



HALF YEAR RESULTS PRESENTATION

28 FEBRUARY 2023



HALF YEAR REPORT KEY TAKEAWAYS

- ✓ Vertical integration strategy milestone with commercial production at the Group's new manufacturing facility and launch of Ocean Road Dairies Organic A2 protein infant formula
- ✓ Export certification of the Group's new manufacturing facility in February 2023
- ✓ Solid progress being made in establishing international sales with, distributors appointed in two markets and negotiations continuing for other markets
- ✓ Dairy farms segment net profit of \$2.74 million driven by strong farmgate milk prices which are forecast to remain strong in FY24
- ✓ Loss making dairy processing segment discontinued in August 2022 and targeting full exit of Manifold Street site by end of FY23
- ✓ FY23 financial performance characterised by investment in establishing international distribution partnerships, product registrations, marketing and production of export certified inventory
- ✓ The Board is confident the investments made in FY23 will translate to product sales and revenue toward the end 2HFY23 and into FY24

1HFY23 FINANCIAL RESULTS

- ✓ Net profit from continuing operations of \$46k (2021: \$1.01m) and a net loss from discontinued operations of \$3.21m (2021:\$86k), giving a total net loss of \$3.17 million (which includes \$2.23 million impairment expense)
- ✓ Dairy farms segment performed strongly with a net profit after tax of \$2.74m (2021:\$2.36m) driven by strong production and high farmgate milk prices, which look set to continue in FY24
- ✓ Nutritional powders segment recorded a loss of \$1.48 million (2021: \$21k loss) due to investment in establishing distribution partnerships, marketing and building inventory without material revenue streams
- ✓ Domestic sales building slowly but omni-channel marketing activities achieving strong reach and engagement to drive brand awareness and future sales conversion
- ✓ Revenue from international product sales delayed by export certification of the manufacturing facility (obtained in February 2023) but good progress in establishing distribution partners
- ✓ \$2.23m non-cash impairment expense included in the discontinued operations due to write down of residual carrying value of fresh processing equipment and right of use assets

1HFY23: COMMERCIAL PRODUCTION AT AHF'S MANUFACTURING FACILITY

- ✓ Launch of Ocean Road Dairies Organic A2 Infant Formula in Chemist Warehouse nationally
- ✓ Pre-Christmas production of Ocean Road Dairy inventory to support the domestic Australian market only
- ✓ Post export certification, the manufacturing facility can now produce inventory for international sales

Export certified in
February 2023





OCEAN ROAD
DAIRIES

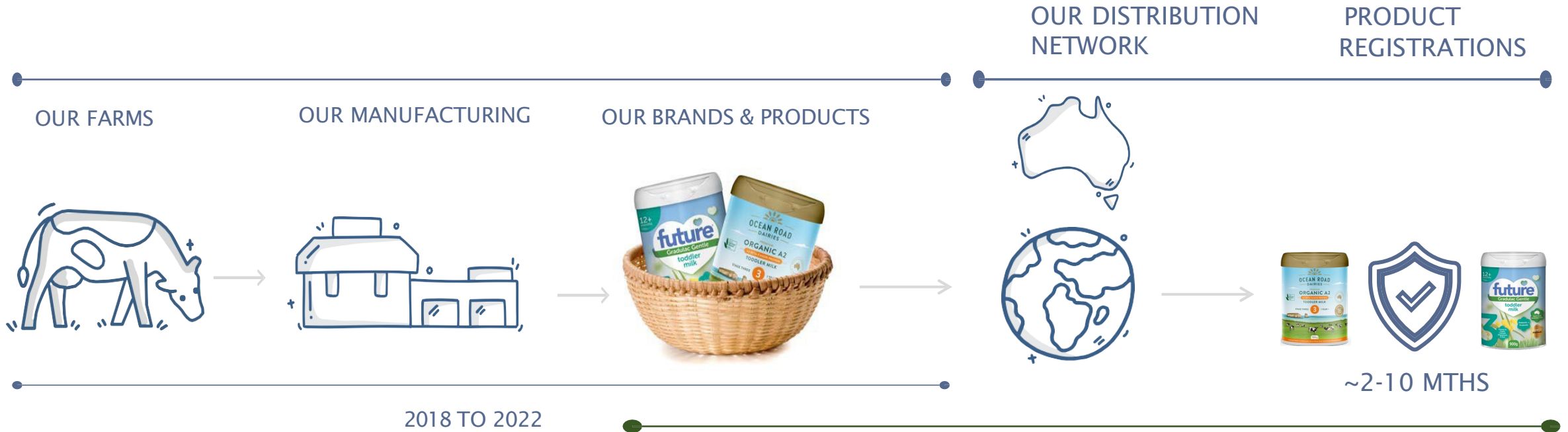
PREMIUM AUSTRALIAN ORGANIC A2 INFANT FORMULA
SIMPLY THE WAY NATURE INTENDED IT TO BE.

STRONG FARM PERFORMANCE SUPPORTS OPERATIONS AS DISTRIBUTION BUILDS

- ✓ Dairy farm operations performed strongly during the Half Year, driven by strong milk prices and good seasonal conditions
- ✓ Net profit from farm operations was \$2.74million, up 16% on 2021 comparative
- ✓ All farms converted to organic A2 protein milk production to support our manufacturing facility
- ✓ Early indications are that strong farmgate organic milk prices are likely to continue in FY24 driven by continued demand for organic milk and constrained farmgate organic milk production



FY23 AND BEYOND: DISTRIBUTION TO DRIVE FUTURE FINANCIAL PERFORMANCE



2023 AND BEYOND

- ✓ Expand our distribution network in domestic and international markets
- ✓ Scale production at our manufacturing facility including sale of milk powders and complementary products
- ✓ Continue to invest in targeted marketing activities



GOOD PROGRESS BUILDING INTERNATIONAL DISTRIBUTION PARTNERSHIPS

- ✓ Discussions are ongoing with potential distributors in international markets, several in advanced negotiations
- ✓ International market access for infant formula is also dependent on product registration in the relevant market (typically takes 2-10 months depending on the market)
- ✓ We have recently appointed a distributor in Malaysia and China and anticipate appointing another 2 international distributors in 2HFY23
- ✓ **Malaysia**
 - ✓ Future Gradulac range
 - ✓ Product registration in progress
 - ✓ First shipment of products anticipated June 2023
- ✓ **China (JD.com/JD.HK platform)**
 - ✓ Ocean Road Dairies range
 - ✓ No product registrations required (CBEC channel)
 - ✓ First shipment of products anticipated May 2023



SCALING PRODUCTION AND OTHER REVENUE OPPORTUNITIES

- ✓ Whilst it was a significant achievement to commercially produce the Ocean Road Dairies infant formula range for launch in October 2022, in FY23 we continue to invest in our manufacturing facility to refine and develop our manufacturing capabilities on a larger scale
- ✓ Export certification of the manufacturing facility in February 2023 allows us to increase production and build inventory for international markets
- ✓ Key focus on building the capability of our manufacturing team and yield improvement
- ✓ To offset the costs of operating the manufacturing facility and generate revenue whilst production volumes build we will:
 - ✓ produce milk powder products for sale to ingredient and commodity customers; and
 - ✓ investigate complementary product extensions which utilise milk powders as production inputs such as functional nutritional powders



future[®]

Gradulac Gentle



MARKETING AND BRAND AWARENESS

- ✓ Infant formula purchasers tend to be highly brand loyal
- ✓ We are supporting both infant formula brands with targeted, omni-channel marketing campaigns designed to build trust and brand recognition with consumers
- ✓ Infant formula sales conversion is complex and takes time - a multitude of factors contribute to the decision to purchase infant formula
- ✓ Whilst sales conversion is still in its infancy, the Group is optimistic that with continued investment in consumer reach and engagement, sales conversion will improve





DIGITAL MARKETING REACH AND ENGAGEMENT TO DRIVE FUTURE SALES



Chemist Warehouse

Sponsored · 🌐

Ocean Road Dairies toddler milk is made in Australia & contains A2 Beta-Casein, making it kind to little digestive systems.

Premium Organic A2 Toddler Milk



FARM FRESH AUSTRALIAN COW'S MILK



A2 BETA-CASEIN PROTEIN



NASAA-CERTIFIED ORGANIC



AUSTRALIAN MADE

chemistwarehouse.com.au

Buy Australian Toddler Milk

Shop now

Ocean Road Dairies
45 followers
1mo · 📍

Ocean Road Dairies is the first infant nutrition company in the world to use the highly nutritious combination of Australian organic cow's milk + A2 protein in our range of infant formula and toddler milk. This combination is what we ...see more

Baby Talk Blog

The Power Of 2:
Australian Organic
Cow's Milk + A2 Protein

“

A toddler is a tiny person who can't hear their name being called, but can hear the rustling of a chocolate wrapper through 4 walls and a thunderstorm.

OCEAN ROAD DAIRIES

Ocean Road Dairies
Sponsored · 🌐

Australian organic cow's milk + A2 protein
The power of 2, simply the way nature intended

Shop our premium Organic A2 range today at your local Chemist Warehouse 🛒

Organic A2 Infant Formula

Simply the way nature intended

FARM FRESH AUSTRALIAN COW'S MILK | A2 BETA-CASEIN PROTEIN | NASAA-CERTIFIED ORGANIC | AUSTRALIAN MADE

Shop Now

chemistwarehouse.com.au
Premium Organic A2 Infant Formula

Ocean Road Dairies
Published by Kendall Mich · 6 d · 🌐

If you're expecting, you're most likely bursting with excitement finally meet your baby 🥰 But if it's your first time, you may be wondering what it will be like caring for a newborn while you're recovering.

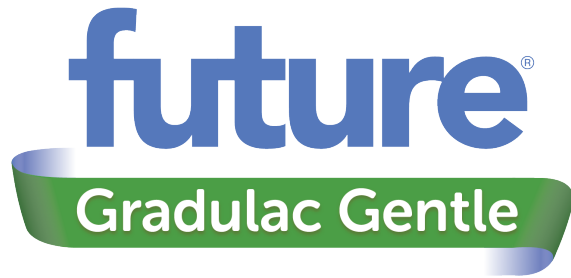
In our latest blog post, we're breaking down what to expect first week with your newborn, so you can start your parenting with a bit more confidence!



Since Brand Launch (3 months)



DIGITAL MARKETING REACH AND ENGAGEMENT TO DRIVE FUTURE SALES



Since Brand Launch (9 months)

12,028,066
Total Social
Media
Impressions

119,314
Total
Website
Sessions

833,883
Retailer Ad
Reach

Made in Australia from farm fresh Australian milk, combined with nourishing Prebiotics and Probiotics, and the essential Vitamins and Minerals your little one needs

supports immune function and normal growth and development

future Gradulac Gentle

It's giveaway time.

COMMENT TO WIN A \$200 GIFT CARD.

Stop Poring The Mack? CHEMIST WAREHOUSE

Ads · Shop Future Infant Formula

<p>Future Australian... \$103.50 Woolworths Free delivery</p>	<p>Future Australian... \$34.95 Woolworths</p>	<p>Future Australian... \$34.95 Woolworths</p>
<p>In store</p> <p>Future Gradulac... \$34.49 Chemist W...</p>	<p>Future Australian... \$103.50 Woolworths Free delivery</p>	<p>Future Australian... \$34.95 Woolworths</p>

gentle on little tummies

Australian made

farm fresh cow's milk

Shop Now

future

Published by Kendall Mich · 6 d · 4

Keep up with the nutritional needs of your energetic toddler with future® Gradulac Gentle Stage 3 toddler milk. Our premium formulation contains essential vitamins and minerals for toddlers 12 months and over.

Learn more at <https://futureformula.com.au/product/stage-3-toddler-milk...>

#future #gradulacgentle #australianmade

future Gradulac Gentle

How we're made: from cow to cupboard

The one thing your toddler will agree on

keep up with the nutritional needs of your energetic toddler

EVENTS CREATE BRAND AWARENESS FOR CUSTOMERS AND CONSUMERS



MELBOURNE 25 & 26 FEBRUARY



16,500+ Attendees
109 countries



57,500 Attendees
109 countries



9- 12,000 Attendees
per State



FHA
FOOD &
BEVERAGE
05 TO 08
SEP 2022
SINGAPORE EXPO

APP
2023
23-26 MARCH
GOLD COAST

DISCONTINUED DAIRY PROCESSING OPERATIONS DELIVER COST REDUCTIONS

- ✓ During the Half Year, operational changes were made to reduce costs and improve efficiencies
- ✓ Fresh milk processing ceased at the Manifold Street site at the end of August 2022 and are listed as discontinued operations in the Half Year Report
- ✓ Investigations are ongoing for the sale of the residual fresh processing equipment and transfer of the site lease however the Board have elected to write down in full the residual carrying value of the fresh processing equipment and right of use assets resulting in a \$2.23 million non-cash impairment expense
- ✓ When any of the residual equipment is sold in the future the proceeds will be recognised as a gain in the profit and loss statement
- ✓ The Group is targeting the end of this financial year to discontinue all activities at the Manifold Street allowing all residual costs associated with this site to cease

FY23 FINANCIAL PERFORMANCE AND OUTLOOK

- ✓ Whilst we are making good progress in accessing international markets, scaling our manufacturing and developing our distribution footprint, FY23 financial performance will be characterised by investment in international distribution partnerships, product registrations and ongoing marketing to generate product sales and revenue in FY24
- ✓ The Board is confident the investments which the Group is making in FY23 will translate to product sales and revenues toward the end of 2HFY23 and into FY24
- ✓ Dairy farms segment financial performance expected to remain strong with early indications that farmgate organic milk prices in FY24 to remain at current levels or be higher

FURTHER DETAILS



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The release of this announcement was approved by the Board of AHF.

ABOUT AUSTRALIAN DAIRY NUTRITIONALS GROUP

Australian Dairy Nutritionals Group (AHF) is a vertically integrated Australian dairy group which owns high quality organic and organic A2 dairy farms, and a processing facility located in Southwestern Victoria, the ‘Golden Triangle’ of Australia’s dairy industry. In addition to our premium Future range of infant formulas the Group has also commenced production at its infant formula factory of Australia’s first organic A2 protein infant formula made with farm fresh Australian milk, sourced directly from our organic certified dairy farms.

DISCLAIMER – FORWARD LOOKING STATEMENTS

This presentation may include “forward looking statements” within the meaning of securities laws of applicable jurisdictions. These forward-looking statements are not historical facts but are based on AHF’s current expectation, estimates and projections about the industry, in which it operates, and beliefs and assumptions. Readers are cautioned not to place undue reliance on forward looking statements.