



**AUSNUTRIA DAIRY CORPORATION LTD**  
澳優乳業股份有限公司

**Ausnutria Announces 2022 Interim Results**  
**Consolidate the Foundation and Optimize Core Business Strategies**  
**to Focus on Long-term Sustainable Development**

**Financial Highlights**

	Six months ended 30 June		Change
	2022 (RMB Million)	2021 (RMB Million) (Restated)*	
Revenue	3,630.2	4,276.0	-15.1%
Gross Profit	1,709.0	2,141.9	-20.2%
Gross Profit Margin (%)	47.1	50.1	-3.0pps
EBITDA	357.0	826.3	-56.8%
Profit Attributable to Equity Holders of the Company (Adjusted)*	222.0	598.9	-62.9%

\* An adjustment in the accounting for the customer loyalty program and the distributor incentive program resulted in restatement of financial figures of 1H2021.

(Hong Kong, 29 Aug 2022) **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 People’s Republic of China (the “PRC”), Australia and New Zealand, is pleased to announce its unaudited consolidated financial results for the six months ended 30 June 2022 (“1H 2022” or the “Period”).

During the Period, the Group recorded revenue of RMB645.8 million, representing a year-on-year (“YoY”) decrease of 15.1%. The gross profit for the Period was RMB432.9 million, decreased by 20.2% YoY. The profit attributable to equity holders of the Company for the Period was RMB376.9 million, representing a YoY decrease of 62.9%. Such decrease is mainly attributable to the decrease in revenue from the Own-branded Cow Milk Powder, owing to the Group’s active adjustment of distribution channels in response to market changes as well as the macro-environmental factors.

Under the “responding to market uncertainty with firm strategies”, the Group strengthened its scientific research ability by further fortifying and stabilising its global supply chain, notwithstanding the challenges. Product mix is diversified through focusing on nutritional

health studies. The Group kept the adverse impacts at a manageable level and enhanced wider recognition and higher reputation by undertaking charity services as well as brand building activities, successfully laying a solid foundation for its long-term sustainable development.

### **Own-Branded Formula Milk Powder Business**

Own-branded formula milk powder business, consisting of goat milk formula segment and cow milk formula segment, has always been the Group's core business and accounted for approximately 81.3% of the total revenue of the Group for the Period.

For Own-branded Goat Milk Formulas, according to AC Nielsen, retail demand for Kabrita recorded double-digit growth between January and June 2022, and Kabrita accounted for over 60% of the sales of imported infant goat milk powder in the PRC and maintained its leading position for 4 consecutive years since 2018. Kabrita, together with its peers, successfully transformed goat milk products from a peripheral category that was being experimented by a handful of distributors into one of the mainstream products with a market size of over RMB10 billion. Based on Ausnutria's forward-looking strategy, Kabrita built up its core competitive strength in terms of upstream supply, products, brands, channels and team. Upstream supply always has a direct impact on the market competitiveness of milk powder enterprises, therefore, Kabrita is boosting its advantage in upstream supply while tapping into major global goat whey sources by building on Ausnutria's well-established international supply chain. To remain as a brand with strong services and profitability, Kabrita will adhere to its existing "Brand + Channel" dual development strategy, which incorporates the channels and focuses on growing its business and improving its services.

During the first half of 2022, affected by the lower birth rate in the PRC and stringent anti-epidemic measures, sales level of the industry in the PRC for 1H 2022 decreased by 4.0% YoY, showing an overall downward trend, according to AC Nielsen. In light of the unprecedented challenges facing by the infant formula industry, the Group has been enforcing more stringent control over the total inventory level of its distribution channel by slowing down the delivery of the Own-branded Cow Milk Powder to distributors since the end of 2021. Indeed, our Own-branded Goat Milk Powder has experienced a short-term and one-off proactive adjustment in its distribution channel. The results showed the Group's channel management, distributor co-operation and brand power are strengthening and becoming more resilient. The Own-branded Goat Milk Powder in the PRC resumed double-digit YoY growth in 2021.

The Own-branded Cow Milk Formulas has experienced an exponential growth since its establishment with a compound annual growth rate ("CAGR") of 34.1% for the last five years, among which the Hyproca 1897 BU recorded an even sharper five-year CAGR of 61.7%. Throughout these years, Ausnutria has always formulated its strategies and plans based on the needs of the consumers, channels, stores, investment partners, team and market. Despite the decline in sales figures recorded in the financial statements, Hyproca 1897 actually maintained a continuous increase in market share. Attributed to its outstanding product quality and successful brand-building efforts over the years, according to AC Nielsen, the offline market share by sales of Hyproca 1897 for the Period ended 30 June 2022 increased YoY by 0.5 percentage points. It is firmly believed that this adjustment will bring long-term effect to the Group's business, Hyproca 1897 will fully return to solid growth in 2H2022.

### **Nutrition Business**

Benefiting from the sales of a series of new probiotic products launched by the Group last year, the nutrition business for the Period recorded a revenue of RMB78.8 million, increased by 15.4%. Total sales of these probiotic products for the Period amounted to RMB54.0 million, representing an increase of 82.4% as compared with the corresponding period in 2021.

Backed by the Group's mature sales network, the core product, namely Aunulife's First Guard (previously called "Little Orange Box", a lactobacillus rhamnosus MP108 product), rapidly penetrated 27 provinces by co-operating with over 2,600 offline stores in addition to several major e-commerce and new retail platforms, demonstrating a promising growth prospect.

### **Private Label and Others**

During the Period, sales of formula milk powder products on an original equipment manufacturing basis and other businesses amounted to RMB600.2 million, representing a YoY increase of 30.1% and accounted for 16.5% of the total revenue of the Group. The significant increase in sales during the Period was mainly attributable to the increase in orders from the Middle East and Asia markets as well as the rebound in prices of and demand for dairy commodities products as the pandemic subsided overseas.

### **Diversified Product Mix**

Ausnutria understands that an outstanding product portfolio is crucial to the survival of formula brands amid severe competition. During 1H 2022, the Group further expanded its product portfolio by rolling out several new products in its own-branded formula milk powder business.

As for Own-branded Goat Milk Formulas, Kabrita's Yuebai(悅白) was upgraded in four aspects, namely milk sources, nutrition, processes and packaging in February. As the new generation of parents pay more attention to children's nutrition and their consumption concepts are gradually upgraded, formula targeting 3-year-olds or older toddlers has created another growth potential market in the industry. To better satisfy consuming demands and seize market opportunities, Xiangyang(向揚), a growing-up formula with five superb nutrients was launch in March, becoming one of the Group's key products in the blue ocean market for toddler milk powders, thereby leveraging its core advantages in formula and milk sources. Other than its high product competitiveness, Kabrita introduced a product combination of Xiangyang and Jingying(睛滢) by differentiating channel layout to satisfy various demands among channels and consumers. In view of the market demand for organic goat milk formula, Kabrita introduced the organic version of Yuebai by capitalising on the strength of its comprehensive industry chain and selecting organic milk sources with both Chinese and European organic certifications in the Netherlands, to further fulfill the new generation of parents' emphasis on children's nutrition and pursuit of high-quality products.

For Own-branded Cow Milk Formulas, Hyproca 1897 Formula for the Future(未來版), the first of its human milk oligosaccharides ("HMO")-blended formula, was launched in April. Three new infant formula products, namely Ausnutria Aiyou (澳優愛優), Allnutria Ruiyou(能立多睿優) and Ruihuo(睿活) were rolled out in June, providing comprehensive, professional and precise nutritional support to meet the diversified nutritional needs of different customers and the sophisticated feeding demand of the new generation parents. Furthermore, a new lactose-free infant formula for special medical purposes developed by the Group obtained the first permit to produce food for special medical purposes ("FSMP") in Hunan Province, in 1H2022. As a result, Hyproca 1897 officially launched Zhishu(稚舒), its first lactose-free infant formula in March for special medical purposes, a ground-breaking milestone in the production of FSMP in Hunan Province. The rollout of this new FSMP has not only seized the market development trend in the new consumption era, but also manifested a major brand and product mix upgrade of Hyproca 1897, as well as its entrance into the promising FSMP market.

### **Constant Improvement in Research and Development Ability**

Ausnutria has been focusing on its research and development("R&D") and also on nutritional health studies. The Group attained impressive results from several scientific research projects

in 1H2022. It was the first time for the goat milk industry in receiving the China Patent Award(中國專利獎) that, the “Goat Milk Whey Protein Peptide with DPP-V Inhibition Function, its Preparation Method and Applications”(《具有 DPP-V 抑制功能的羊乳清蛋白肽、其製備方法及其應用》), an invention patent submitted by Kabrita, received the China Patent Award – Excellence(中國專利獎優秀獎). Based on the certifications issued by the U.S. Food and Drug Administration (FDA), Kabrita’s goat milk whey also obtained the Generally Recognized as Safe (GRAS) certification. Kabrita can hence research and develop more goat milk powder products that cater for the nutritional needs of different age groups, thereby giving the consumers more diversified choices.

As for Own-branded Cow Milk Formulas, leveraging on Ausnutria’s “1 + 6 + N” global R&D network, Hyproca 1897 has not only solved the technical difficulty of reconstructing HMO, but also innovated the ingredient mix and proportion of its formulas. In addition, Hyproca 1897 joined hands with the Chinese Nutrition Society (“CNS”) again to establish the “CNS – Hyproca Maternal and Infant Nutrition Scientific Research Foundation”(中國營養學會－海普諾凱母嬰營養科研基金), to together explore the areas of infant feeding such as breastmilk nutrition and infant development, focusing on the development of health sciences in respect of maternal and infant nutrition and supporting the comprehensive growth of infants.

Ausnutria is committed to thoroughly implementing the strategic plans and missions in respect of “three high and four new technologies” promulgated by Hunan Province, supporting the development of capital, establishing innovation bases for functional health ingredients as well as strengthening the co-operation among the government, industry and researchers. In March, the “Southern China Milk-derived Probiotic Strains Selection and Resources Base Building (南方乳源益生菌菌種篩選及資源庫建設)” project jointly completed by the Group and Hunan Agricultural University, the PRC, was recognized as a new breakthrough in research gap. The recognition marked another official endorsement of Ausnutria’s scientific research ability and an acknowledgement of its efforts.

### **Continuous Efforts in Brand Building Contributing to Wider Recognition and Higher Reputation**

In the first half of 2022, the BUs of the Group took an active role in understanding and meeting consumer demands and preferences to make continuous efforts in brand building and enhance product recognition. For online, the Group interacted with mothers on Xiaohongshu, TikTok and other vertical social networks which are highly popular among them. The BUs also invited experts to introduce their products and key opinion leaders and influencers to try them out in order to raise product awareness. On the offline front, for the purpose of boosting brand exposure, apart from engaging in multi-dimensional interaction with target consumers in key PRC cities through a combination of media such as large digital advertising screens in business districts and billboards at bus stations, the Group also attracted tens of billions of views through extensive product placement in popular television series and variety shows on Mango TV, Tencent Video, iQIYI and other major channels. In the meantime, the Group actively increased its channel building efforts and vitalized its points of sale by fully capitalizing on its retail stores. Through campaigns and activities such as the National Nutritional Week(全民營養周) and the Walk for Health(健康萬里行) which promoted the nutritional value of goat milk, as well as Let’s Go Mum(出發吧，媽媽), Let’s Shine Mum(閃耀吧，媽媽) and Fairy Tale Festival(童話節) which organized by the Group, the nutritional value of goat milk and close interactions with customers were hence promoted and maintained.

### **Sustainability and Corporate Social Responsibility**

Creating a good and sustainable living environment for society has always been the ultimate

goal of Ausnutria. Other than concentrating on reducing carbon emission, streamlining its operations and resources across different regions whilst building a sustainable green supply chain, the Group will keep upholding its commitment to corporate social responsibilities and support different communities from time to time through various activities to pursue its sustainability vision.

Ausnutria Charity Foundation, formerly named the Ausnutria U-Foundation, continued to support different local communities by donating materials worth up to RMB17.6 million to the necessities. The Group also sponsored LOOP Leeuwarden, the biggest running event in Friesland, the Netherlands, to support extracurricular activities for local grassroots children, and make every humble effort in building a healthy physical and mental development for them. At the Philanthropy Festival held in the PRC, Ausnutria obtained the Grand Award for four consecutive years as well as the 2021 Corporate Social Responsibility Role Model for the Industry(2021 企業社會責任行業典範獎). At the 15th Global Dairy Congress, Kabrita YouZhuangPro Goat Milk Formula was named the Best Infant Nutrition in the 2022 World Dairy Innovation Awards and is the only infant milk formula brand in the world to receive this prestigious award.

**Mr. Yan Weibin, Chairman of the Group**, commented, “Under the influence of the internal and external environment, the infant formula industry is experiencing huge difficulties. Business is returning to its rightful order and nature, representing an opportunity for us who emphasis on long-term development. Looking forward, Ausnutria will speed up its actions and continue to strengthen its core businesses. The Group will enhance its resource protection, production efficiency and planned operating level of its global supply chain to further improve product quality and optimize cost to develop a stable and versatile supply protection system. Greater efforts will be made in developing the nutritional products and probiotics businesses. The organizational development and supporting system will be improved to raise overall operating and management standards. By enhancing the co-operation with Yili Industrial, a major shareholder, the Group is expected to surpass itself under this ever-changing world and see a rise in its profitability brought by the advantages in scale and efficiency.”

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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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