

To: Business Editor

[For immediate release]



AUSNUTRIA DAIRY CORPORATION LTD

澳優乳業股份有限公司

**Ausnutria Announces 9M2020 Results
Strategic Plan Was Steadily Implemented
Business Revenue Grew Against the Market Trend**

	Nine months ended 30 September		Changes
	2020 (RMB Million) (Unaudited)	2019 (RMB Million) (Unaudited)	
Revenue	5,757.6	4,687.5	+22.8%
- <i>Own-branded cow milk</i>	2,639.7	2,114.9	+24.8%
- <i>Own-branded goat milk</i>	2,350.3	1,995.7	+17.8%
Gross profit	2,905.6	2,439.1	+19.1%
Gross profit margin (%)	50.5	52.0	-1.5pps
EBITDA			
- Reported	1,057.3	926.6	+14.1%
- Adjusted*	1,149.2	964.2	+19.2%
Profit Attributable to Equity Holders of the Company			
- Reported	712.2	624.9	+14.0%
- Adjusted*	792.0	662.5	+19.5%

* Adjusted for the loss on the fair value change of a derivative financial instrument for the 9M 2020 of RMB43.6 million (9M 2019: RMB37.6 million) and a one-off after tax BUs integration expenses of RMB36.2 million (9M 2019: Nil)

(Hong Kong, 11 November 2020) **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 results of the Group for the nine months ended 30 September 2020 (“9M 2020” or the “Period”).

Year 2020 is a year of challenges to many of us. Unexpected events, including the outbreak of COVID-19 pandemic, have been casting uncertainty over the economy, market sentiment and consumption behaviour around the globe. These unexpected events have caused some short-term interruptions on the business development of the Group, particularly on the launching of marketing activities and the development of the Group’s formula goat milk powder business (namely, Kabrita) and the private label businesses due to the lockdowns and travel restrictions. Nevertheless, the Group successfully contained the negative impact of these challenges to the Group’s operations at a manageable level. For the 9M 2020, the Group recorded a revenue of RMB5,757.6 million, representing an increase of 22.8% as compared with the corresponding period in 2019. Among which, the performance of the own-branded cow and goat formula milk powder business, being one of the Group’s core operations, continued to be the key driver during the 9M 2020, with a recorded revenue YoY increase of 24.8% and 17.8%, respectively.

The growth rate in sales of the Group’s cow milk powder and other businesses improved for the three months ended 30 September 2020 (the “3Q 2020”) when compared with the preceding quarter. For the 3Q 2020, the Group’s sales in its own-branded formula cow milk products continued to grow substantially. In particular, the Hyproca 1897 business unit (“BU”), which comprises the brands of Hyproca Hollarly, Hyproca Hypure and Neolac, continued to be the fastest-growing BU of the Group and recorded sales of RMB1,827.4 million and RMB611.1 million for the 9M 2020 and 3Q 2020, representing a YoY increase of 67.1% and 65.3%, respectively, when compared with the corresponding periods under review. At the same period, the effect of company’s team restructuring is reflected on the sales of Allnutria and Puredo, they gradually improved and achieved double-digit growth when compared with the preceding quarter.

During the 3Q 2020, the Group continued its distribution channel reorganisation as previously disclosed in the Company’s interim results announcement for the six months ended 30 June 2020. As at the date of this announcement, the inventory level has reduced to a healthier level and sales at retail level has gradually recovered. The Group believes that the aforementioned events only have short-term negative impact to the Group’s financial performance, and Kabrita will remain one of the market leaders in the goat milk industry, bringing goat milk powder to the mainstream infant formula category.

Apart from the above, the Group has increased its in-take of fresh goat milk since the second quarter of 2020 in order to increase the supply of certain key ingredients for the production of goat formula milk powder for strategic reason. The fresh goat milk, after processing and the extraction of relevant ingredients, was sold to the market in the form of goat milk powder and cream based on the then spot price. Due to the decrease in dairy related commodity prices in the 3Q 2020 as a result of the COVID-19 pandemic, operating losses derived from the trading of these products amounted to approximately RMB39.0 million for the period under review.

As a result of the slowing down of the own-branded goat milk formula business, the one-off expenses derived from the Bus integration exercise and the trading loss derived as mentioned above, the gross profit margin and hence the net profit margin of the Group decreased for the 9M 2020. Excluding the factors as mentioned above, the Group's gross profit and net profit margins remained fairly stable when compared with the first half of 2020. With the Group's continuous effort in consolidating its internal structure and enhancing the upstream operational efficiency, we believe that the overall profit margin of the Group will improve progressively.

The Group's profit attributable to equity holders of the Company for the 9M 2020 amounted to RMB712.2 million (9M 2019: RMB624.9 million), representing a YoY increase of RMB87.3 million or 14.0%. Excluding the accounting loss and the one-off BUs integration cost mentioned above, the Group recorded an adjusted profit attributable to equity holders of the Company of RMB792.0 million (9M 2019: RMB662.5 million), representing a YoY increase of RMB129.5 million or 19.5%.

Mr. Yan Weibin, Chairman of the Group, said: " Looking forward to the fourth quarter, the Group will continue to maintain its strategic determination, continue to meet consumers' increasing demands for health and nutrition, to protect consumers' health with better services and products, achieve steady growth in the group's performance, and seek long-term return growth for shareholders. In the face of market uncertainty and both complex internal and external environments, Ausnutria will strive to build a healthy ecosystem, and contribute to the development of China's dairy industry. "

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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.

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