



品质, 源于热爱

Inner Mongolia Yili Industrial Group

2023 Annual and First Quarter 2024 Results

Disclaimer



This material is provided by the Inner Mongolia Yili Industrial Group Co., Ltd.

Catalogue

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 of the 20th largest company in China



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2 Financial Review

3 Business Review & Outlook

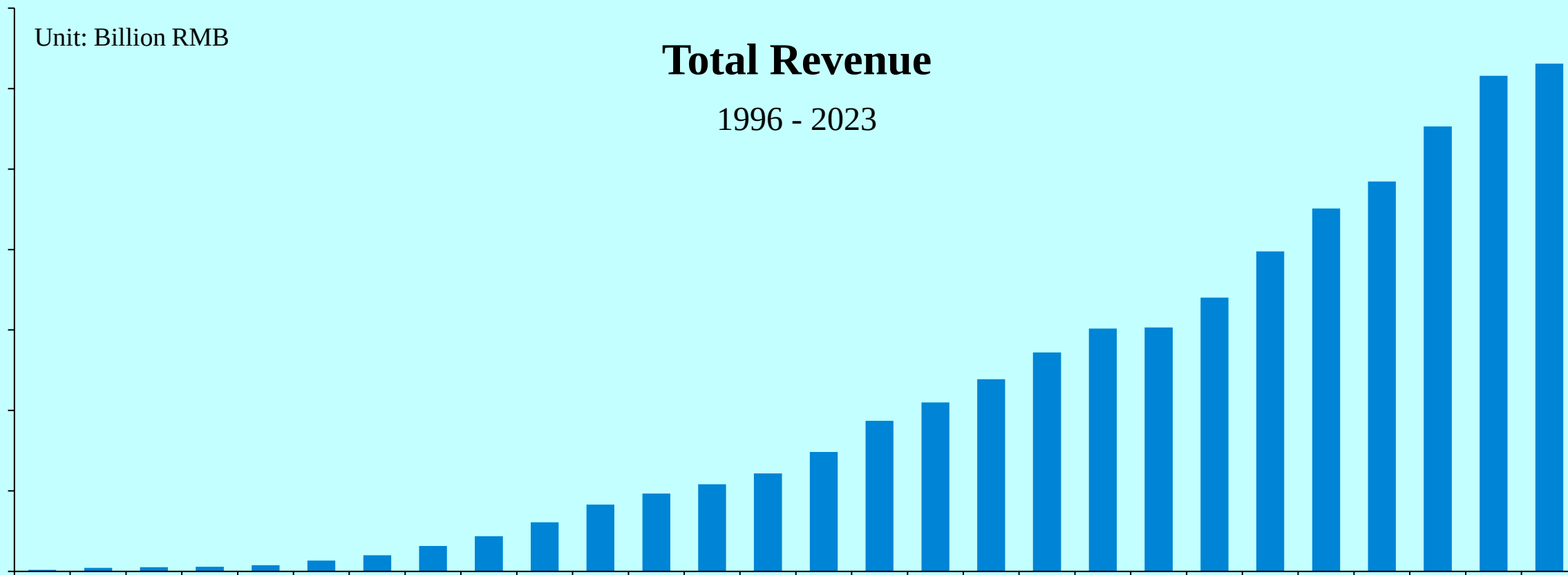
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Financial Review



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						
Revenue from core business						
Gross profit ¹						
Gross profit margin						
Selling expense ratio						
G&A expense ratio						
Operating profit						
Net profit attributable to shareholders of the company						
Net profit margin						
EPS (RMB)						
ROE						

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										
Milk powder and milk products										
Ice cream										
Other products										
Total										

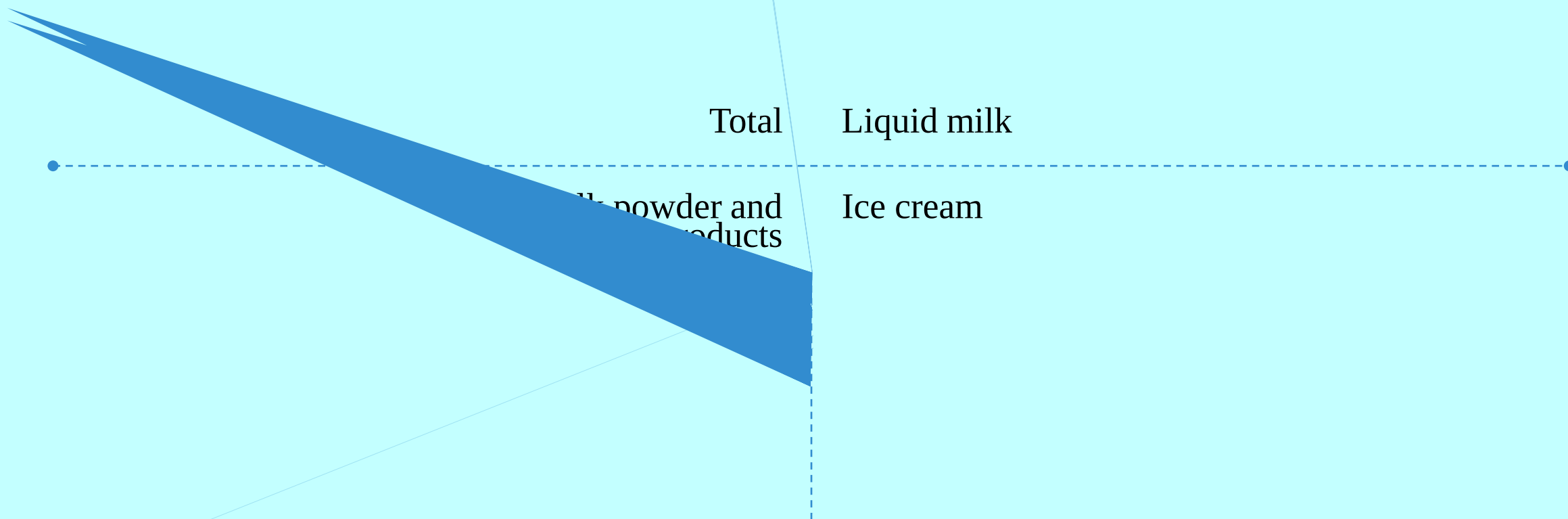


2022	Volume	Product Mix ¹	ASP	2023	2022	Gross Profit	Selling Expense	G&A Expense	Other	2023
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Note 1: 'Other products' in core business lists as a separate column in the analysis above without breakdown of volumn and AS



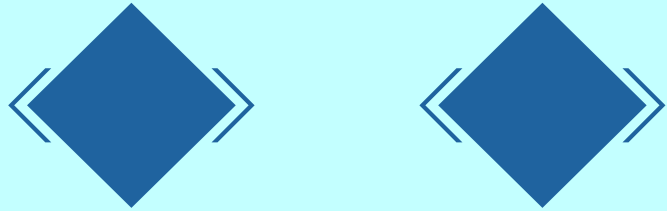
Gross Margin by Segment



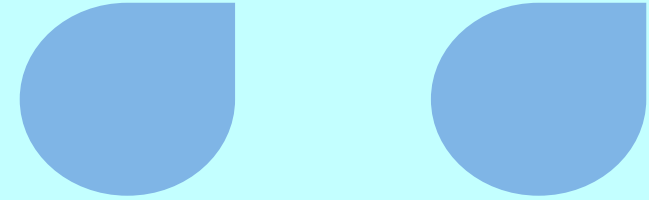


Operating Efficiency

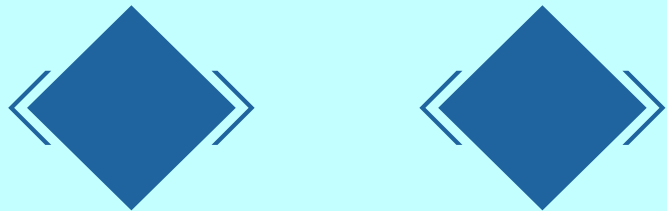
Notes Receivable and Accounts Receivable Turnover (Days)



Inventory Turnover (Days)



Notes Payable and Accounts Payable Turnover (Days)



Cash Turnover (Days)



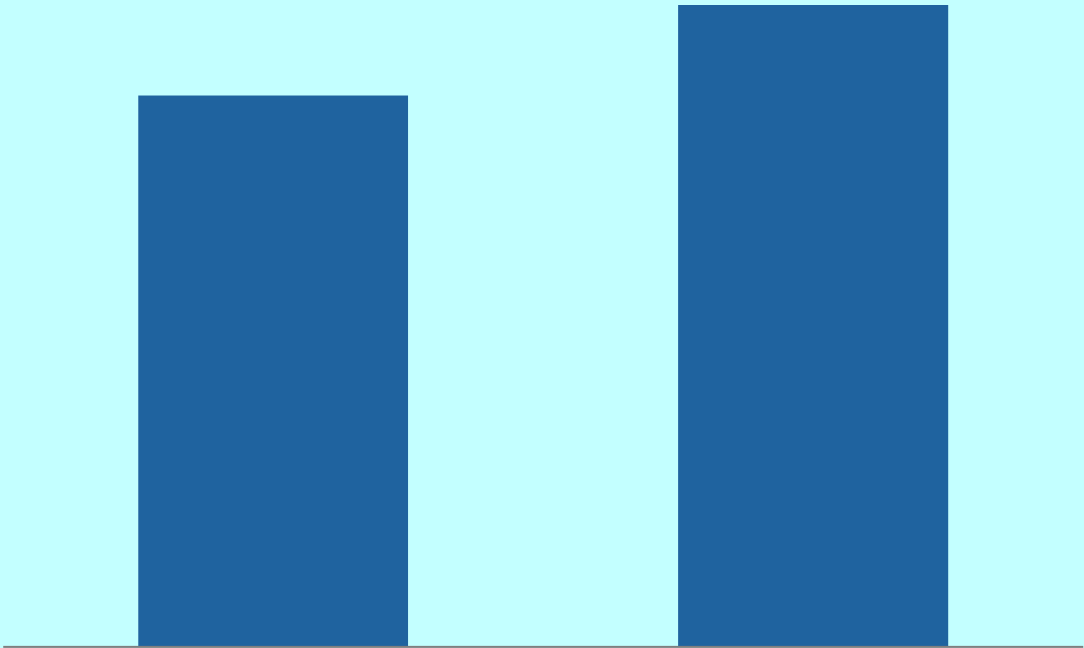


Cash Flow and Capital Expenditure



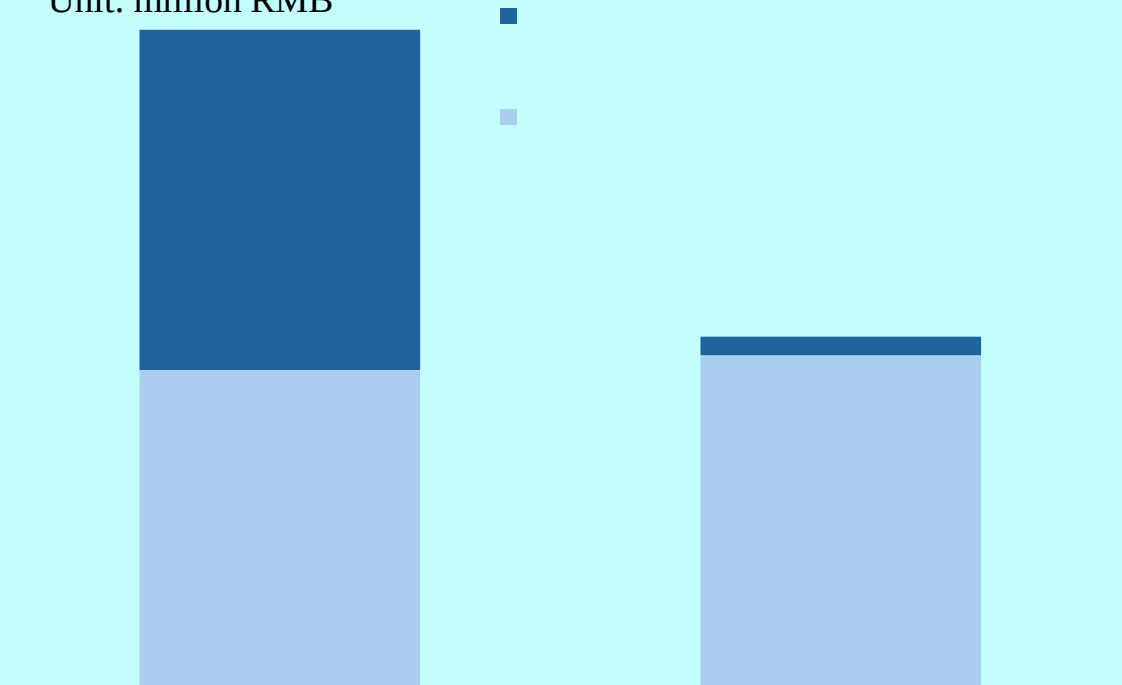
Net cash flow from operating activities

Unit: million RMB



Capital expenditure

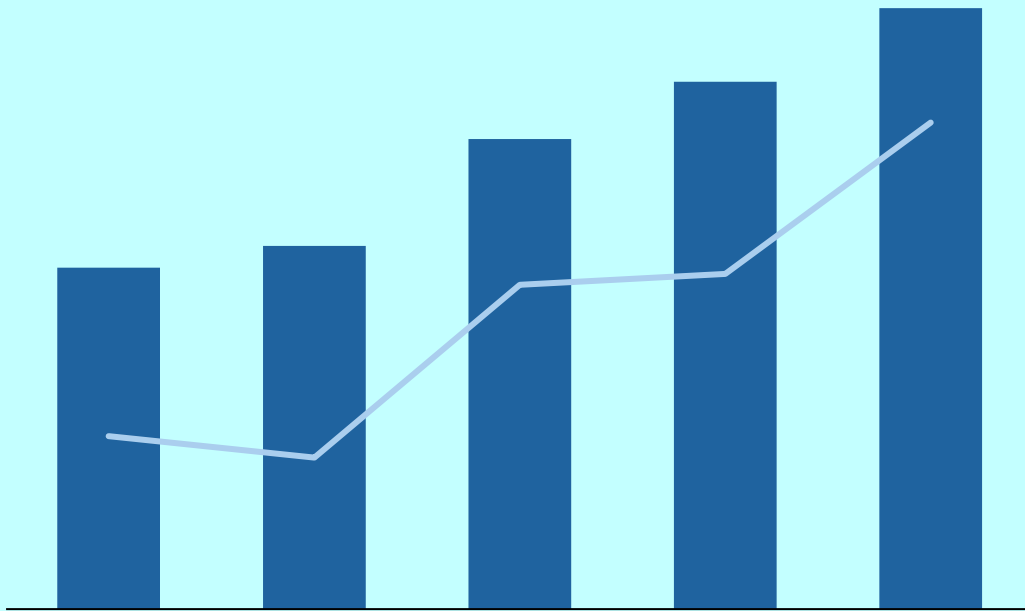
Unit: million RMB



EBITDA, ROIC and Dividend Rate

EBITDA & EBITDA Margin

Unit: million RMB





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us and Trend

Business 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 products are growing.

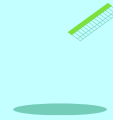
In 2023, the retail sales of pure milk products maintained a growth trend year on year, with the organic pure milk increasing by 13.6% compared to 2022.

County and township markets contribute significant

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



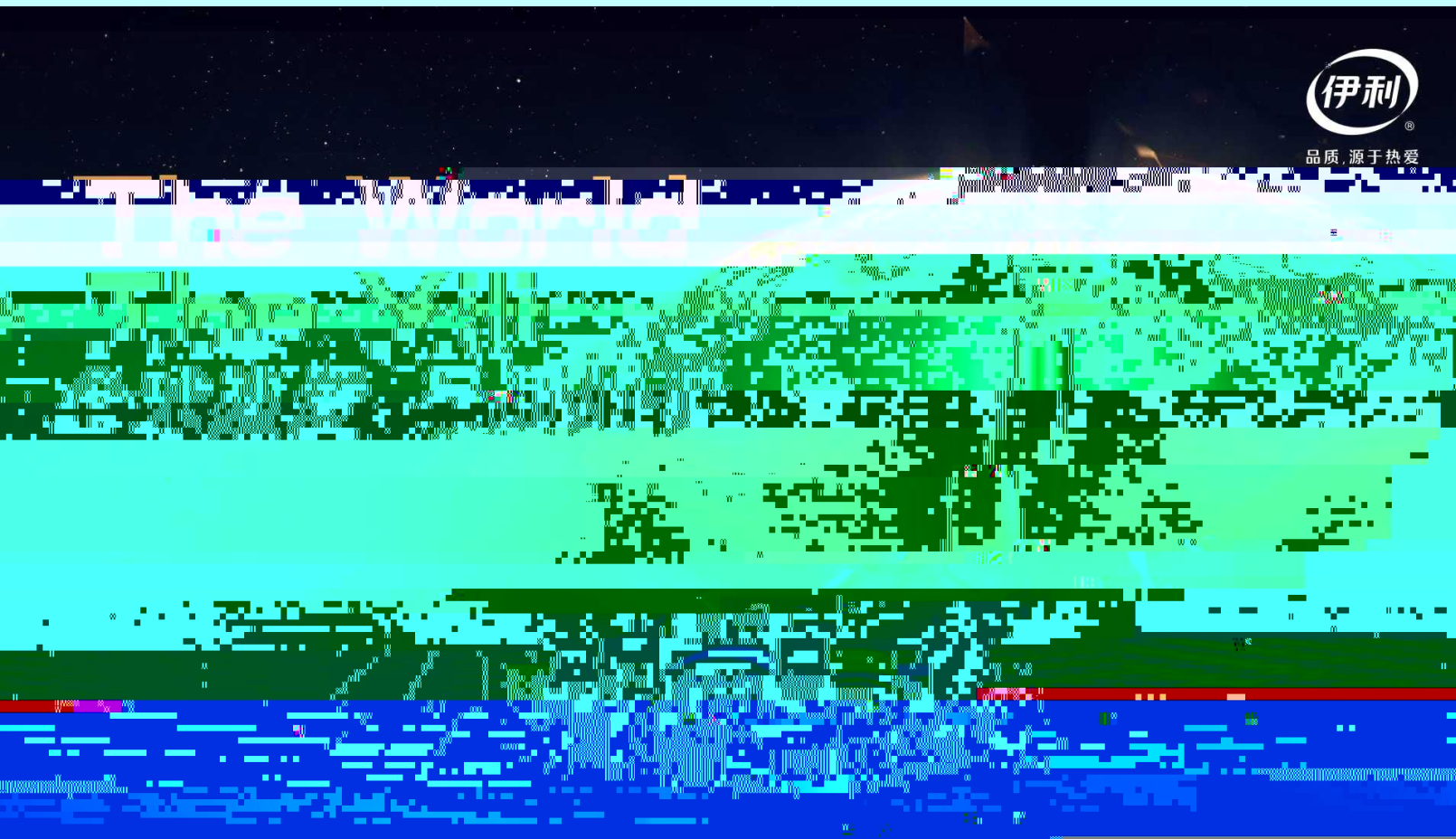
The aging trend drives new business growth:

- 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

-

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



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.**



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.

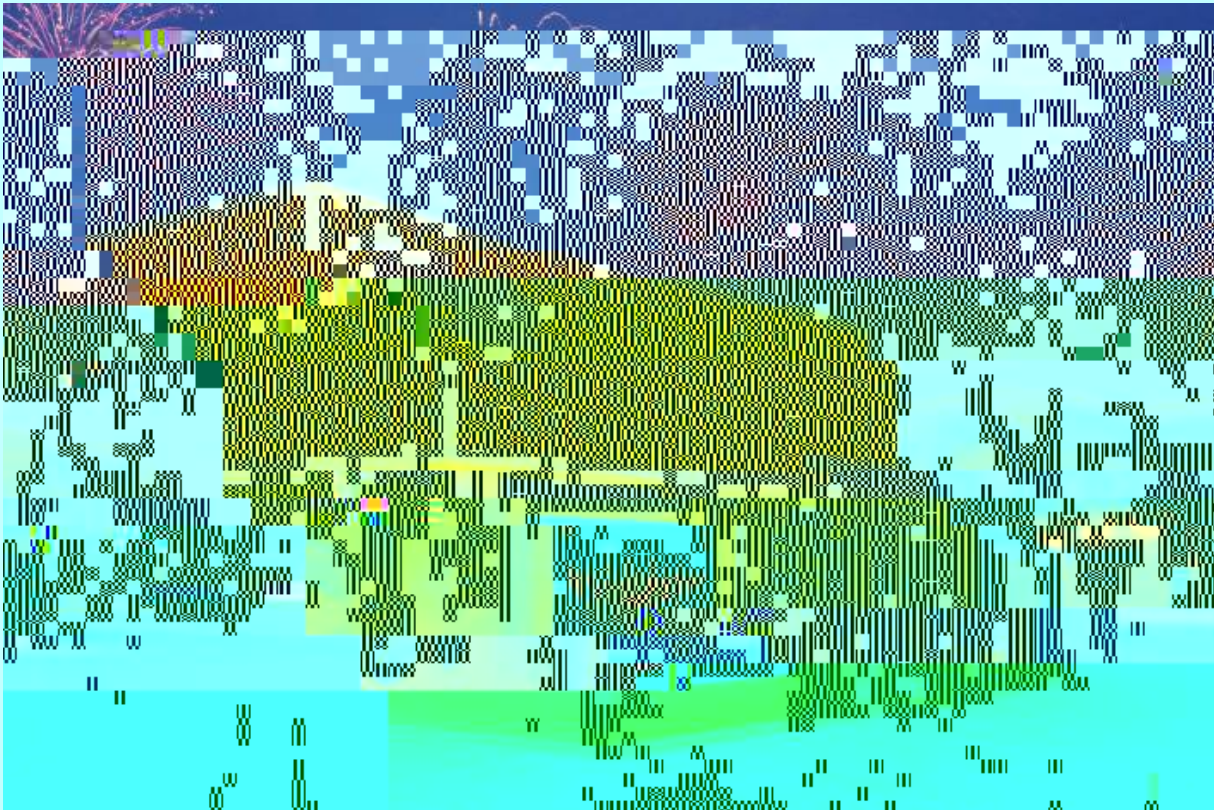
Innovative technologies to meet the diverse needs of consumers

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/

Continuously advancing digital and intelligent transformation to enhance operational efficiency



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

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



- 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



- 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

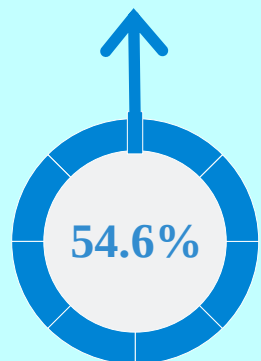
- Grain milk brand continuously ranks first
- Focusing on the oat series, achieving positive growth

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



Increased in market share of multiple chilled categories

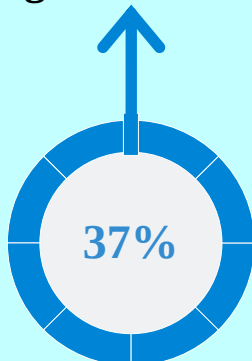
Satine pasteurized milk growth rate



Satine pasteurized milk increase in market share



Gonglao set yogurt growth rate



In 2024, focus on core brands and strengthen brand building

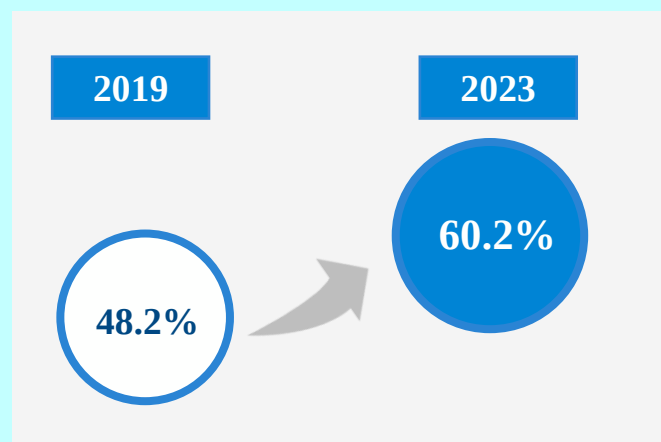


- Changqing ranked the top brand in the chilled yogurt category for 8 consecutive years
- Newly launched grain pop yogurt series focusing on nutrition and deliciousness, has driven the growth of overall market share
- Gonglao maintained No.1 in chilled set yogurt category
- Strengthened brand innovation, 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

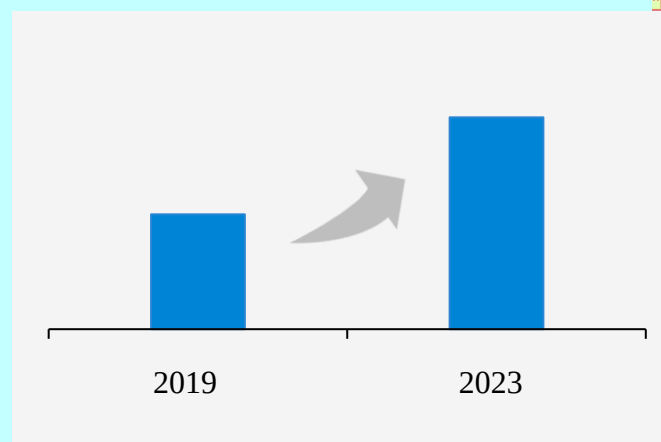
Milk powder and dairy products: The market share of company IMF category continues to increase



Domestic IMF brands market share



Yili IMF market share



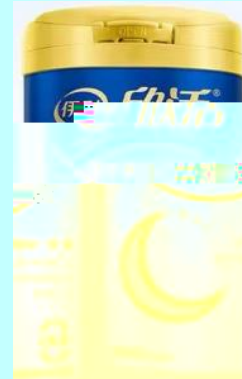
Jinlingguan Zhenhu has become the **best-selling** milk powder in mom and child channel

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

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



- The Xinhuo brand consolidates its leading position in high-end powder for senoir, 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



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



**No.1 in
market share**



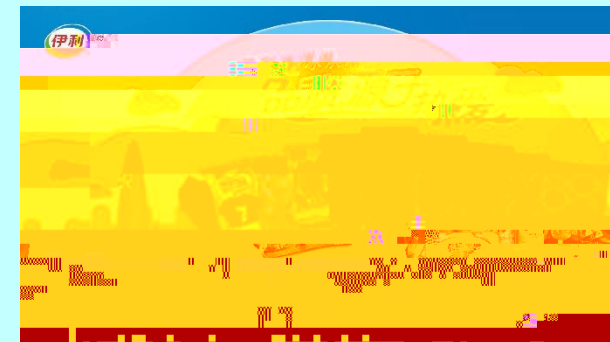
**No.1 in market
penetration**



**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

- 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.

2024 Business Strategy

- 3 Continue to lead the industry in digital transformation, build a digital ecosystem, 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



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institutes



MSCI

A

In 2023 Yili MSCI ESG rating upgraded from BBB to A

CDP

森林 气候 水
B B B

伊利连续 4 年回复全球环境信息研究中心 CDP 问卷，在“气候变化”“森林”“水安全”三个领域均获得 B 级。



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



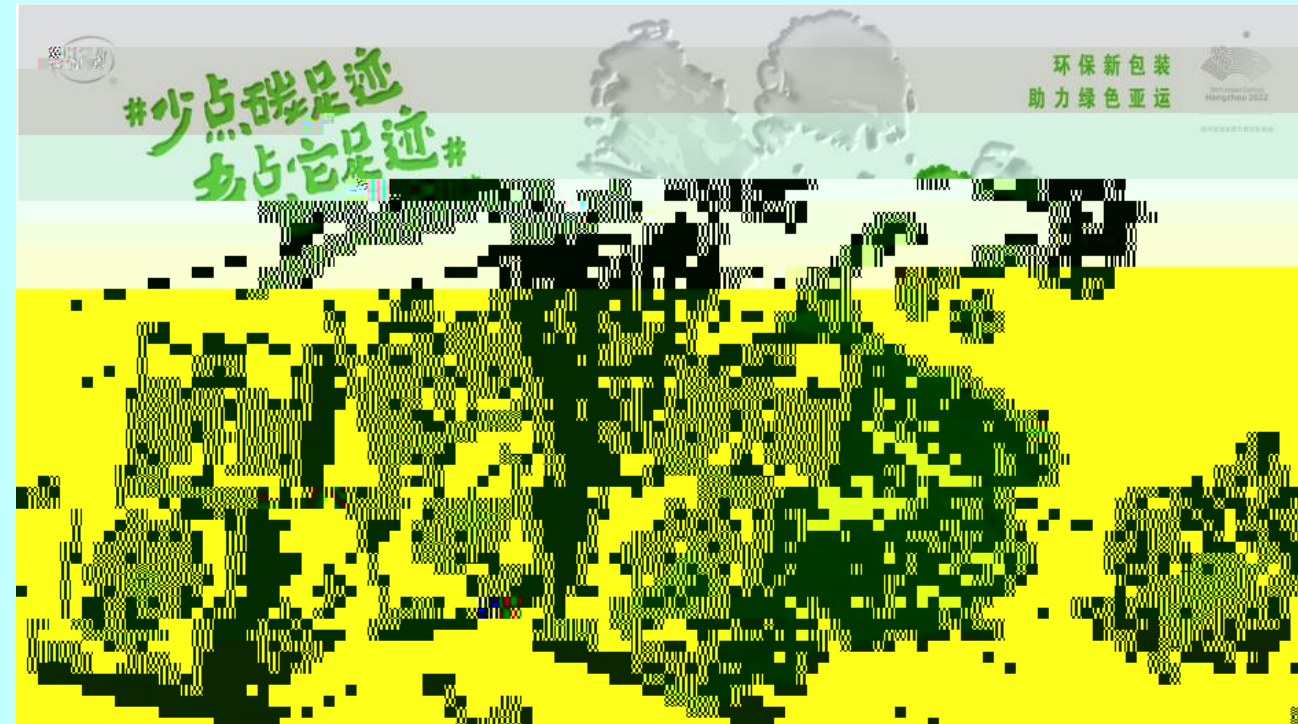
Business ethics trainings to all
employees. and external suppliers

12,078

Covering employees and partners

100%

Environmental Protection





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Corporate culture



Long-term Strategic Goals



- 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



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