

A2C Posts First Half Profit & Focuses on Global Growth

16 February 2011

Auckland, 16 February 2011: A2 Corporation Limited (“a2C”) (NZAX: ATM) has reported a maiden unaudited Group Profit after Tax of \$893,517 for the six months ended 31 December 2010 – a \$1.6 million turnaround from the comparable period a year ago.

Consolidated trading revenue, including subsidiaries, for the period was \$19.309 million.

The latest financial result reflects the benefits from the acquisition of the 50 per cent of the Australian business a2C did not already own and implementation of a new agenda for growth.

The Chairman, Cliff Cook, stated: “a2C has undergone a transformation over the last two years from a developer of intellectual property to a producer of premium priced fast moving consumer goods and ingredients (FMCG) with a global focus. The financial results reflect this change”.

In Australia, sales of a2 Milk™ fresh milk and dairy products have continued to grow rapidly through supermarket chains and independent grocery stores in the last six months. At the end of December 2010, a2 Milk™ fresh milk had achieved an estimated 3.7 per cent share of fresh milk sales by value in the grocery channel.

To meet the growing demand for a2 Milk™ fresh milk, the Company is constructing a \$A7.5 million processing facility in Sydney, to be commissioned in the fourth quarter of 2011. Funding for the project has been achieved through an asset finance facility and a share placement to cornerstone shareholders, AMP Capital Investors (New Zealand) Limited and Freedom Foods Group Limited, that raised \$3.9 million equity in December 2010.

Looking forward, the Managing Director, Geoffrey Babidge said: “Our immediate aims are to continue to expand in Australia and New Zealand, to enter new dairy beverage markets with partners and to supply powder and infant formula sourced locally, initially into Asia. Positive earnings from Australian sales will assist us to fund growth in new markets.”

“The full acquisition of the joint venture in Australia together with the interests of the joint venture in the USA during the period is consistent with a2C’s new hands-on approach to creating a consistent business framework in a number of specific markets.”

The unaudited Group Profit comprised the following:

- An operational profit after tax of \$945,921 compared to a prior year operational loss for the period of \$566,476;
- Foreign exchange profits (unrealised) of \$153,124;
- Non cash expense relating to share based incentive schemes for the MD & Executive Directors of \$142,934;

· Final costs associated with the full acquisition of A2 Dairy Products Australia Pty Limited of \$62,594.

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