW Factory in Progress



# International







- A2C announced on 15 November 2011 the planned market entry of a2 Milk™ into the United Kingdom & Ireland through a 50:50 joint venture with Robert Wiseman Dairies PLC
- This key initiative is consistent with the strategy to seek profile partners to introduce a2 Milk™ as a value added beverage in global dairy markets
- A2C will contribute IP, know-how, marketing services to the JV, Robert Wiseman will provide farm, processing, distribution & sales services
- The UK fresh milk market is around 6.5b litres pa. We estimate the market opportunity for the JV could be 3x that of the Australian business
- A2C to provide initial funding of around NZD5m in the next 12+ months for brand building and sales support

# Robert Wiseman Dairies



- Robert Wiseman Dairies: the leading fresh milk dairy company in the UK
- Established in 1947 in East Kilbride, Scotland; listed on London Stock Exchange
- Has 6 major processing facilities, 14 distribution depots, 4800 employees  
The processing facilities are state of the art and highly efficient  
Investment in capital equipment since 1994 of £475m
- The Company processes circa 2.0b litres of dairy milk annually representing almost 1/3 of fresh milk consumed in Britain
- Has in excess of 1,000 dairy farmer suppliers



-  Head office
-  Dairies
-  Distribution depots
-  Milk procurement centre



# Robert Wiseman Dairies and Depots

Every postcode covered...



# Outlook for 2012



- Continue to build the a2 Milk™ brand as a premium priced value added dairy product in the Australian milk market
- Successfully commission the fresh milk processing facility in Sydney
- Support the market entry of a2 Milk™ in the UK and Ireland in association with our partner Robert Wiseman Dairies
- Develop the strategy to introduce a2 Milk™ premium Infant Formula sourced from ANZ in prospective Asian markets
- Seek growth opportunities in international markets of interest
- Maintain prudent management of key financial parameters



Thank You

