

To: Business Editor

[For immediate release]



AUSNUTRIA DAIRY CORPORATION LTD

澳優乳業股份有限公司

Ausnutria Announces 2019 Interim Results

**Adjusted Profit Attributable to Equity Holders of the Company Soared by 63.8%
Branding and Marketing Boosting Own-branded Products with New Strategies
Fueling Nutrition Business**

Financial Highlights

	For the six months ended 30 June		Change %
	2019 (RMB Million)	2018 (RMB Million)	
Revenue	3,147.6	2,582.4	21.9
Gross Profit	1,639.1	1,197.6	36.9
Gross Profit Margin (%)	52.1	46.4	5.7pps
Adjusted EBITDA*	615.8	412.1	49.4
Adjusted Profit Attributable to Equity Holders of the Company*	434.9	265.5	63.8

*Adjusted for the loss on the fair value change of derivative financial instruments in the 2019 Interim Period of RMB174.4 million (2018 Interim Period: gain of RMB26.8 million). In the 2018 Interim Period, also adjusted for a one-off gain arising from the re-measurement of an asset of RMB35.0 million.

(Hong Kong, 14 Aug 2019) **Ausnutria Dairy Corporation Ltd** (“Ausnutria” or the “**Company**”, together with its subsidiaries, the “**Group**”; stock code: **1717.HK**), a company engages in the research and development, production and distribution of all dairy products (including infant formula) and nutrition products with production facilities principally based in the Netherlands, the PRC, Australia and New Zealand, is pleased to announce its unaudited consolidated financial results for the six months ended 30 June 2019 (“**2019 Interim Period**” or the “**Period**”).

During the Period, the Group recorded a revenue of RMB3,147.6 million, representing an increase of 21.9% when compared with the 2018 Interim Period. The gross profit for the Period was RMB1,639.1 million, increasing by 36.9% YOY, with the gross profit margin expanded by 5.7 percentage points to 52.1%. The adjusted EBITDA for the Period amounted to RMB615.8 million, representing a year-on-year increase of 49.4%. The adjusted profit attributable to equity holders of the Company for the 2019 Interim Period amounted to RMB434.9 million, representing an increase of 63.8% from the 2018 Interim Period.

During the first half of 2019, the Group continued to execute its upstream and downstream strategic plans, in particular, continuously improving its upstream operations efficiency, streamlining its global supply chain, and enhancing its product mix, which have resulted in a growth in gross profit margin. Meanwhile, the Group continued to strengthen its sales network and brand building so as to stimulate the sales of own-branded formula milk powder products, and adopted several new strategies to boost the long-term development of nutrition business.

Own-Branded Formula Milk Powder Business

During the Period, the Group's revenue derived from own-branded formula milk powder business increased by 31.4% YOY to RMB2,729.5 million, accounting for 86.7% (2018 Interim Period: 80.4%) of the total revenue of the Group. Specifically, the sales of own-branded cow milk formulas and own-branded goat milk formulas grew by 20.7% and 45.3% YOY to RMB1,410.4 million and RMB1,319.1 million respectively.

Such substantial increases are attributable to the Group's unremitting efforts on sales network and brand building during the 2019 Interim Period. For example, with an aim to further enhance the brand awareness and reputation among customers, *Neolac* (one of the Group's self-owned cow milk formula brands) has officially appointed Jimmy Lin Chih-ying as its first global "Organic Selection Ambassadors" and *Kabrita* (the Group's self-owned goat milk formula brand) has appointed Huang Lei as its brand ambassador. The above appointments have been well-received by the public.

For the 2019 Interim Period, sales of *Kabrita*'s products in the PRC accounted for 64.4% of the market of imported goat milk formulas for 1-3 year-old according to AC Nielson, and 61.7% of the total imported goat infant formulas in terms of volume according to the China Customs. *Kabrita* continues to rank as the No.1 imported goat infant formula in the PRC since 2014.

Nutrition Business

For the 2019 Interim Period, sales of nutrition products increased by 0.8% YOY to RMB52.9 million. Among which, sales derived from *NC Gut Relief* increased by 17.7% YOY to RMB34.6 million. The slower than anticipated growth in sales of the Nutrition Business was mainly caused by a packaging issue of *Soforla* which was outsourced to third parties for production. The Group is expecting to relaunch this product as soon as the packaging problem is resolved.

During the Period, *NC* rolled out its comprehensive offline network comprising hundreds of sales points across Hong Kong (e.g. Mannings and Watson's), Australia, and New Zealand, including big retailer chains. As for the online marketing, *NC Gut Relief* successfully launched on various major social and e-commerce platforms of the PRC, such as Xiaohongshu, Douyin and YUNJI, etc. Meanwhile, *NC* was named one of the top five imported nutrition and healthcare products at an Alibaba exhibition in New Zealand.

To promote consumers' awareness of beneficial nutrients, the Group will continue to foster channel collaboration and roll out online and offline educational activities. As consumers in the PRC are becoming more health conscious over time, the Group believes that the Nutrition Business will benefit from the increasing market demand of nutrition products by leveraging on its infrastructure and wide distribution network.

Strategic Steps Taken

During the Period, in view of the increasing market demand of nutrition products, the Group has adopted new strategies to enter the probiotics products business, by indirectly acquired 26.1% equity interests of Glac Biotech Co. Ltd("Glac Biotech"), which is majoring in research and development, manufacturing and sale of probiotics- and fermentation-related application products, through subscription of convertible bonds and acquiring the entire equity interest in Aunulife Pty Ltd("Aunulife"), a wholly-owned subsidiary of Glac Biotech with an Australian influential probiotic health supplement brand. Aunulife has several products that are registered with, and obtained certifications from, the Therapeutic Goods Administration (TGA) in Australia. The Group believes that the abovementioned investment will create synergy with and are complementary to the its nutrition business by further diversifying its nutrition product portfolio, enhancing its upstream sourcing capability and strengthening its the Group's market position in the segment of gastrointestinal nutrition products.

Subsequent to the 2019 Interim Period, the Group also acquired the emaining 40% equity interest in Nutriunion (Hong Kong) Company Limited and Nutriunion (Guangzhou) Interconnection Technology Co. Ltd through its wholly-owned subsidiaries, with an aim to further integrate inner resources, thus fuel the development of its nutrition business.

The year 2019 signifies the tenth anniversary of Ausnutria's public listing. In over a decade, Ausnutria has been persisting in solid implementations of strategic plans, together with efforts to strengthen R&D and quality controls capabilities. The Group has been attaining a 100% pass rate in the monthly sampling inspection by relevant regulators in the PRC for the 16th consecutive year, and the success in registering fifteen brands with forty-five formulas in total with the State Administration for Market Regulation of the PRC. Looking forward, the Group will continue to upgrade its upstream operations efficiency, optimize global business chain, implement the innovative marketing strategies, and further expand the nutrition business while maintaining the rapid growth of its own-branded products, with an aim to extend coverage in global markets.

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About Ausnutria Dairy Corporation Ltd

Ausnutria Dairy Corporation Ltd is a leading infant milk formula company with production facilities principally based in the Netherlands, the PRC, Australia and New Zealand. The Company is engaged in the worldwide production, R&D, and sales of infant formula, adult milk formula and other dairy and nutrition products. It owns several famous infant formula brands, including “*Kabrita*”, “*Allnutria*” and “*Hyproca*”. Ausnutria’s factories in the PRC were among the first batch of factories that had been granted with the National Infant Formula Enterprise Production Permit. The factories in the Netherlands and Australia of Ausnutria were also among of the first infant milk formula manufacturers to obtain import licenses for overseas products under the new policy in the PRC.

Issued by Porda Havas International Finance Communications Group for and on behalf of **Ausnutria Dairy Corporation Ltd** For further information, please contact us at ausnutria@pordahavas.com, or as below:

Porda Havas International Finance Communications Group

Bunny Lee	+852 3150 6707	bunny.lee@pordahavas.com
Angela Shi	+852 3150 6778	angela.shi@pordahavas.com
Tracy Chen	+852 3120 6514	tracy.chen@pordahavas.com
Sarah Liang	+852 3150 6765	sarah.liang@pordahavas.com