



**AUSNUTRIA DAIRY CORPORATION LTD**  
**澳優乳業股份有限公司**  
**Ausnutria Announces 2021 Interim Results**

**Goat Milk Formula Business Resumed Its Growth**  
**Steady Achieved a Breakthrough in the Development of Nutrition Business**

**Financial Highlights**

|                                                             | Six months ended 30 June |                       | Change         |
|-------------------------------------------------------------|--------------------------|-----------------------|----------------|
|                                                             | 2021<br>(RMB Million)    | 2020<br>(RMB Million) |                |
| <b>Revenue</b>                                              | 4,270.5                  | 3,859.3               | <b>+10.7%</b>  |
| - Own-branded formula cow milk                              | 2,052.8                  | 1,755.3               | <b>+16.9%</b>  |
| - Own-branded formula goat milk                             | 1,688.2                  | 1,655.6               | <b>+2.0%</b>   |
| <b>Gross Profit</b>                                         | 2,136.4                  | 2,022.4               | <b>+5.6%</b>   |
| <b>Gross Profit Margin (%)</b>                              | 50.0                     | 52.4                  | <b>-2.4pps</b> |
| <b>EBITDA</b>                                               | 820.9                    | 662.9                 | <b>+23.8%</b>  |
| <b>Profit Attributable to Equity Holders of the Company</b> | 594.0                    | 408.8                 | <b>+45.3%</b>  |

(Hong Kong, 12 Aug 2021) **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 2021 (“2021 Interim Period” or the “Period”).

During the 2021 Interim Period, the Group recorded revenue of RMB4,270.5 million, representing a year-on-year (“YoY”) increase of 10.7%. The gross profit for the Period was RMB2,136.4 million, increased by 5.6% YoY. Without additional inventory provision of RMB122.4 million, gross profit margin would have rebounded to 52.9%, representing a YoY increase of 0.5 percentage points. The EBITDA for the Period was RMB820.9 million, representing a YoY increase of RMB158.0 million or 23.8%. Without the additional inventory provision and the Contingent Consideration Adjustment<sup>(1)</sup>, EBITDA would have increased by RMB114.5 million or 13.8% to RMB943.3 million. The profit attributable to equity holders of the Company for the 2021 Interim Period was RMB594.0 million, representing a YoY increase of 45.3%. Without the additional inventory provision and the Contingent Consideration Adjustment<sup>(1)</sup>, profit would have increased by RMB119.6 million or 20.8% to RMB694.3 million.

Note: (1) Contingent Consideration Adjustment refers to an adjustment for the loss on the fair value change of a derivative financial instrument of RMB165.9 million recognised during the six months ended 30 June 2020.

## Own-Branded Formula Milk Powder Business

Own-branded formula milk powder business, consisting of cow milk formula segment and goat milk formula segment, has always been the Group's core business and accounted for approximately 87.6% of the total revenue of the Group for the 2021 Interim Period. Notwithstanding the adverse impact including the slowdown in the growth rate of the industry in general and a drop in birth rate during the 2021 Interim Period, the own-branded formula milk powder business maintained stable and healthy growth with overall sales of RMB3,741.0 million, representing a YoY increase of RMB330.1 million or 9.7%.

During the 2021 Interim Period, sales of the Group's own-branded cow milk formulas amounted to RMB2,052.8 million, representing a YoY increase of 16.9%. The Group's core brands continuously maintained a steady growth momentum, among which sales of Allnutria BU surged significantly to RMB563.1 million, representing a YoY increase of 37.0%. Hyproca 1897 BU recorded sales of RMB1,373.5 million, representing a YoY increase of 18.9%.

In addition, despite the intensified competition of the PRC goat milk formula market, Kabrita maintained leadership position in the PRC. During the 2021 Interim Period, the Group's own-branded goat milk formula business ("Kabrita") resumed its growth with revenue of RMB1,688.2 million (2020 Interim Period: RMB1,655.6 million), representing a YoY increase of 2.0% (the second half of 2020: a YoY decrease by 5.6%). Specifically, revenue growth of Kabrita in the PRC rebounded by 17.8% YoY in the second quarter of 2021.

During the 2021 Interim Period, the Group's own-branded cow milk formula BUs endeavoured in a wide range of initiatives to boost their brand competitiveness. Whilst launching innovative online brand campaigns on TikTok, Xiaohongshu (小紅書), Zhihu (知乎), WeChat and other platforms, it also employed outdoor advertising campaigns on public transport, communities and stores, and other forms of offline advertising campaigns targeting at respective regional markets, with an aim to accurately reach the target groups. Through its unremitting efforts, all of the Group's own-branded cow milk formulas have successfully raised their brand influence and awareness among the consumers, thereby laying the foundation for the steady and rapid growth of the Group's cow milk formula business in the future.

The Company attributed the continuous growth of its own-branded formula milk powder business to the Group's rapid and proactive response of adjusting its strategies to accommodate for the market change and its unremitting efforts to develop mama and baby store channels by frequent and quality consumer engagement activities and the steady growth in point of sales.

## Continuous commitment in building a world class supply chain

In order to sustain its growth and continuously enhance the quality standard of the Group's products, in early 2020, the Company has announced that it will invest a total of EUR140.0 million (equivalent to approximately RMB1,094.8 million) in a new infant formula base powder facility (the "New IFBP Facility") and other related facilities principally for processing goat milk and goat whey in the Netherlands. The New IFBP Facility and other related facilities, which will principally be designated for the processing of goat milk and goat whey, have a designed annual production capacity of 35,000 tonnes of base powder and an annual processing capacity of 4,400 tonnes of goat whey concentrate.

Despite the COVID-19 pandemic, the construction of the goat whey concentrate production facility is close to completion as of the date of this announcement and the New IFBP Facility is expected to be completed in 2023, which is in line with the initial planned schedule.

## **Nutrition Business**

The COVID-19 pandemic has increased the health awareness of the general public and hence driven the demand for health-related nutrition products across the globe. The Group has been very responsive to the market developments and its dedication has yielded encouraging results.

During the 2021 Interim Period, sales of nutrition products amounted to RMB68.3 million, representing a YoY increase of RMB2.3 million or 3.5%. The Group's sales of nutrition products are mainly contributed by the PRC and Australia markets via the daigou, online and offline channels. As a result of the lockdowns due to the COVID-19 pandemic and the slowing down of the daigou business, sales of nutrition products in Australia (with sales mainly contributed via the daigou and local sales) dropped significantly for the 2021 Interim Period. Excluding such impact, sales of nutrition products in the PRC amounted to RMB66.1 million, representing a YoY increase of RMB16.5 million or 33.3%.

On the product development aspect, NC Soforwin, NC MyClear, NC MyLess, and NC Soforcure, which help improve gut, joint and skin health, were launched for the 2021 Interim Period. On the supply side, most of Nutrition Care's nutrition products were produced in Australia in the past. To strengthen the supply chain and better support the Group's market development, in early 2021, the Group entered into a master supply agreement with an independent third party for the manufacture and supply of a series of nutrition products in the PRC. The relevant technical validations and the trial production of a total of 15 series of new nutrition products have already been completed for the 2021 Interim Period.

In January and June 2021, the Group received approval from Taiwan Food and Drug Administration for two of its food for special medical purpose products in Taiwan. On 25 April 2021, the State Administration for Market Regulation in the PRC approved the Group's registration for its lactose-free infant formula for special medical purposes, which helps lactose intolerant infants. On the same day, the National Health Commission of the PRC approved the application made by Bioflag International Corporation, one of the Group's associates, on the use of lactobacillus rhamnosus MP108, which is a strain in new food raw materials that can help prevent different inflammations in children, in the PRC. This is the first strain developed by a Chinese company that has been approved for use in infant and children food in the PRC. Following such approval, during the 2021 Interim Period, Kabrita BU launched the first probiotic products for infants, Aunulife's Little Orange Box (小橙盒), which can improve the immune system and gut health of infants with its exclusive lactobacillus rhamnosus MP108.

## **Private Label and Others**

During the 2021 Interim Period, sales of formula milk powder products on an original equipment manufacturing basis and other businesses, which represented 10.8% of the total revenue of the Group, increased by 20.6% YoY to RMB461.2 million. The increase in sales was mainly attributable to the increase in trading of commodities as a result of the increase in the intake of milk, particularly goat, for the processing of related ingredients in order to fulfil the internal production needs. The increase was partly offset by the lower than expected sales in the Private Label business which the customers are mainly located in Europe, the Middle East and South America, and was temporary interrupted by the COVID-19 pandemic.

## **Conducting in-depth research of breast milk with continuous commitment in building a leading market position of formula milk powder products**

During the 2021 Interim Period, the Company continues to adhere to its firm strategies to step up its research and development capability to provide quality nutritional products for its consumers. In addition to the scheduled new product development, science and research remains to be one

of the major focuses.

The Company has always been believing that breast feeding is the best for infants. Its global R&D team has been researching in breast milk for 18 years and has 10 key breast milk research projects across the globe as of today. Through further analysing the nutritional composition of breast milk by different race and health conditions, these projects aim at refining the “Chinese breast milk bank” and laying a solid foundation for the development of formulas that are closer to breast milk nutrition.

In June 2021, Kabrita business unit (“BU”), the Group’s own-branded goat milk formula business, convened the first “GOAT-MRH” expert conference and presented Ausnutria’s Research White Paper on Breast Milk 2021 at the conference, to unveil the secrets of breast milk and serve as reference for future breast-milk research, development and technological innovation. The Company is currently conducting over 30 and 40 goat-milk-related research projects in the PRC and abroad, respectively. For the 2021 Interim Period, with significant progress in the simulation studies of human milk oligosaccharides (HMOs) and milk phospholipids, Kabrita BU published 3 major scientific research findings mainly about the digestion of breast milk by babies, the differences between cow and goat milk and the composition of HMOs in goat milk in major international academic studies.

During the 2021 Interim Period, the Group also continued to establish partnerships with top-notch tertiary institutions around the world to enhance its scientific research and innovative ability, apply its research findings to technology upgrades and product development, and lead the industry development. Furthermore, the Company announced four of its key research findings in goat milk research at the sixth World Congress of Pediatric Gastroenterology, Hepatology and Nutrition in June this year and were highly recognised by experts.

**Mr. Yan Weibin, Chairman of the Group**, commented “It is expected that COVID-19 pandemic will continue to adversely affect the global industry and spending behaviors. We will continue to closely monitor such impact on the operations of the Group as well as to the industry. Nevertheless, with our clear strategies, advanced global supply chain, well-established distribution networks, strong R&D and widely developed product portfolio as well as the leading position in the PRC infant formula market, we are still reasonably optimistic about the Company’s future development. In addition, the State Council of the PRC issued the Decision Regarding the Optimisation of Family Planning Policies for Long-Term Balanced Population Growth (《關於優化生育政策促進人口長期均衡發展的決定》) on 20 July 2021, which aims to increase birth rate by 2025 and boost long-term and balanced population growth. We believe the favorable national policy will have a long-term positive contribution to the industry and accelerate the market growth. The Group will continue to prudently foster the development and growth of its businesses by staying science-oriented, keeping abreast of the latest trends and expanding its portfolio from infant to kid and adult nutrition products, and at the same time continuously enhance its quality standards to contribute to the future growth and health of the consumers.”

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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](mailto:ausnutria@pordahavas.com), or as below:

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