



15 June 2016

NZX/ASX Market Release

## Full year forecast revised upward

The a2 Milk Company ("a2MC" or the "Company") provided its last update on the Group's revenue and operating earnings forecast for FY16 at the time of release of its first half FY16 results on 17 February 2016. At that time, the Company advised that the forecast was based on its assessment of the reasonable risks relating to potential changes in infant formula regulations.

A number of changes to the infant formula regulatory environment in the China market have been announced over recent months including: taxation of Cross-Border E-Commerce (CBEC) Traded Commodities, publication of product lists for CBEC traded commodities through China free trade zones and, more recently, an Infant Formula Registration Rule for both domestic and imported infant formula products into China.

The Company previously advised that it considers itself well placed to respond to changes in the infant formula regulatory environment in China. The Company continues to adjust and evolve its manufacturing and distribution model in response to such changes. In particular the Company remains of the view it is alert and well placed to respond to other potential changes in the regulatory environment.

As a result, the Company continues to perform strongly compared to its plan in the second half of FY16. Based on a review of its unaudited financial results to 31 May 2016, continuation of recent trading performance and no material change in market conditions in June, the Company has determined it appropriate to further revise its full year outlook upward. Group revenue is now forecast to be in the range of \$350 million to \$360 million and Group Operating EBITDA in the range of \$52 million to \$54 million for the 2016 financial year<sup>1</sup>.

In addition, the balance sheet position is forecast to be strong at year end reflecting improved operating cash flow in the second half with cash on hand likely to exceed \$50 million.

The Company is also pleased with the recent announcement that it will be added to the S&P/ASX 200 index effective after the close of trading on 17 June 2016.

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<sup>1</sup> Please refer to the comments in relation to forward looking information which appear on the following page of this release



### **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.

Nothing in this release is a solicitation, invitation, advice or encouragement to buy, sell or hold shares in the Company.

