

A2 Corporation Limited Full Year Results to 30 June 2010

10 September 2010

A2 Corporation Limited (“a2C”) (NZAX:ATM) has today announced an audited Group post-tax loss of \$2,193,973 for the twelve (12) months ended 30 June 2010. This compared to a loss of \$3,528,057 for the fifteen (15) months ended 30 June 2009.

The audited Group post-tax loss is made up of the following:

- a2C operational loss of \$640,596 versus a budgeted loss of \$1,291,012, compared to a prior year operational loss of \$2,734,215 (Prior Year F2009 for 15 months). The full year F2010 operational loss was made up of a first half loss of \$544,185 and a second half loss of \$96,411.
- Foreign exchange losses (realised and unrealised) of \$92,458.
- Non cash expense of \$210,386 relating to share based incentive schemes for a2C’s CEO & executive directors.
- Costs of \$1,307,613 associated with the purchase of 50% of the Australian joint venture, A2 Dairy Products Australia Pty Limited (A2DPA) that a2C did not already own
 - i. Due diligence 315,581
 - ii. Termination of CEO role 500,000
 - iii. Incentive scheme expensed 492,032 (*)

(*) Cost is non-cash and recognises accelerated amortisation of the CEO’s partly paid share incentive plan.

- Gain from NZTE grant of \$57,080

A pleasing aspect is the net level of cash of \$5, 214, 589 at year end (pre termination payments and approximately \$100,000 outstanding for due diligence costs).

Over the past twelve (12) months the Company has continued on a major transitional phase with the aim of building a global A2 milk business. This has been progressed with the intention of aligning all parts of the business. The most significant changes include:

· The completed purchase by a2C of 50% of the Australian joint venture, A2DPA, which the company did not previously own. The benefits of this transaction include:

o A united management team focused on building a profitable business undistracted by territory

o The JV included the territory of Japan (a2C had the territory of Korea) and so a united market strategy in Japan and Korea was not able to be achieved. Following the acquisition an alignment and united strategy is now possible in Japan where functional foods are sought after products.

o A2DPA had introduced a range of UHT milks and wished to export them however this had the potential to create issues with existing licensees in New Zealand.

o An expansion of the product range including Yoghurt and further development in infant formula.

· The repositioning of the Company, both internally and externally as a differentiated, premium priced, branded, fast moving consumer goods & ingredients business. This position is in contrast to the previously held view that a2C was an IP company.

· A focus on dealing with legacy issues including licence agreement issues in a number of markets (more detail later).

Australia

a2C's Australian joint venture, A2DPA remains focussed on growing a2 Milk™ sales in Australia with F2010 delivering a 49% increase in sales volume. This growth is due to a number of factors including increased consumer awareness, increased product ranging, effective marketing programs and loyalty from a2 Milk™ consumers.

Jalna a2 yoghurt is now available in all Australian states under a license arrangement.

The growth of the business over the past three years has been impressive:

	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>(12 months)</i>	<i>(12 months)</i>	<i>(12 months)</i>
Sales Volume (million litres)	6.6	10.9	16.2
Sales Revenue (AUD million)	10.9	17.7	26.0
EBIT (AUD million)	(3.5)	1.0	2.6
NPAT (AUD\$ million)	(3.7)	1.3	1.7

New Zealand

a2C has rationalised to one licensee in the New Zealand market. Previously, there were multiple licensees with clashes of territories and no brand unity.

Fresha Valley a2 Milk™ is obtained from a fully isolated a2 herd ensuring that all New Zealand a2 Milk™ contains only the a2 type of beta casein. a2C's quality assurance testing program ensures that Fresha Valley a2 Milk™ is of the highest quality.

Both a2C and Fresha Valley are committed to driving increased sales, availability and awareness of the a2 Milk™ product within New Zealand.

Korea

After Purmil withdrew milk from the market and failed to remit minimum royalties, A2C attempted to resolve the impasse both through negotiation and mediation. a2C is pursuing its'

legal rights under the Korean license as it considers this market a significant opportunity for a2 Milk™ dairy products.

USA

a2C has certified genetic a2 cattle testing agreements in the USA with the highly respected testing entity; the University of California Davis. This agreement allows dairy cattle to be tested for the a2 beta casein gene; with testers and farmers advised of a2C's ownership of the IP dealing with test results and their use for determining herd formation and milking.

A further update on each of the business' markets will be included in the Annual Report.

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