



A2 Corporation

FY13 results presentation

29 August 2013

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FY13 result highlights

Results ahead of expectations

UK and China strategies under way

Successful capital raising

- Group Sales growth of +51% yoy
- Significant increase in market share in Australia
- NPAT exceeding company and market forecasts
- a2™ brand fresh milk building distribution in the UK market
- First sale of a2™ branded infant nutrition product to China in June 2013 with ANZ launch imminent
- Strong balance sheet and no bank debt
- Successful capital raising and change of listing to the NZX Main Board
- Prospects are in aggregate consistent with the revenue projections contained in the December 2012 Private Placement Memorandum

Financial highlights

NZ\$m	FY12	FY13	% change
Sales	62.5	94.3	+51%
EBITDA	4.7	10.6	+125%
EBIT	4.3	9.5	+122%
Other expenses	8.7 ¹	12.6 ²	+43.8%
Cash on hand	6.6	20.2	na

Notes:

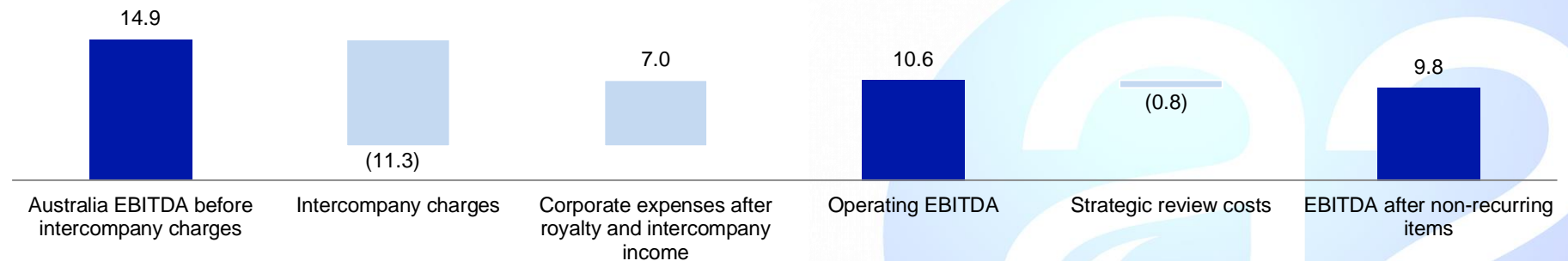
1 Includes NZ\$4.8m freight costs, NZ\$0.5m strategic review costs and NZ\$3.4m other operating expenses

2 Includes NZ\$7.5m freight costs, NZ\$0.8m strategic review costs and NZ\$4.3m other operating expenses

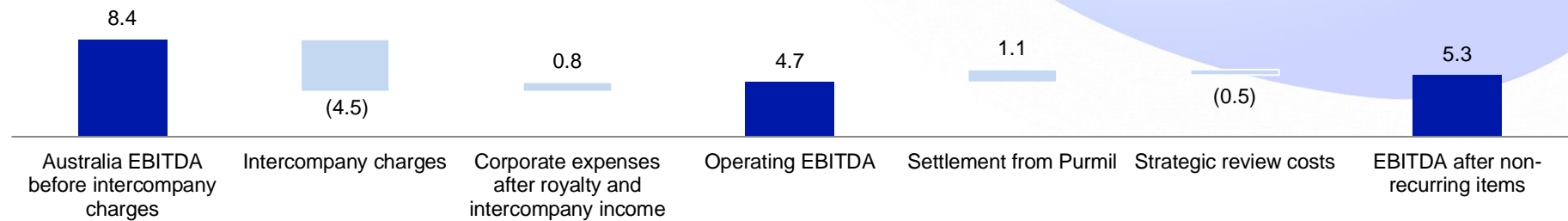
- Sales of NZ\$94.3m (+51% cpp)
 - ahead of December 2012 guidance of NZ\$85.0m
- EBITDA before share of associate earnings and non-recurring items of NZ\$10.6m (+125% cpp)
- Share of costs associated with A2 Milk (UK) JV of NZ\$3.7m
- Non-recurring costs associated with the strategic review of NZ\$0.8m

Financial highlights (cont'd.)

FY13 EBITDA (NZ\$m)



FY12 EBITDA (NZ\$m)



Note:

1 Operating EBITDA is before share of associate earnings and non-recurring items

Strong FY13 performance in ANZ, with sales growth and operational profit well ahead of expectations

- Increase in a2™ fresh milk sales represented a record of +48% yoy
 - a2™ brand fresh milk continued to be the fastest growing dairy brand in the Australian grocery market
 - ongoing investment in marketing / communication and gains in distribution in FY13
 - market share of a2™ brand milk by value in grocery in Q4 FY13 of c.7.4%
- Increase in gross margin to 35.7% for FY13 driven by stronger-than-expected volumes and efficiencies at the new milk processing facility in south west Sydney
- Supply chain processes under review given volumes building ahead of plan
- The Company is actively assessing processing opportunities in Western Australia
- New product launches
 - a2™ Platinum™ infant nutrition product launch in Australia underway and soon after in New Zealand
 - additional product opportunities being progressed

UK launch in progress and positioned for the future

- Business establishment and brand launch into UK from October 2012
- Farmer supplier base developed to provide access to commercial quantities of A1-free milk and support volume growth in the medium term
 - one-off incentive scheme to support aggregation of A1-free herds by a number of farmers during FY13 and FY14
- Priority has been to build trial and rate of sale to support increased distribution
 - Key focus is to broaden distribution beyond the current c.850 retail outlets
- A2 Milk (UK) continues to evolve its communication strategy in line with new European regulations around messaging and claims for food and beverage products
- A2C is committed to the successful development of a2™ brand milk in the UK and will continue to review the level of investment and capital structure in conjunction with Müller Wiseman
 - initial capital contribution of £2m by each partner was fully expended by year end
 - A2C has provided a further £2m loan facility to be progressively drawn during FY14
- A2C currently projects revenue of c.NZ\$65m for A2 Milk (UK) for FY16, based on assumed retail value share of c.1.8%

a2™ brand infant nutrition product strategy under way

- In October 2012, A2C appointed China State Farm Holdings Shanghai Company (CSF) as the exclusive distributor of a2™ brand infant nutrition product for Greater China
 - as part of the agreement, A2C and CSF have formed a joint marketing structure to support the development and implementation of marketing activities
- A2C now has a complete end-to-end infant nutrition product supply chain for China
 - the farmer base in Canterbury has grown to 12 accredited farmers
- Well qualified management team now in place
- First packaging run of a2™ Platinum™ infant nutrition product completed in May 2013 and first shipment to China invoiced in June 2013
- CSF well-progressed in appointment of sub-distributors in 7 priority territories within China
- Sales to consumers in China planned from November 2013
- Recent New Zealand quality issues and changes in pricing of imported products to China anticipated to have limited impact on current plans
- UHT will be a concurrent offer to infant formula products; A2C has agreed the key terms of a proposed UHT supply agreement with Freedom Foods Group and associates

Successful capital raising

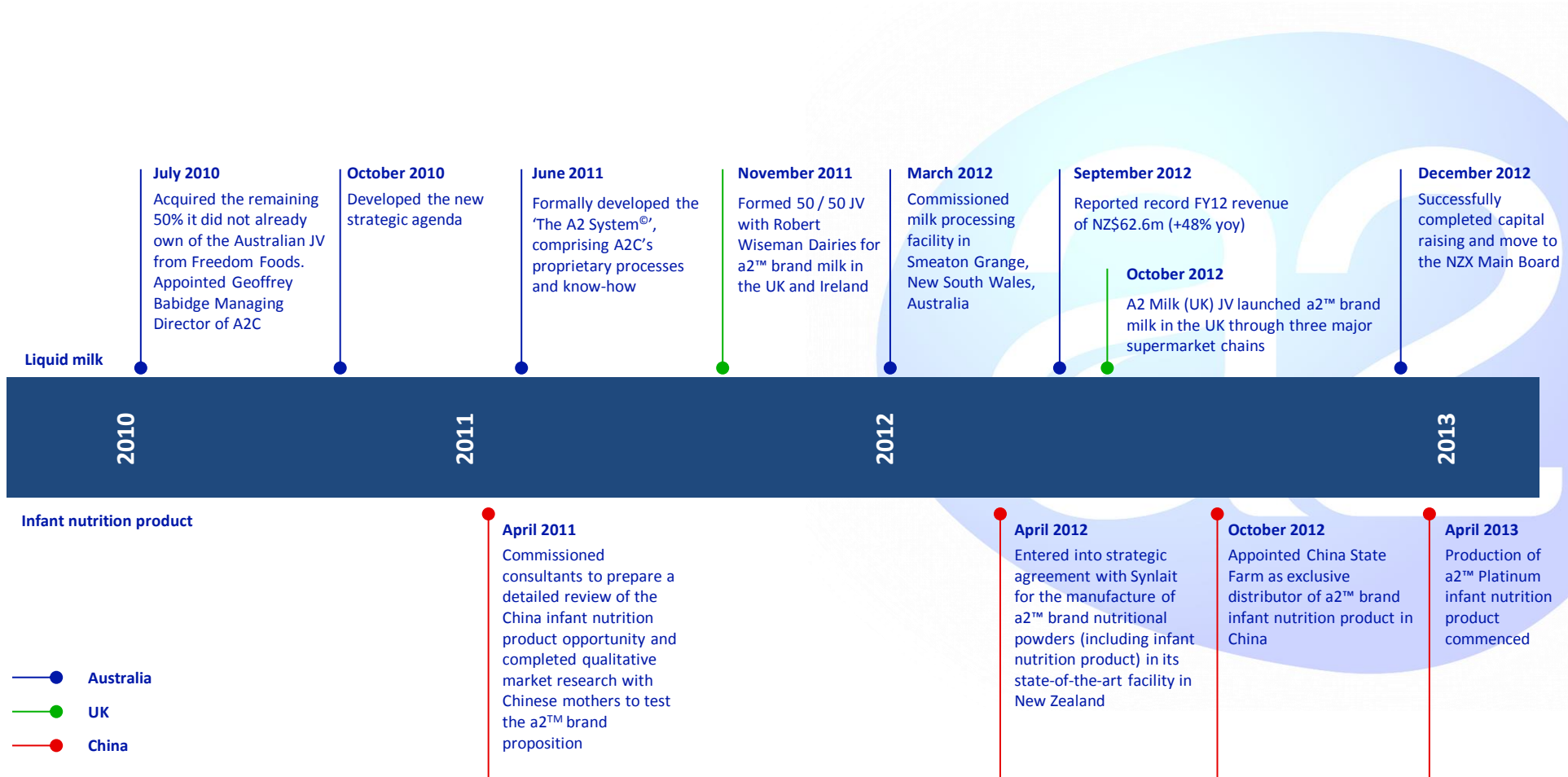
- In December 2012, A2C announced an equity raising to provide additional funding to accelerate the global growth initiatives outlined in the strategic review
- The Company issued NZ\$20m in new equity and the Company's three largest shareholders partially sold down their shareholdings
- In March 2013, A2C was admitted to the NZX50 Index, based on market capitalisation, resulting in increased liquidity
- A2C remains ranked in the NZX50 Index



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The story so far...



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