



**MEDIA RELEASE**

**FOR IMMEDIATE RELEASE**

**ANNUAL MEETING**

**Auckland, 19 October 2009** – A2 Corporation Limited (NZAX:ATM) (A2C) is pleased to provide to NZX a copy of the Chairman's and CEO's address and confirm the passing of resolutions at the Annual Meeting held in Auckland on 15<sup>th</sup> October 2009.

**Chairman's Address**

I would like to say that despite these challenging financial times, A2C was able to successfully complete a capital raising that meant the company had a net cash position of \$8,919,302 as at 30 September 2008. The net cash position was \$7,165,108 at 30 June 2009 showing that the business has stabilized. We have and will continue to focus on cash preservation and cash generation within the business.

I would particularly like to thank all our shareholders who supported the company by participating in the capital raising and to welcome new shareholders to the company. It is very satisfying for the board and management to see such strong support for A2C in such troubled times.

David Mair joined the board immediately after the last AGM and has been the acting CEO until the appointment of Scott Pannell recently.

I now call on David to give the Chief Executive's Operational Review (David Mair).

**Chief Executive Officer's Address**

*Introduction*

Good morning Ladies and Gentlemen. It has been just one year since I became a Director of the Company and there has been a lot of change. In November, we announced a change in direction and following a restructure we have seen significant change.

*Market Growth and Development*

There has been a deliberate strategy of focussing on key markets and with the intention of making them profitable while maintaining a watching brief on other areas.

### *Australia*

The joint venture, Australian Dairy Products Australia (A2DPA) became profitable in December 2008 and has traded profitably every month since then other than April 2009 (where a small loss was registered after a one-off cost). It finished the full year significantly ahead of budget EBIT of AUD 500,000 and ahead of the previously announced expected AUD 1,000,000. This compares very favourably with the loss of AUD 3,400,000 last year.

A2C and its joint venture partner Freedom Nutritional Products limited (FNP) have converted their respective convertible notes totalling AUD 4.5 million into ordinary shares in the joint venture A2 Dairy Products limited (A2DPA). A2DPA is owned 50/50. The conversion reflects the improved profitability in the current financial year and provides the base for continued growth.

Total milk volume reached approximately 10.8 million litres for the year compared with 6.6 million litres for the previous year (a 64% increase). Gross sales for the full year ending 30 June 2009 were AUD 18.4 million (compared with AUD 11.5 million previous year, a 60% increase).

This increase in volume has come from expanding the existing base of fresh milk. This has been done geographically through Woolworths and Coles and also by launching a2 Milk™ into Western Australia. This has also been done by introducing new products: Fresh milk is now available in Full Cream (1 and 2 litres), Light (1 and 2 litres) and No Fat (2 litres). UHT milk is also available in Long Life Full Cream and Long Life Light.

This improving trend has led to a measureable improvement in profitability of the Australian operation.

### *Japan*

The Japanese market is part of the Australian joint venture territory and in July 2009, David Mair and Rory MacLeod (Director A2DPA / FNP) visited a number of milk companies near Tokyo. There is a good understanding of the A2 story since one of the original researchers whose work underpins the A2 hypothesis is Japanese. The Japanese consumer is an informed person and it is important to provide detailed technical advice. We see good future prospects in this market.

### *New Zealand*

The New Zealand market has two Licensees who are both great supporters of A2 Milk™. Although the milk is not as widely available as we would all like, there have been discussions around how we can work together to improve the situation we are in. Scott Pannell has met both Licensees and is working to develop a business plan for the New Zealand market.

### *North America*

A2MCo, the A2C joint venture in the USA has regained all rights to the US market through a settlement with their Licensee The Original Foods Company (TOFC). The US dairy milk market remains intensely competitive and continues to be a major challenge.

### *Korea*

Lotte has changed its name to Purmil. We were informed that Purmil had temporarily withdrawn A2 milk from the market in January 2009 due to the severe downturn in the Korean market. A2C had agreed to a temporary suspension of the licence but is now pursuing its rights under that agreement.

Namyang Dairy Products Company launched an infant formula containing A2 skim milk powder without agreement from A2C. It has been withdrawn from the market, after allegations of false advertising since the product also included A1 skim milk powder. We are still very interested in developing the Korean market.

In the first 6 months of the year (first half), the Group operating post-tax loss (excluding abnormals) was \$1,992,822, and the loss for the second nine months (second half) was \$771,814.

The focus remains on ensuring that costs are contained and that all parts of the business have been evaluated to ensure that they are or will contribute positively to the bottom line.

### *Outlook*

This will be an exciting year for A2C. We have a highly talented new CEO in Scott Pannell who has considerable experience in developing business in this sector. We have an Australian joint venture that is going from strength to strength and we have developed a better rapport with our New Zealand Licensees so that we can move forward in the New Zealand market.

The success in Australia is providing a reference point where people from overseas can come and see that the A2C story is real.

The challenge is to look beyond these markets and build a successful business that provides long-term health benefits to consumers of a2 Milk™, and ultimately benefits to our shareholders.

### **Passing of Resolutions**

At the Annual Meeting, resolutions were passed confirming the re-election of Cliff Cook, Dr Jock Allison and David Mair as board members and the re-appointment of Ernst & Young as the company auditors

**ENDS**

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