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NZX/ASX Market Release

## The a2 Milk Company performs ahead of plan, updates forecast

The a2 Milk Company Limited (“a2MC” or “Company”) has made a very positive start to the 2016 financial year with the first four months' trading performance for infant formula well ahead of plan. As a result the Company is today issuing revised earnings guidance upwards for the full year.

The Company previously advised that Group revenue was forecast to grow to \$267 million and Group operating EBITDA<sup>1</sup> to \$12 million in the 2016 financial year. Based on current trading trends, the Company has determined it appropriate to revise its full year outlook upwards, and is now forecasting Group revenue of \$285 million, and Group operating EBITDA of \$22 million<sup>2</sup>.

The Company will continue to monitor its performance and provide further commentary with the release of the first half trading results.

At the Company's annual meeting of shareholders today, a2MC Managing Director & CEO Geoffrey Babidge said, “the Australian and New Zealand (“ANZ”) business continues to perform exceptionally well with fresh milk growing and a2 Platinum® infant formula significantly ahead of plan. The new supply and distribution arrangements in China are also yielding positive results with sales growth for infant formula exceeding expectations”.

Mr Babidge said, “Infant formula is emerging as a more significant growth driver for the Company. Group revenue for a2 Platinum® infant formula in the four months to 31 October 2015 totalled approximately \$38 million, representing 47% of Group revenue, compared to \$8.7 million over the same period last year. This compared to infant formula revenue for the 2015 full year of \$41.7 million. This exceptional performance indicates the increasing appeal and growth potential for the a2 Platinum® brand in both ANZ and China and additional markets in the future”.

The a2 Milk™ launch in the USA market is progressing although sales are behind budget given delays in achieving targeted distribution. The Company has recently achieved retail weighted distribution of approximately 65% in Southern California and is on track for similar levels in Northern California. At this early stage, rate of sale is meeting retailer expectations within the specialty milk category. The business in the UK is continuing to build beyond its modest fresh milk base with the product portfolio extending into UHT milk and infant formula.

The Company recently completed a successful capital raising of \$40 million which is being followed by a Share Purchase Plan currently on offer to all eligible shareholders, in Australia and New Zealand that is already

<sup>1</sup> Operating EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation, before non-recurring items and intercompany charges

<sup>2</sup> Please refer to the comments in relation to forward looking information which appear on the last page of this release



oversubscribed. The new capital will be used to support a2MC's continued growth in ANZ and its targeted international markets, and will primarily fund the increasing working capital associated with the growth in infant formula.

The dual listing of the Company on the ASX earlier in the calendar year has successfully achieved the objective of broadening investor participation. Since admission to the ASX the number of investors in Australia has increased by ~3,500, which currently represents ~40% of shares on issue.

**For more information:**

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All values are expressed in New Zealand currency unless otherwise stated.

***Forward Looking Information***

Certain statements in this release constitute forward looking statements and comments about future events, including the Company's expectations about the performance of its businesses as at the date of this release. By their nature, forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance. No assurances can be given that any forward looking statements referred to in this release will be realised. Any forward looking information speaks only as of the date of this release. Past performance is not indicative of future performance and no guarantee of future returns is implied or given. Nothing contained in this release is a promise, representation, warranty or guarantee as to the past, present or the future performance of the Company. The Company makes no representation, and gives no assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this release will occur or that any assumption that underpins any forward looking information is reasonable.

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