



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

**Adjusted Channel Strategies in Response to Market Changes
Committed to Long-Term Development**

(Hong Kong, 3 July 2022) **Ausnutria Dairy Corporation Ltd** (“**Ausnutria**” or the “**Company**”, together with its subsidiaries, the “**Group**”; stock code: **1717.HK**) wishes to inform the Company’s shareholders and potential investors that the Group expects to record a notable year-on-year (“**YoY**”) decrease in revenue and net profits for the six months ended 30 June 2022 (“**1H 2022**” or the “**Period**”).

The Group’s revenue for the 1H 2022 is anticipated to achieve approximately RMB3,350 million to RMB3,500 million, representing a YoY decrease of 18.0% to 21.6% (1H 2021: RMB4,270.5 million). The Group also expects to record the profit attributable to equity holders of the Company for the 1H 2022 in the range of RMB95.0 million to RMB160.0 million, representing a YoY decrease of 73.1% to 84.0% (1H 2021: RMB594.0 million). 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.

Due to lower birth rate in Mainland China and stringent anti-epidemic measures in some regions, the infant formula industry faced unprecedented challenges in 1H 2022. According to AC Nielsen, the industry’s sales level for the period from January to April 2022 decreased by 4.4% YoY, and the sales volume decreased by 6.2% YoY, showing an overall downward trend. However, benefiting from Hyproca 1897’s outstanding product quality and successful brand-building efforts over the years, at the retail level, Ausnutria’s market share in term of sales maintained a steady growth in 1H 2022. Data from the same market research revealed that the market share of Hyproca 1897 for the period ended 30 April 2022 increased YoY by 0.5 percentage points, and revenue generated from Kabrita still outperformed the market.

With a compound annual growth rate (“**CAGR**”) of 34.1% for the last five years, the Group’s Own-branded Cow Milk Powder has experienced significant growth since its establishment. The Hyproca 1897 business unit recorded an even sharper five-year CAGR of 61.7%. The estimated decrease in revenue for 1H 2022 is mainly due to the provision of products with better shelf life and of higher quality to customers, as well as the active adjustments made to reduce inventory pressure of major distributors and channel partners. Since the end of 2021, 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. Indeed, our Own-branded Goat Milk Powder experienced a short-term and one-off proactive adjustments 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 People's Republic of China (the "PRC") resumed double-digit YoY growth in 2021. Furthermore, the adjustment is expected to be completed in the third quarter of 2022. With the adoption of channel adjustments and overall improvement in products, branding and servicing, the Group is confident that Hyproca 1897 will fully return to solid growth in 2H 2022.

Regular improvements with foresight planning are the key to staggering long-term results. The Group prioritizes the long-term development principle in the Company's growth through carrying out business activities based on the needs of consumers and distributors while pursuing the development of a healthy industry ecosystem. The Group believes inventory pressure can be reduced by active adjustments and collaboration with distributors. Consumer rights and distributors' confidence can hence be protected and enhanced respectively, as the Company lays the foundation for long-term development and brings more far-reaching returns to shareholders.

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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

Tel: +852 31506788