



品质, 源于热爱

Inner Mongolia Yili Industrial Group

2023 Annual and First Quarter 2024 Results

Disclaimer



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About Yili



- **Yili ranks among the Global Dairy Top 5 and has sustained an undisputable position of No. 1 in Asia for ten consecutive years.** Yili is China's largest dairy producer, offering the largest number of products. Yili has now put into place a network comprising a global resource system, a global innovation system and a global market system in regions where the dairy industry is well developed. These regions include Asia, Europe, the Americas, and Oceania. Yili has over 2,000 partners distributed in 39 countries across six continents. The company owns 15 R&D and innovation centers and 75 production bases. Its liquid milk, milk powder, yogurt, cheese and ice cream are on the market in more than 60 countries and regions.
- With its exceptional product quality, leading service capabilities and comprehensive capacity for sustainable development, Yili is well-respected and received among global event organizers, national and local governments and the public. Yili was selected to serve as the exclusive supplier of dairy products and services at major international events, including the Beijing 2008 Olympic Games, the Expo 2010 Shanghai China, the G20 2016 China, the 2019 7th CISM Military World Games, the Beijing 2022 Winter Olympic Games, and the Hangzhou 2023 Asia Games. Yili has also become a partner of the World Economic Forum, the Boao Forum for Asia, and the World Internet Conference.



Introduction of our Leader



PAN, Gang (The Chairman and CEO of Yili Group)

By 2002, he was the youngest CEO among the 520 key industrial enterprises.

Mr. Pan has been holding the position of Chairman and CEO of Yili Group since June 2005.

Management Thinking

- The "global networking" and the "along-the-supply-chain innovation" strategy
- The "quality management" and the "precise management" management ideas
- Solid results matter more than time taken; Industrial prosperity outranks personal glory; Social value takes precedence over business fortune; That's the value that we hold in every step of our growth.





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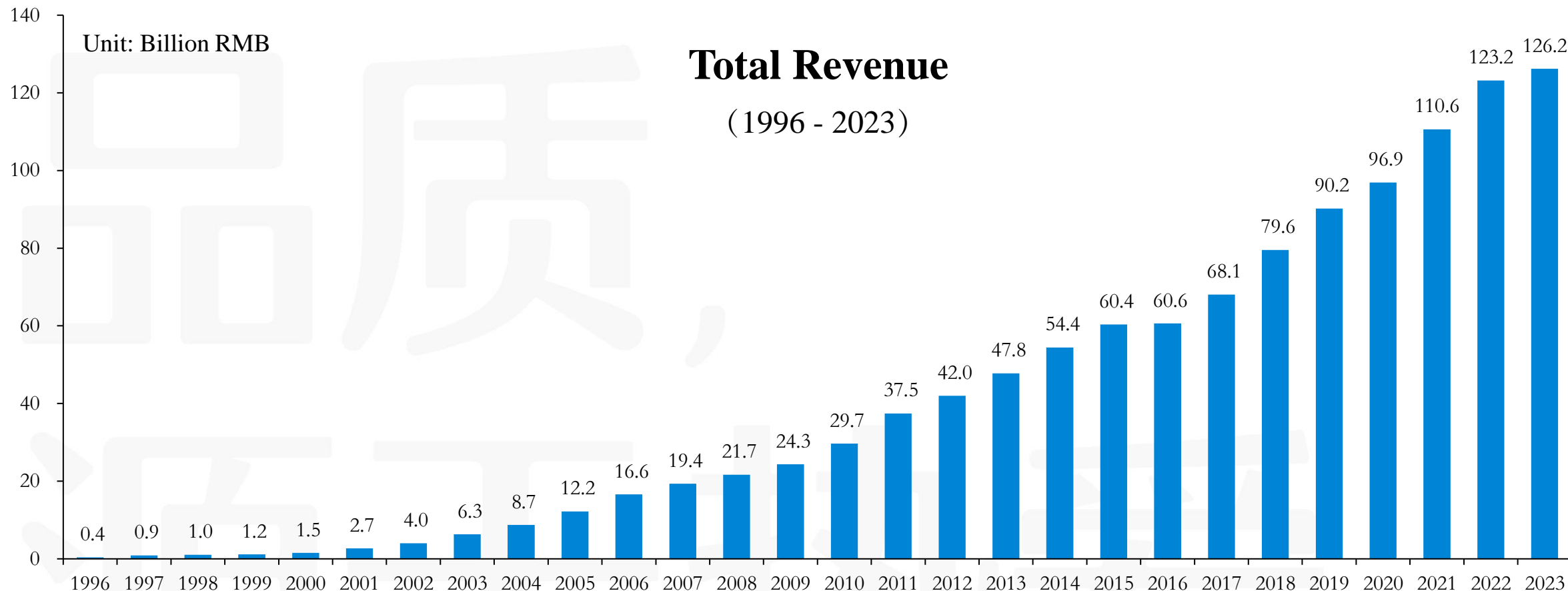
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Financial Review



Total revenue in 2023 was RMB **126.18** billion, and net profit attributable to shareholders of the company was RMB **10.43** billion. Both revenue and net profit maintained growth as compared with last year and continued to rank NO.1 in the dairy industry in Asia.



Financial Highlights



RMB (million)	2022	2023	Growth rate	2023 Q1	2024 Q1	Growth rate
Revenue	123,171	126,179	2.44%	33,441	32,577	-2.58%
Revenue from core business	121,149	124,461	2.73%	33,115	32,220	-2.71%
Gross profit ¹	39,275	40,726	3.69%	11,219	11,581	3.23%
Gross profit margin	32.4%	32.7%	0.30 ppts	33.9%	35.9%	2.07 ppts
Selling expense ratio	18.6%	17.9%	-0.71 ppts	17.1%	18.4%	1.38 ppts
G&A expense ratio	4.3%	4.1%	-0.25 ppts	4.2%	4.5%	0.27 ppts
Operating profit	10,860	11,873	9.33%	4,198	6,902	64.42%
Net profit attributable to shareholders of the company	9,431	10,429	10.58%	3,615	5,923	63.84%
Net profit margin	7.7%	8.3%	0.61 ppts	10.8%	18.2%	7.37 ppts
EPS (RMB)	1.48	1.64	10.81%	0.57	0.93	63.16%
ROE	19.23%	20.20%	0.97 ppts	6.99%	10.52%	3.53 ppts

Note 1: Gross profit is calculated from core business revenue

Core Business Revenue Segment Breakdown

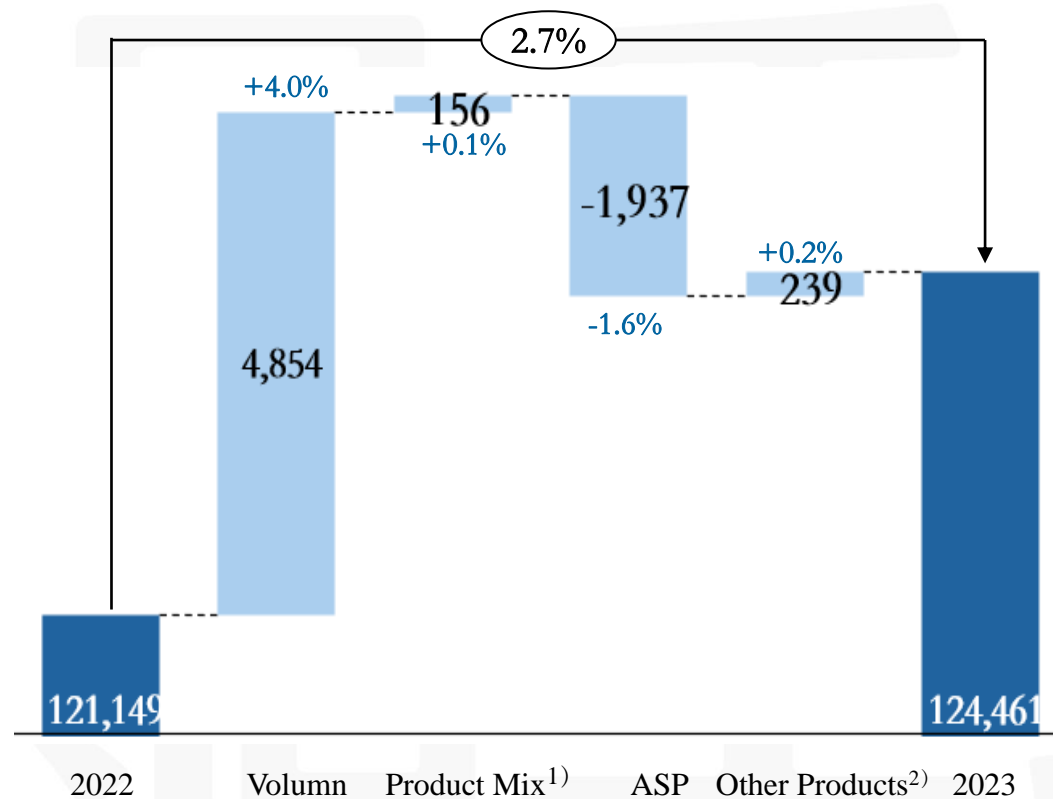


RMB (million)	2022		2023			2023Q1		2024Q1		
	Revenue	%	Revenue	%	Growth rate	Revenue	%	Revenue	%	Growth rate
Liquid milk	84,926	70.1%	85,540	68.7%	0.7%	21,741	65.7%	20,261	62.9%	-6.8%
Milk powder and milk products	26,260	21.7%	27,598	22.2%	5.1%	7,443	22.5%	7,428	23.1%	-0.2%
Ice cream	9,567	7.9%	10,688	8.6%	11.7%	3,794	11.5%	4,333	13.4%	14.2%
Other products	395	0.3%	634	0.5%	60.7%	138	0.4%	198	0.6%	43.4%
Total	121,149	100.0%	124,461	100.0%	2.7%	33,115	100.0%	32,220	100.0%	-2.7%

Analysis of Revenue and Profit Growth

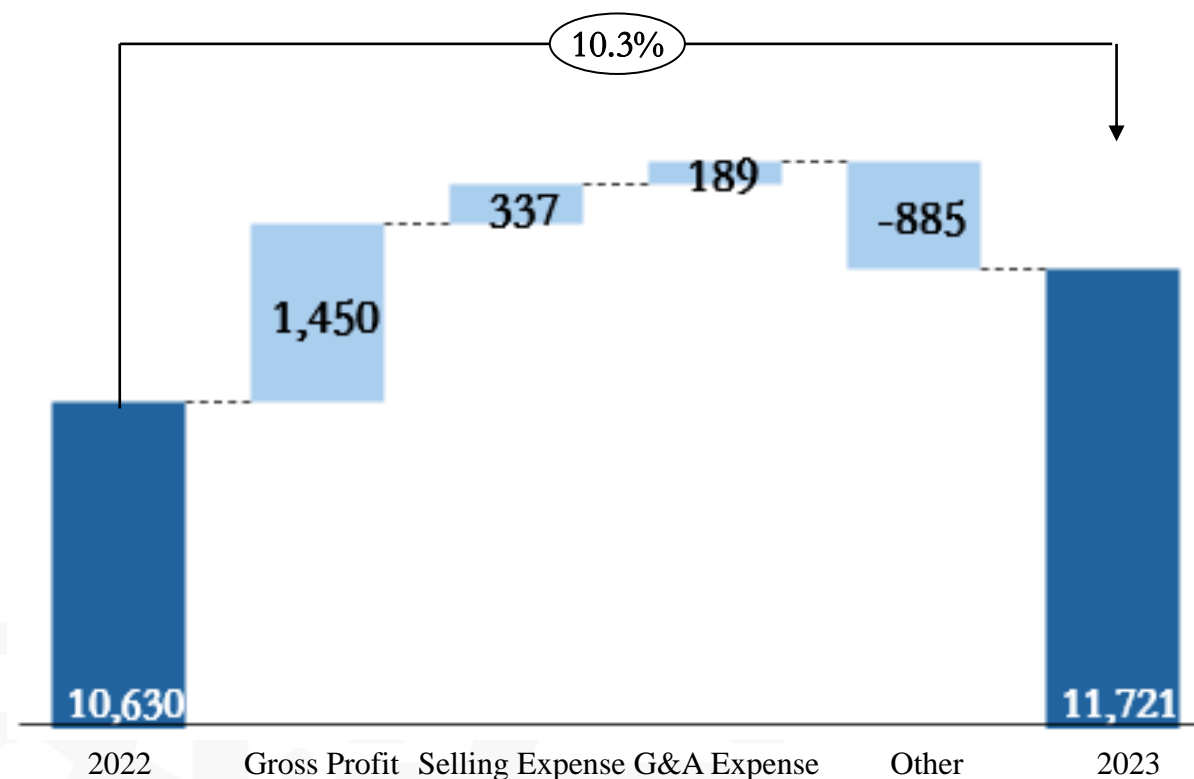
2023 Revenue growth attribution

Unit: million RMB



2023 Profit Before Tax Growth Attribution

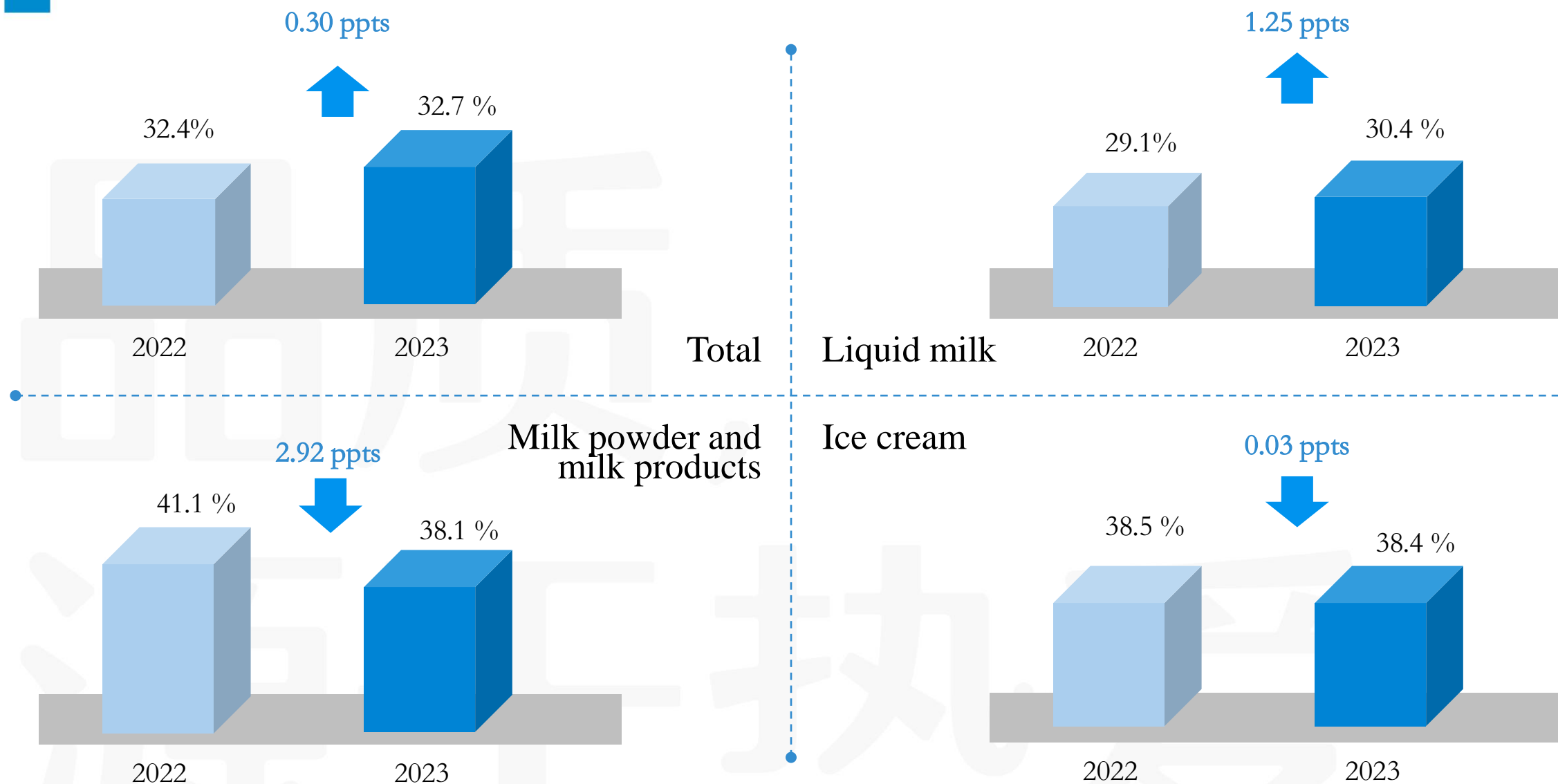
Unit: million RMB



Note 1: 'Other products' in core business lists as a separate column in the analysis above without breakdown of volumn and ASP

Data source: Company data

Gross Margin by Segment

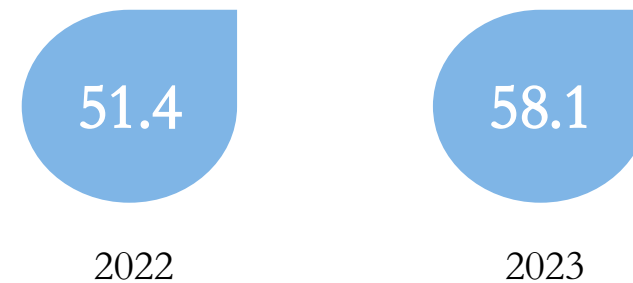


Operating Efficiency

Notes Receivable and Accounts Receivable Turnover (Days)



Inventory Turnover (Days)



Notes Payable and Accounts Payable Turnover (Days)



Cash Turnover (Days)

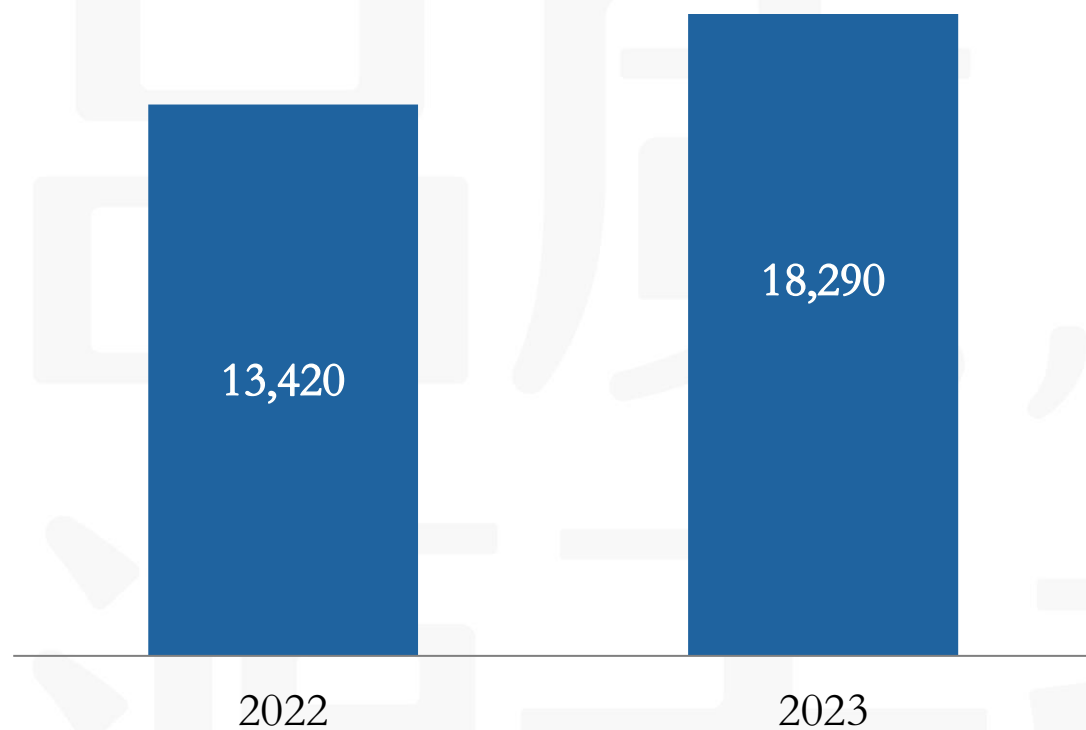


Cash Flow and Capital Expenditure



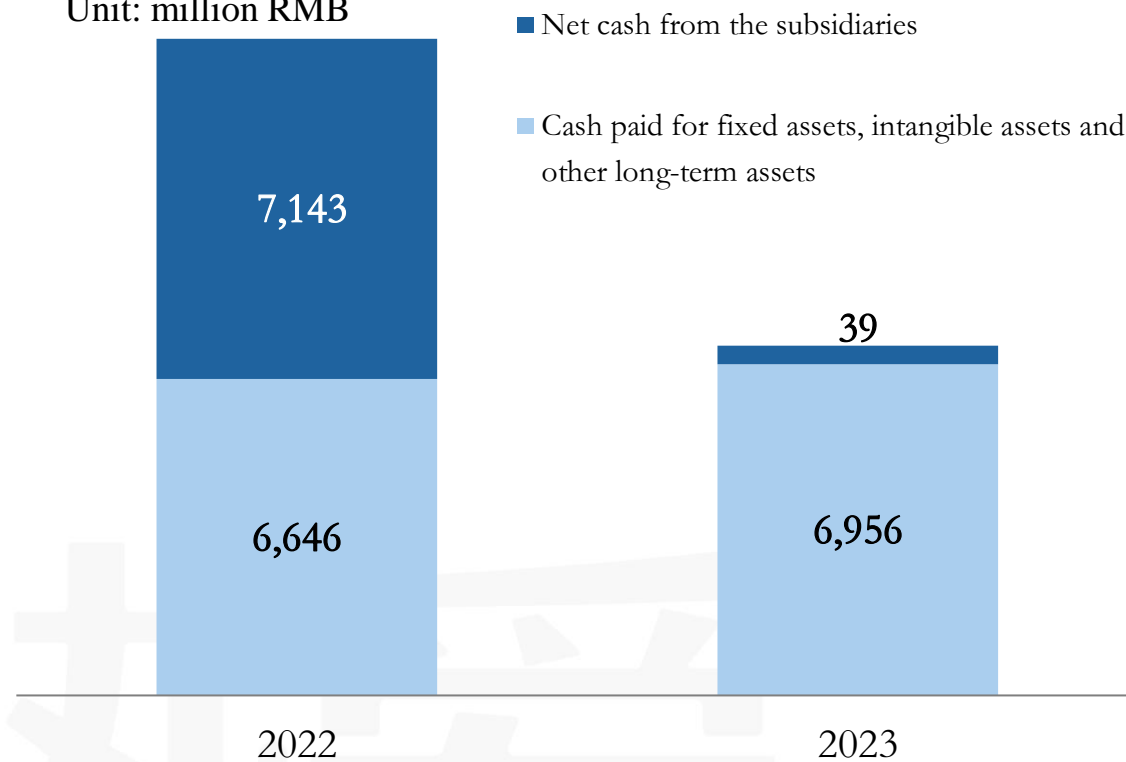
Net cash flow from operating activities

Unit: million RMB



Capital expenditure

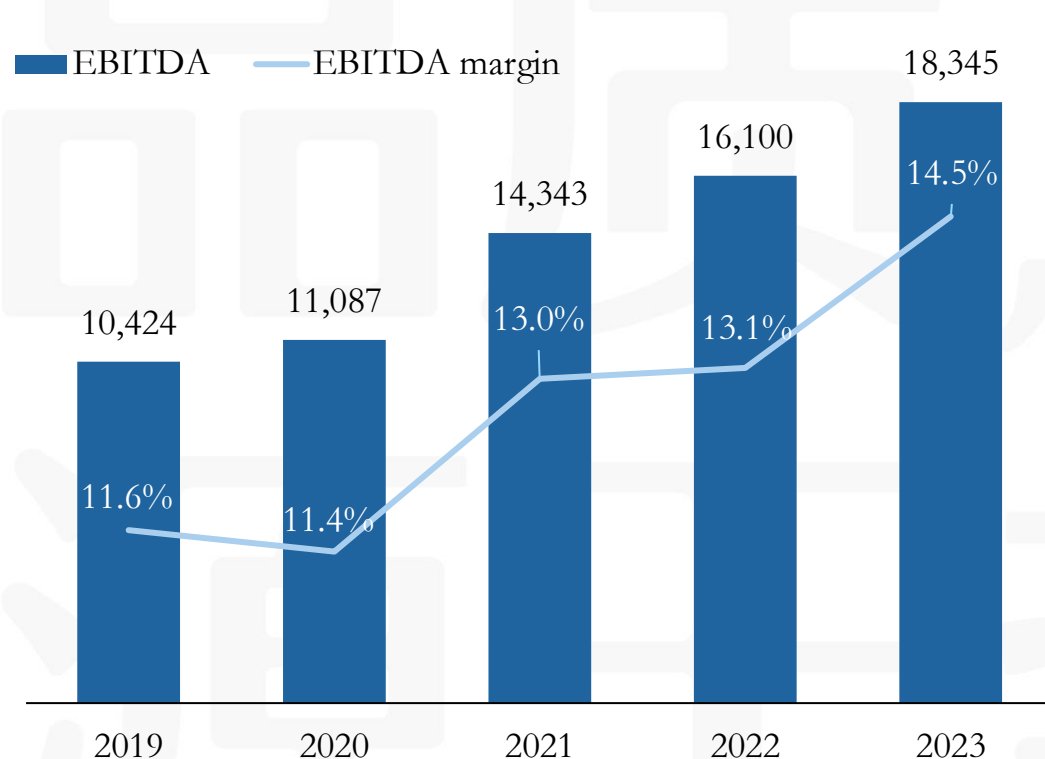
Unit: million RMB



EBITDA, ROIC and Dividend Rate

EBITDA & EBITDA Margin

Unit: million RMB



ROIC



2023

13.5%

Percentage of total amount of dividends¹⁾ to net profit attributable to ordinary shareholders of parent company



2023

80%

Note 1: total amount of dividends is equal to the amount of cash dividends plus amount of shares repurchased by cash included in cash dividend

Data source: Company data



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Industry Status and Trend



Health awareness is continuously increasing :

- As the national awareness of health continues to increase, consumers' demand for high-quality, healthy dairy products such as natural nutrition, organic, and functional ones are growing.
- In 2023, the retail sales of pure milk products maintained a growth trend year on year, with the organic pure milk increasing by 13.6% compared to 2022.



County and township markets contribute significant growth:

- With the increase in residents' income and the improvement of infrastructure, county-level cities with a population of 250 million have become important contributors to the current growth of the dairy market.



Opportunities for the emergence of new channels:

- Convenience plays a pivotal role in purchasing decisions. The innovative development of emerging channels and models such as online shopping, live streaming sales, community marketing, and O2O home delivery will drive the continuous expansion of dairy consumer groups and market size.



Innovation is the driving force for the sustained development:

- Dairy products and milk-based nutritions with health and functional attributes such as organic, active lactoferrin, A2 β -casein, and probiotics are highly favored by consumers.



The aging trend drives new business growth:

- With the aging trend of the population, the new elderly generation has stronger consumption power and willingness, and their pursuit of health, functionality, and quality will also drive new opportunities.



Deep processing industry potential for dairy products:

- China's dairy deep processing industry, including whey powder, lactoferrin, casein, and other products, is still in early stage. The potential of high value-added emerging dairy subdivisions such as cheese and milk-based nutritionals is also immense.



Digital intelligence:

- The era of "digital intelligence" brings more possibilities for the upgrading of the industrial chain. A modern dairy industry can provide more high-quality milk sources for domestic consumption.

Adhere to brand building, continuously expand brand matrix, and comprehensively occupy consumers' minds



The World
The Yili
全球热爱 品质如伊



Yili brand continues leading

Yili adheres to the corporate belief that “Yili means the best quality” and follows the brand concept of “nourishing life”.

Yili Group was recognized as one of the five most valuable food and beverage brands of 2023 by Kantar BrandZ, **continuously ranked the top among global dairy brands.**

In China “Brand Footprint Report 2023” by Kantar report, with a consumer reach of nearly 1.3 billion, **Yili was once again ranked first among the most chosen FMCG brands in the Chinese market for 8 consecutive years.**

* 2023年凯度BrandZ™最具价值全球品牌排行榜 正式发布

Gathering top industry resources to continuously enhance innovation capabilities



Innovation cooperation across the entire industry chain

Adhering to the innovation strategy, the company has established 15 innovation centers globally across Asia, Europe, Oceania, and the Americas, focusing on key areas of dairy research and development.

Innovative technologies to meet the diverse needs of consumers

The company has continuously made innovative breakthroughs in areas such as "breast milk and infant nutrition research," "lactose hydrolysis technology," "sugar reduction", and "native high protein/calcium." In 2023, the company took the lead in breaking industry technical barriers and pioneered targeted extraction and protection technology for lactoferrin.

The most "China Patent Excellence Awards"

As of December 2023, the company has accumulatively obtained 838 domestic and foreign patent authorizations, an increase of 144 compared to the previous year; and has won 8 China Patent Excellence Awards in total.



Continuously advancing digital and intelligent transformation to enhance operational efficiency



Improve Supply chain efficiency

- Improving the functionality of the four major systems: product innovation, supply chain operations, channel management, and consumer experience.
- Providing more agile, efficient, and intelligent information services to platform users, it enhances end-to-end supply chain service and support capabilities.

Observe customer needs

- Thoroughly understanding and responding to consumer needs, achieving a deep integration of business and digital technology.
- The digital and intelligent transformation of the entire industry chain provides new momentum for business development, while improving operational management efficiency.

Overseas business maintains sustainable growth with efficient collaboration of the "global supply chain network"



Oversea business increased 10.08% yoy

- The Cremo in Thailand led the market with top growth rate; The Joyday brand popularity has increased to 46% in Indonesia market with No.1 yoy growth rate
- In Dec 2023, Yili's Joyday started to sell in Dar es Salaam, Tanzania's largest city, and Yili became the first dairy company entering Tanzania.

Efficient collaboration of the "global supply chain network"

- In May 2023, the lactoferrin factory of the company's subsidiary, Westland Dairy Company Limited, went into operation. Currently, the factory ranks among the top three in the world in terms of annual lactoferrin production capacity.
- The company's Thai subsidiary, with its leading quality management standards, received the 2023 "Best of The Best Thai FDA Quality Award," becoming the first Chinese-funded enterprise to receive this prestigious award.



Continuing digital management and robust expansion of diversified channels



Digitalisation empowers channel management

Relying on digital technology innovation, the company continuously improves the operational efficiency of online and offline channels, shortens product delivery cycles, and reduces supply chain operating costs. While deeply exploring channel development opportunities, it continuously optimizes the fine management system of channels to drive business growth in all directions.

Robust expansion of emerging channels

The company actively expands its emerging channel businesses such as O2O, community group buying, and fresh food platforms. We also launched customized channel services to continuously strengthen the channel advantages of county-level markets and increase market penetration.

On major e-commerce platforms, the company's retail market share of liquid dairy products has increased by nearly 4 percentage points yoy, consistently ranking first for both online and offline channels.

Liquid milk: The demand for self drinking white milk continues to grow, and innovation leads the development of the industry



Basic white milk category: steady growth

Continuously consolidating the brand's position in health, nutrition, and quality, actively expanding emerging channel businesses, and the company has achieved faster growth than the industry



Satine: No.1 in Premium white milk brand, with double digit growth of organic segment

Focused on the Satine organic series, launched the annual popular product - limited Hulunbuir organic milk, driving organic milk to maintain double-digit growth



SHUHUA: No.1 in lactose-free milk

With a market share of nearly 90% in the lactose-free milk segment, "Shuhua An Tang Jian" lactose free milk was launched in 2023, becoming the world's first glucose controlled milk



Cute Star: No.1 in Children milk

Digging deep into consumer demand, and first introduced the concept of "native nutrition", redefining children's milk that is more suitable for children's growth, successfully driving the development of Cute Star brand and domestic children's liquid milk

Liquid milk: Multiple categories develop healthily, occupying leading positions in multiple segments



安慕希®



- The sour milk beverage brand with the highest national recognition
- Successively launching new flavors such as lychee and apricot, attracting the younger generation of consumers

Market share of ambient yogurt exceeds 65%

- Focusing on consumers' pursuit of health and functions, and innovate to drive category development
- In response to consumer demand on probiotics and other nutritional supplements, we launched the probiotic series of Ambrosial yogurt
- Continuously engage in more cross-industry cooperation, such as music festivals, tourist attractions, catering channels, etc



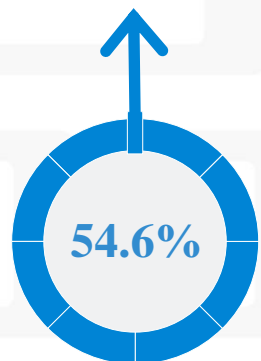
- Grain milk brand continuously ranks first
- Focusing on the oat series, achieving positive growth

Liquid milk: Satine pasteurized milk grew rapidly, innovation leads the chilled dairy category development



Increased in market share of multiple chilled categories

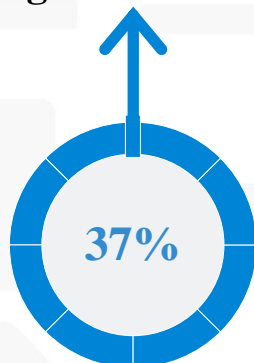
Satine pasteurized milk growth rate



Satine pasteurized milk increase in market share



Gonglao set yogurt growth rate



In 2024, focus on core brands and strengthen brand building

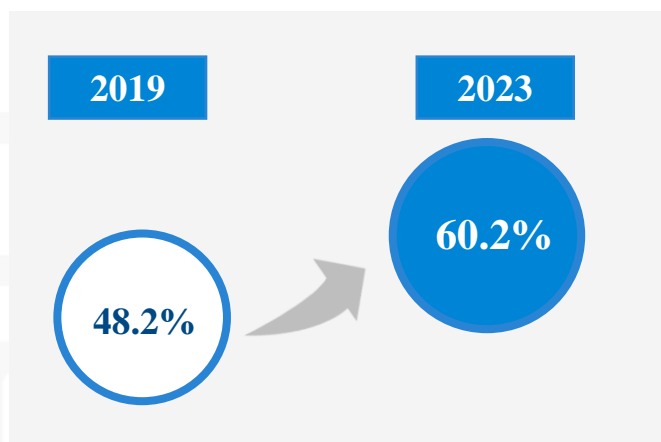


- Changqing ranked the top brand in the chilled yogurt category for 8 consecutive years
- Newly launched grain pop yogurt series focusing on nutrition and deliciousness, has driven the growth of overall market share
- Gonglao maintained No.1 in chilled set yogurt category
- Strengthened brand innovation, focus on “China-Chic”, and won the reputation of consumers
- Yili collaborates with Sam’s to explore diversified consumer demands. In July 2023, MilkTalk Latte was launched and sold in Sam's Club nationwide

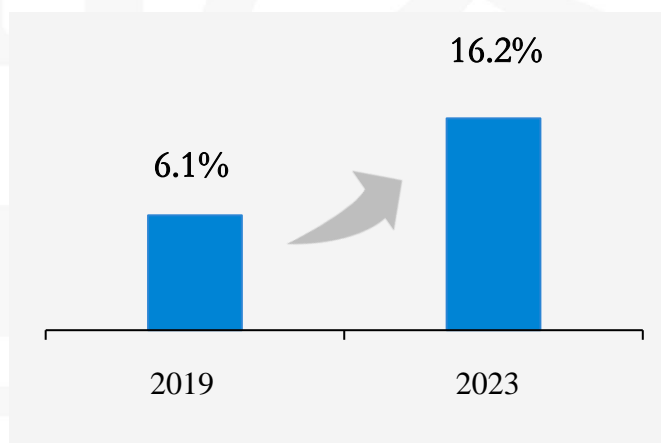
Milk powder and dairy products: The market share of company IMF category continues to increase



Domestic
IMF brands
market share



Yili IMF
market share



Jinlingguan

Jinlingguan Zhenhu has become the **best-selling** milk powder in mom and child channel



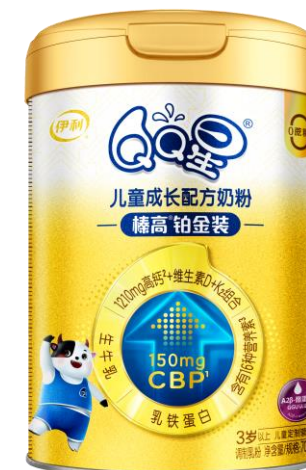
Seine Mouiller

Growth rate over 40%, became **No.1** in organic milk powder



Cute Star

The brand grows rapidly, ranking **No.1** in brand and **No.1** in market share in the children's milk powder market



Milk powder and dairy products: The silver economy drives the rapid development of adult milk powder



Leading adult milk powder development

▲ No.1 in industry

▲ Market share expanded to 23.3%

▲ Sales revenue grew double digit YoY

▲ Optimized product mix

For Senior



For Female



Goat Milk Powder



- The Xinhuo brand consolidates its leading position in high-end powder for senior, with No.1 in brand, market share, and growth rate in the industry.
- The Yili brand's Beichang goat milk powder series is growing rapidly. Yili launched milk powders for female and student, the high-performance products to meet the segmented consumers need.

Milk powder and dairy products: The cheese business grasps the trends in the catering and baking markets, and toB business grew steadily



2023 Cheese Business Performance



The market share of KA channels is about 16.9%, an increase of 0.6 percentage points from the previous year



Yili has developed and launched Mozzarella Cheese Shreds, achieving a yoy growth of over 20% in Mozzarella category products



The Cheese Health Valley production base was successfully put into operation in 2023, and it has the highest level of automation, the largest production scale, and the most advanced technology in China



Ice cream: Products continuous to upgrade, leading the consumer market trend



**No.1 in
market share**



**No.1 in market
penetration**



**Leading market for
29 consecutive years**

Product Innovation

- By focusing on consumers, company rapidly innovates products, meets new consumption scenarios, and combines effective promotion methods to create a full-category matrix of strategic super products
- Multiple brands such as Chocliz, Iceology, Yili Ranch etc. have the highest market share in those subcategories. Gemice brand has grown by more than 50% for 3 consecutive years, and brand recognition has also largely increased



Channels Planning

- Further deepen channels and continuously tap into the consumption potential of third and fourth tier cities
- Actively expand emerging channels, explore customized products, and carry out cultural, tourism, and creative product cooperation
- Exploring new business models for product handover, building digital agile supply chains, and effectively promoting long-term healthy business development



Business Outlook

2024 Business Outlook

Total revenue to be
RMB: 130 billion



Profit before tax to be
RMB: 14.7 billion

2024 Business Strategy

- 1 Adhere to the corporate belief of "Yili means the best quality" and "consumer-centered mindset ", deeply promote "value innovation", and continue to lead the healthy and sustainable development of our business with finest quality products and top-notch services.
- 2 Strengthen the core technology innovation and result transformation, adhere to comprehensive and front to end innovation, and promote high-quality development of the industry
- 3 Continue to accelerate the upgrade of digital transformation , build agile and efficient product delivery and service capabilities, and create greater value and better experiences for consumers.
- 4 Solidly promote the strategy of "reducing costs and increasing efficiency", optimize the production capacity and milk supply planning, improve resource utilization efficiency, and enhance the company's profitability
- 5 Continuously exploring new overseas markets and enhance overseas business operation capabilities.
- 6 Continue to build the "Global Health Ecosystem", and achieve coordinated development and win-win collaboration with our partners
- 7 Enhance the ability to manage sustainable development strategies, actively leverage the social influence of the corporate brand, and drive consumers to establish a sustainable and healthy lifestyle



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Honors and awards granted to Yili on sustainable development



Awards

Issuing Authority

Governance

Yili's carbon reduction case has been selected for the "Progress Report on China's Implementation of the 2030 Agenda for Sustainable Development (2023)", making it the only food enterprise selected and the third time Yili has been selected for the report

China International Development Knowledge Centre

Won the first place in the Dairy Industry Social Responsibility Development Index (2023)

“The Blue Book of Corporate Social Responsibility (2023)” by the Chinese Academy of Social Sciences

Won the 7th Ram Charan Management Practice Award with the case of "Yili Group's Globalization Strategy and Practice". The Chinese version of Harvard Business Review

Harvard Business Review (Chinese version)

Selected as one of the "Best Practice Cases for ESG of Listed Companies" by the in 2023

China Association of Listed Companies

Awarded the "Management Pioneer Award" by Lloyd's Quality Assurance (LQRA), becoming the only enterprise in the food industry to receive this honor

Lloyd's Quality Assurance

Selected as "Pioneer 100 Chinese ESG Listed Companies", and ranked first in the Chinese food industry and at a five-star level, making Yili an outstanding player in the ESG development of listed companies.

The Financial Program of CCTV, in collaboration with the SASAC, the ACFIC, the Economics Institute of the Chinese Academy of Social Sciences, and the China Association for Enterprise Reform and Development

Environmental

Won the "Innovation Enterprise Award in Carbon Neutrality" and became the only award-winning unit in the dairy industry.

The 3rd Boao Conference on Carbon Neutrality

Selected as a typical case of efficiency improvement in pollution and carbon reduction of industrial parks.

The Ministry of Ecology and Environment's Center for Foreign Cooperation and Exchange

Won the CSR award of the 2023 "Annual Low Carbon Pioneer Award" by Yili's supply chain carbon management work

Southern Weekend Newspaper

Social

Awarded the highest honor in international talent development, the "Global Talent Development Excellent Practice Award"

the International Talent Development Association

Awarded the "Digital Transformation and Artificial Intelligence" Industry Talent Base Award

Ministry of Industry and Information Technology

Won the "Action Alliance" 2023 Public Welfare Ceremony "Flood Relief Action Award"

iFeng.com

Yili's sustainable development ratings in 2023 and collaborated external institutes



MSCI

A

In 2023 Yili MSCI ESG rating upgraded from BBB to A

CDP

森林 气候 水
B B B

Yili replied to CDP questionnaire for consecutive 4 years, and got B in all “Climate Change”, “Forest”, and “Water Safety”



Members of the United Nations Global Compact Organization



Signatory of the Convention on Biological Diversity “Corporate and Biodiversity Commitment”



Member of the Roundtable Sustainable Palm Oil Initiative



WWF Public Welfare Cooperation Strategic Partner

Sedex Member

Sedex Members (Global Supply Chain Responsible Procurement Network)

Independence and diversity of the board of directors

Yili values the diversity of the board of directors, and takes into account the composition of the board members from various aspects such as gender, education background, age, and major, based on the company's development model and business needs.



Independent Directors

4 People



Independent Directors account for

more than **1/3**



Female Board of Directors accounts

45.45%

Anti-corruption management

Yili has established a company-wide anti-corruption management system, adhering to the principle of combining punishment and prevention, and has established a collaborative prevention and control system for anti-corruption with the core philosophy of "not daring to corrupt, unable to corrupt, and unwilling to corrupt."

In 2023



The number of employees signing the anti-corruption commitment letter is

49,615



Business ethics trainings to all employees. and external suppliers

12,078

Covering employees and partners

100%

Environmental Protection



41 subsidiary companies have obtained national level "green factory" certification



Energy consumption reduced by **19.1k tons** of standard coal



1,153 energy-saving and emission reduction projects (excluding water-saving projects)



Annual water savings exceeding **1.77 million tons**



1,193 tons of reduced packaging paper usage in 2023



Yili "Zero Carbon Alliance" has reached **88 members**



Social Responsibility



Yili insists on keeping up with the pace of social development, by using the own advantages, Yili actively participates in public welfare, and giving back to society. Relying on representative public welfare projects such as **"Yili Ark"**, **"Yili Nutrition 2030"**, **"Yili Childhood Dreams"** and **"Yili Home Action"**. Yili also collaborates with the "Yixin Xiangyang" Volunteer Service Federation to carry out a wide range of public welfare activities, providing long-term support and assistance in the fields of child safety and child nutrition and health, and trying the best to create a harmonious society.



Collaborate with "Yixin Xiangyang" volunteers across the country to carry out the "Sunshine Plan" for special education group care action in their regions



"Yili Ark" entered Xiaoliang town, Lixian County, Gansu Province, brought Yili student milk to children for nutrition supplies and conducting campus safety emergency training



"Yili Childhood dreams" invites teachers and students from Hezhang County, Guizhou to visit "China Tianyan" for the first offline astronomical research activity



The "Yili Home Action - Saving Endangered Asian Elephants" public welfare project aims to protect Asian elephants and their habitats, and promote the construction of food source area for Asian elephants in Xishuangbanna, Yunnan



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Corporate culture



Belief

“Yili” means the best quality

Vision

Be the most trusted global healthy food provider

Core Values

Excellence Accountability Innovation

Win-win Respect

The Spirit of Yili

Ownership
mindset

Strong sense of
responsibility

Powerful execution
capability

Long-term Strategic Goals



“Value Leading” Strategic Goal

**Consumer value
leading**

**Social value
leading**

**Employee value
leading**

**Corporate value
leading**

Long-term Strategies

- 1 Continue to focus on the field of healthy food and lead the development of the industry based on the needs of consumers and by relying on the global technology innovation and R&D platform
- 2 Steadily advance in globalization strategy, and improve operation capability as an international brand
- 3 Actively expand the emerging channels, and leverage Internet technology to create new business models
- 4 Elaborate collaborative advantages of global supply chain, and improve overall operation efficiency of the company
- 5 Adhere to the requirements of "striving for excellence, pursuing excellence, and constantly surpassing oneself", and consolidate the cultural foundation of the company
- 6 Continuously promote the implementation of the company's strategies on sustainable development of full value chain , and assist in achieving the "value leading" strategic goal



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Thanks!