

FY20: Key strategic advances despite challenging conditions

- Construction of the new infant formula plant building commenced in June 2020 after comprehensive planning process
- FY20 Group operating EBITDA $-\$1.5$ million, an improvement on FY19 ($-\$1.9$ million). The overall result was impacted by a non-cash goodwill impairment
- Farms recorded a strong improvement on FY19 driven by high milk prices and favourable weather conditions
- Processing segment had a challenging year impacted by high milk prices and lower sales volumes but positive signs in last quarter of FY20
- Invested in key staff including experienced sales and marketing team and CFO

Australian Dairy Nutritionals (ASX: AHF) announces its Appendix 4E and Annual Report for the twelve months ended 30 June 2020 (**FY20**), a challenging year however considerable progress was made in advancing key strategic objectives of the Group.

The Group achieved total income of \$24 million, a 10% increase on FY19, and operating EBITDA of ($-\$1.5$ million), an improvement on FY19 ($-\$1.9$ million). The final result included write off of a receivable from Organic Dairy Farmers of Australia, which recently entered voluntary administration, and a non-cash impairment of goodwill which does not impact the cash position of the Group or change the net tangible assets per security (7.9c per stapled security at 30 June 2020).

Farms

The farms recorded a good turnaround in FY20, achieving net profit of \$23,930 compared to a loss of \$1.9 million in FY19. The result was impacted by record high stock feed prices (however this is starting to ease) and a decrease in production attributable to the conversion to organic. The Group's first farm, Yaringa, achieved full organic certification in November 2019 and another organic-in-conversion farm has been converted over to A2 milk production. This farm will produce organic A2 milk once fully certified.

Processing

The processing segment had a difficult year although there were positive signs in the final quarter of FY20. Camperdown Dairy whole milk sales in Woolworths increased by 34%, and the Group launched its new brand, Ecklin South with the introduction of Ecklin South A2 Greek Style yoghurt available in Coles stores nationally.

Sales of The Collective yoghurt products were lower than anticipated in FY20 however, management have implemented range changes effective October 2020 expected to increase

volumes and improve sales. Increasing volume within the existing capacity of the Camperdown plant remains an important priority for the Group's milk and yoghurt offerings.

Acquisition of The Collective Australia in April 2020 and the exclusive right to distribute and sell their product range in Australia is expected to realise efficiencies in the current supply chain and provide greater control over margins. The results include a receivable payable by The Collective NZ of \$600k as part of the working capital adjustment on acquisition.

Distribution

In FY20 the Group expanded its distribution footprint outside the major supermarkets to include foodservice and niche retailers through the acquisition of 75% of the Jonesy's Distribution joint venture. Camperdown Dairy's full range of milks are now available through this distribution channel.

The Group also invested in its home delivery channel which has seen significant growth in FY20, with sales up to 300% in the past 6 months, compared to the previous 6 months. FY21 will see further focus and investment in this channel.

Infant Formula Plant

After a comprehensive planning process construction of the new building to house the Group's infant formula plant commenced in June 2020. The building is being constructed on the Group's 42,000 sqm Camperdown Dairy Park site which is a short distance from its existing processing facility.

Construction of the new facility is progressing well despite the challenges presented by the COVID-19 restrictions in Victoria. Given the unpredictable circumstances, the Board is currently anticipating the new plant will commence production in the second half of calendar year 2021 (subject to distribution and retail listings).

In FY21 the Group will continue to focus on identifying strategic distribution opportunities and progress product development and innovation opportunities in this area.



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

AUSTRALIAN DAIRY NUTRITIONALS GROUP

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About Australian Dairy Nutritionals Group

Australian Dairy Nutritionals Group (AHF) (previously named Australian Dairy Farms Group) is a vertically integrated Australian dairy group which owns high quality dairy farms and a processing facility (Camperdown Dairy Company) located in South Western Victoria, the 'Golden Triangle' of Australia's dairy industry. The Group is a trusted source of premium quality branded dairy products using milk sourced fresh from its farms.

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