



AUSNUTRIA DAIRY CORPORATION LTD

澳優乳業股份有限公司

Ausnutria Announces 2020 Interim Results

**Adjusted Profit Attributable to Equity Holders of the Company Increased by 32.1%
Own-branded Formula Milk Powder Business Achieved Steady Growth**

Financial Highlights

	For the six months ended 30 June		Change
	2020 (RMB Million)	2019 (RMB Million)	
Revenue	3,859.3	3,147.6	+22.6%
- Own-branded formula cow milk	1,755.3	1,410.4	+24.5%
- Own-branded formula goat milk	1,655.6	1,319.1	+25.5%
Gross Profit	2,022.4	1,639.1	+23.4%
Gross Profit Margin (%)	52.4	52.1	+0.3pps
EBITDA			
- Reported	662.9	441.4	+50.2%
- Adjusted*	828.8	615.8	+34.6%
Profit Attributable to Equity Holders of the Company			
- Reported	408.8	260.5	+56.9%
- Adjusted*	574.7	434.9	+32.1%

* Adjusted for the loss on the fair value change of derivative financial instruments in the 2020 Interim Period of RMB165.9 million
(2019 Interim Period: RMB174.4 million).

(Hong Kong, 14 Aug 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 financial results for the six months ended 30 June 2020 (“**2020 Interim Period**” or the “**Period**”).

During the 2020 Interim Period, the Group recorded revenue of RMB3,859.3 million, representing a year-on-year (“YOY”) increase of 22.6%. The gross profit for the Period was RMB2,022.4 million, increasing 23.4% YOY, while gross profit margin expanded by 0.3 percentage points YOY to 52.4%. The adjusted EBITDA for the Period was RMB828.8 million, representing a YOY increase of 34.6%. The adjusted profit attributable to equity holders of the Company for the 2020 Interim Period was RMB574.7 million, representing a YOY increase of 32.1%.

During the first half of 2020, in order to ensure that the businesses of the Group and hence the supply of quality formula milk powder products to the end consumers, particularly the infant, are not interrupted during the COVID-19 pandemic, the Group has taken timely and appropriate measures to ensure the health conditions of all the employees and factories in the worldwide are properly protected and operate as usual. In order to help to combat the COVID-19 pandemic, the Group has donated cash, supplies, and manpower to meet the emergency needs of the society. In addition, the Group conducted research and development activities as scheduled and successfully launched two new formula milk powder products, a maternal mothers’ and a children’s formula powder and many other nutrition products. The Group will continue to allocate its best resources to support the ongoing developments in these important areas, in particular on the R&D, quality control, the digitalisation of the operational platform and further improvement of the supply and production capabilities.

Own-Branded Formula Milk Powder Business

The Group’s own-branded formula milk powder business consists of its cow milk formula segment and its goat milk formula segment. As at 30 June 2020, the Group had a total of forty-five registered formulas under fifteen series covering all segments of the market ranging from super premium, premium to mid-end segments. Among which, thirty-nine formulas under thirteen series were cow milk powders, while six formulas under two series were goat milk powders.

During the Period, the Group’s overall sales derived from the own-branded formula milk powder business increased by 25.0% YOY to RMB3,410.9 million, accounting for 88.4% (2019 Interim Period: 86.7%) of the total revenue of the Group. Sales of own-branded cow milk formulas and own-branded goat milk formulas grew by 24.5% and 25.5% YOY to RMB1,755.3 million and RMB1,655.6 million, respectively.

The revenue increase was due to effective execution of Group’s strategic plans including constant refinement of its business chain and the continuous improvement of its upstream operational efficiency and product quality; the constant enhancement in its product mix; and the synergies between its brands and channels resulting from its unremitting efforts to develop mama and baby store channels by high-frequency and high-quality marketing activities.

Strong Growth of Hyproca 1897 BU Sales Revenue

The Group's own-branded cow milk formula business established a number of business units ("BUs") with different formulas, milk sources, price ranges, and target consumer groups. Amongst these BUs, the Hyproca 1897 BU, which comprises the brands of Hyproca Hollarly, Hyproca Hypure and Neolac, targeting the super premium market, was the fastest-growing BU in the Group recording sales of RMB1,155.0 million during the 2020 Interim Period, representing a YOY increase of 66.4%. In March 2020, the Hyproca 1897 BU signed superstar Chinese pianist, Lang Lang, as its ambassador. Lang Lang's flamboyant style and ability to constantly reinvent his music attracts and galvanizes fans around the globe. His image as unique and inspirational musician who brings people together wherever he goes is an excellent representation to help raise the brand awareness of Hyproca throughout the world.

Goat Milk Formulas Maintained its Leading Position in the Industry

According to relevant market research data, the goat milk formula market continues to outpace the infant formula market when compared with other categories. Notwithstanding such competition, goat milk powder products of the Group remained the leaders in the industry in the PRC. Data from a global marketing research firm, AC Nielsen shows that sales of Kabrita accounted for 61.1% and 64.0% of all imported infant goat milk formulas in 2018 and 2019, respectively. After more than 8 years in this industry, Kabrita's infant formulas have successfully captured the heart of the consumers and built a strong market position. Through continuous multidimensional channel marketing, Kabrita is confident of maintaining long-term growth.

Nutrition Business

In the 2020 Interim Period, sales of nutrition products increased by 24.8% YOY to RMB66.0 million. In spite of the challenges caused by the COVID-19 pandemic, the Nutrition Business maintained relatively high growth rates as a result of the new product marketing strategy formulated during the Period. The scope of this new marketing strategy extended from successful NC's gastrointestinal products to other new products, including NC Seasonal Biotic (NC 舒鼻益生菌) and NC Floral Biotic (NC 女神益生菌), that cater to the health needs of different people. These new products were launched during the 2020 Interim Period and were well received by consumers.

In addition, NC Gut Relief products are proudly endorsed by The Gut foundation in Australia. NC Gut Relief passed clinical trials and proved to be effective in relieving gastrointestinal ailments. The clinical trials were formally published in Nutrition Research Journal in March 2020 and was announced at the Australian Pharmacy Professional Conference and Trade Exhibition, the largest annual conference of pharmacy professionals in Australia.

R&D Capabilities

In the 2020 Interim Period, the Group continued to strengthen its R&D capabilities. The investment on the R&D of new products increased significantly as compared the 2019 Interim Period.

On 30 March, the signing ceremony of strategic cooperation between Ausnutria and Jiangnan University was successfully held in Wuxi, Jiangsu. Driven by a goal-oriented approach, both parties planned to build up a classic model for the cooperation between Chinese enterprises and universities. This cooperation will further strengthen the construction of Ausnutria's technological innovation system, and enhance independent innovation capabilities and brand quality, thereby breaking through the bottleneck of China's nutrition and health industry. This is expected to set up high standard of the global nutrition product industry.

Strategic Steps Taken

During the Period, in order to further develop its cow milk based infant formula products, the Group entered into a sale and purchase agreement with two individuals for the acquisition of the remaining 15.0% equity interest in Hyproca Bio-Science (Hong Kong) Company Limited (the "HBC Acquisition") at a consideration of HK\$896.0 million by way of issuance and allotment of 70,000,000 new Shares at a price of HK\$12.8 by the Company. The HBC Acquisition was approved by Shareholders independent of the HBC Acquisition in an extraordinary general meeting of the Company on 30 July 2020.

In addition, the Group acquired the Changsha Land Holdco (長沙安爾營養有限公司), a company established in the PRC, which owns a plot of land with a site area of approximately 84,000 square meters and is adjacent to the Group's existing production facility in Changsha City, the PRC. The Group intends to use the acquisition to facilitate future expansion of the production and storage facilities in Changsha City, China.

Mr. Yan Weibin, Chairman of the Group, commented "Given the outbreak of the COVID-19 the ongoing Sino-US trade friction and the uncertainty in the global economy, market sentiments and consumer purchasing patterns in many sectors changed across the globe. Still, our team overcame these challenges and recorded significant growth during the Period. With the intention of becoming the most trustworthy formula, nutrition and healthcare enterprise in the world, the Company has not only enriched its product portfolio of infant formulas by rolling out new nutritional products, but also enlarged its health-care product line. We believe that the Group is well-positioned to become one of the major players in infant formula in the world through as we pursue our 'Golden Decade' strategy. Looking forward, the Company will continue to allocate its best resources to support the ongoing developments in key areas, specifically R&D, the digitalisation of the operational platform as well as continually improving our supply and production capabilities, so as to propel our long-term development."

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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 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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