



品质, 源于热爱

Inner Mongolia Yili Industrial Group Half-year Results 2023

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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 nine consecutive years.** Yili is China's largest dairy producer, offering the largest number of products. Additionally, Yili is an international enterprise that has achieved industrial layout in Asia, Europe, the Americas, and Oceania.
- 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, and the Beijing 2022 Winter Olympic Games. Yili has also become a partner of the World Economic Forum, the Boao Forum for Asia, and the World Internet Conference.
- Standing at the new starting point of the global dairy top 5, Yili has officially released its strategic goal of "becoming No.1 among the global dairy enterprises and advancing to the global top 5 healthy food enterprise".



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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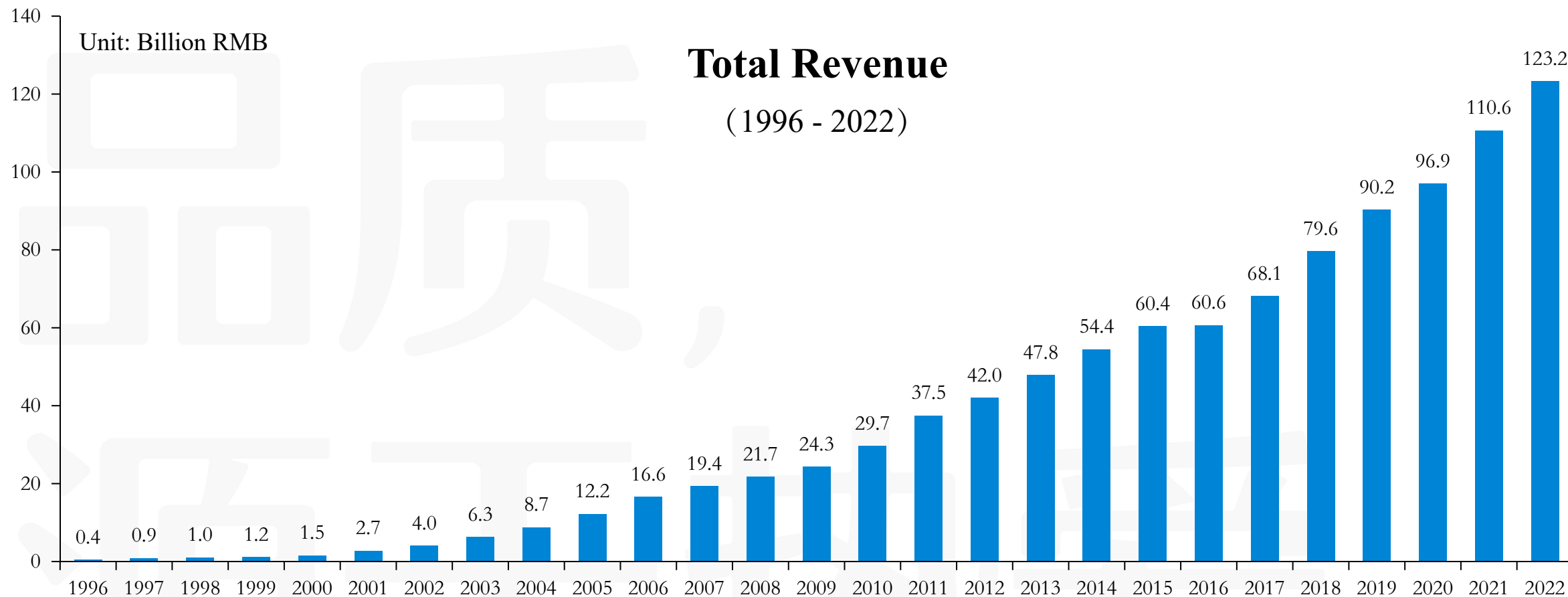
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Financial Review



Total revenue in 2022 was RMB **123.17** billion, and net profit attributable to shareholders of the company was RMB **9.43** 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 H1	2023 H1	Growth rate
Revenue	63,463	66,197	4.3%
Revenue from core business	62,465	65,423	4.7%
Gross profit ¹	21,032	21,805	3.7%
Gross profit margin	33.67%	33.33%	-0.34 pts
Selling expense ratio	18.34%	17.55%	-0.79 pts
G&A expense ratio	3.85%	4.01%	0.16 pts
Operating profit	7,325	7,327	0.0%
Net profit attributable to shareholders of the company	6,133	6,305	2.8%
Net profit margin	9.66%	9.52%	-0.14 pts
EPS (RMB)	0.96	0.99	3.1%
ROE	12.19%	11.86%	-0.33 pts

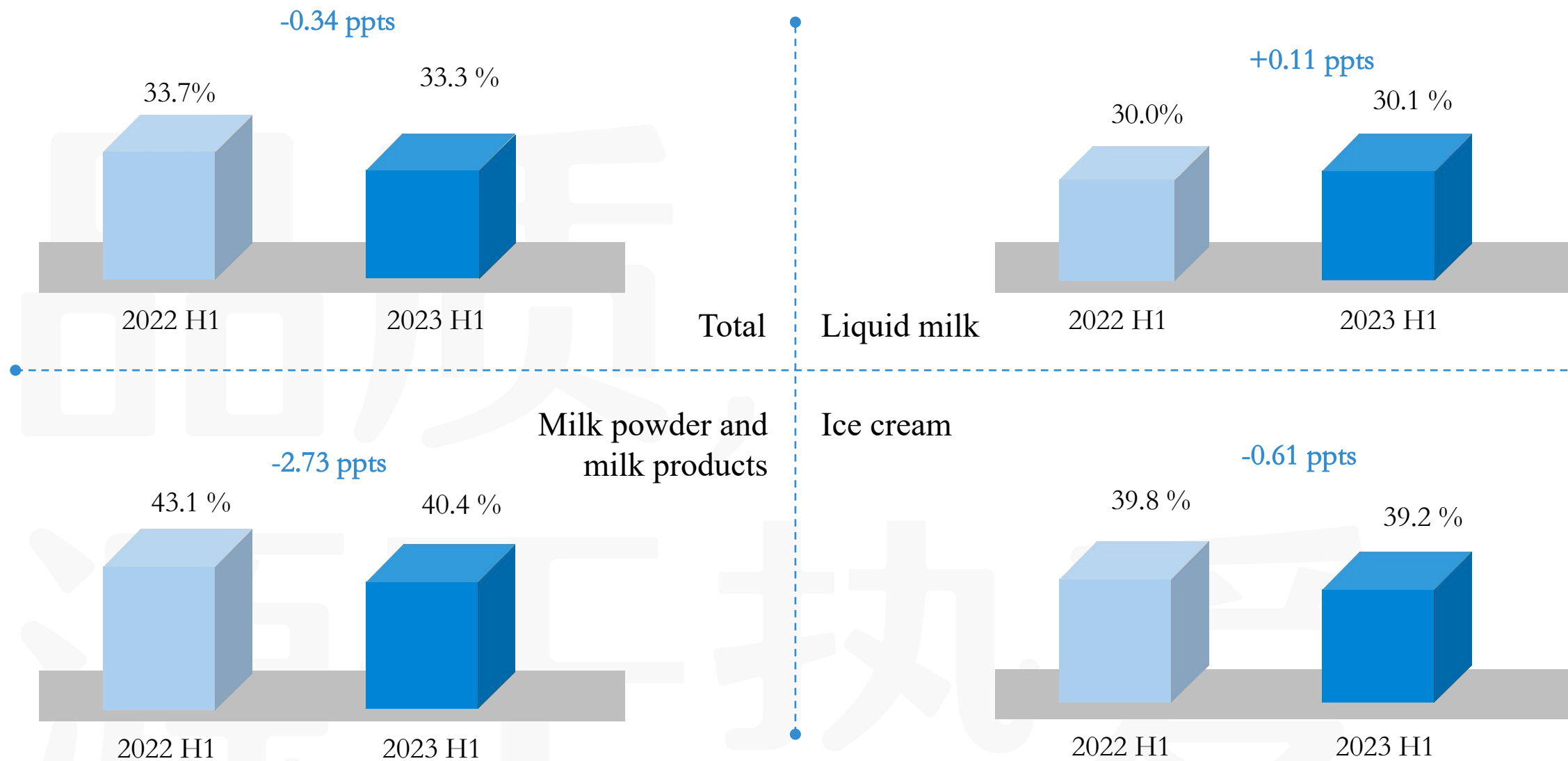
Note 1: Gross profit is calculated from core business revenue

Core Business Revenue Segment Breakdown



RMB (million)	2022 H1		2023 H1		Growth rate
	Revenue	%	Revenue	%	
Liquid milk	42,892	68.7%	42,423	64.8%	-1.1%
Milk powder and milk products	12,071	19.3%	13,521	20.7%	12.0%
Ice cream	7,295	11.7%	9,158	14.0%	25.5%
Other products	207	0.3%	321	0.5%	55.1%
Total	62,465	100.0%	65,423	100.0%	4.7%

Gross Margin by Segment

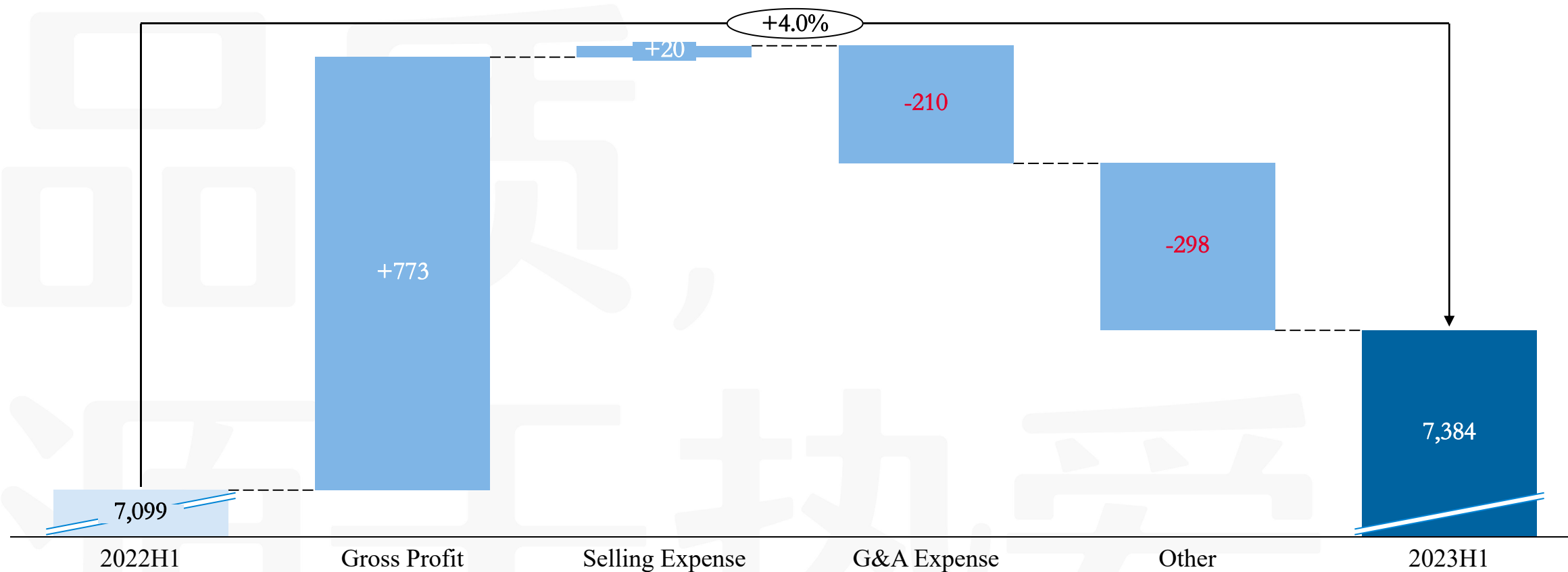


Analysis of Profit Growth



1H2023 Total Profit Growth Attribution

Unit: million RMB

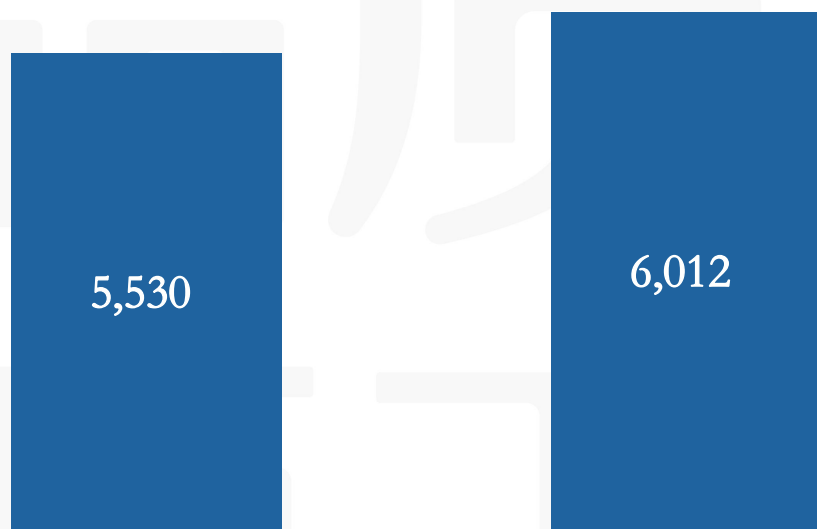


Cash Flow and Capital Expenditure



Net cash flow from operating activities

Unit: million RMB

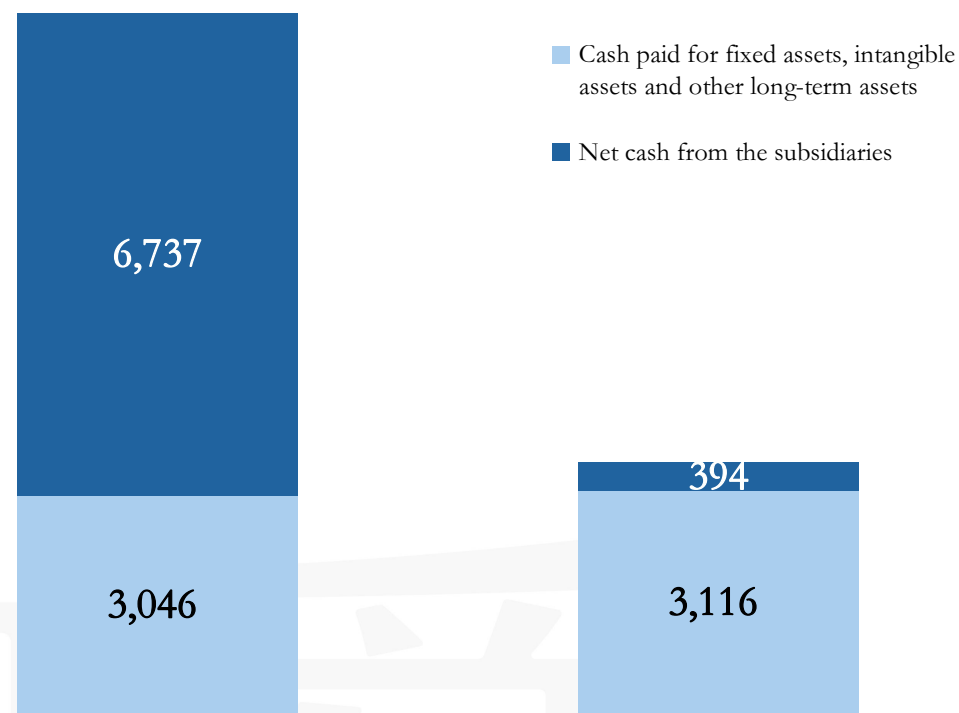


2022 H1

2023 H1

Capital expenditure

Unit: million RMB



2022 H1

2023 H1



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Industry status



Health awareness is continuously increasing:

Consumer demand for high-quality and nutritious dairy products continues to grow, with retail sales in some segments showing an upward trend year-on-year

The retail sales of organic white milk increased by 17.1% year-on-year

The number of households purchasing ambient liquid dairy products in county towns and county-level cities has increased by 2.1% compared to the same period last year



The aging trend drives the development of adult milk based nutrition products:

Retail sales in the market maintain a good growth momentum

In the first half of this year, the retail sales of adult milk powder increased by approximately 6.2% year-on-year



The CPC Central Committee and the State Council issued the “Guideline on Expanding Domestic Demand (2022-2035)”

Advocate improving the diet structure of residents, increasing the supply of healthy and nutritious agricultural products and food, and implement a series of measures to expand domestic demand and stimulate economic development

As an important element of balanced diet, dairy products are an essential component of improving physical quality and creating healthy lifestyle; with the recovery of economy, the consumption scale of dairy products will continue to grow, and the developing trend of the industry will gradually improve



Domestic milk supply is relatively sufficient:

Affected by the decrease in terminal sales, the price of raw milk showed a downward trend compared with the same period last year

The market price of other main raw and supplementary materials was stable and slightly lower than that of the same period last year

Take quality as the cornerstone, and continuously tamp the brand's competitive advantages



- Yili adheres to the corporate belief that “Yili means the best quality”, follows the brand concept of “nourishing life”, and promotes the establishment of a global brand system
- Relying on big data , Yili continuously enhances communication and interaction between the brand and consumers; the company takes quality as the cornerstone and continuously tamps the competitive advantages of the brand
- Kantar BrandZ Most Valuable Global Brands 2023 was officially announced, **Yili has once again claimed the top spot as the most valuable dairy brand globally this year**
- In Chinese Mainland “Brand Footprint Report 2023” by Kantar Worldpanel, **Yili was once again ranked first among the most chosen FMCG brands in the Chinese market for 8 consecutive years**

Guiding by the “Value Leading” Strategic Goal, Yili continuously improves its innovation capabilities



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创|新|奖
伊利荣获
18项提名
稳居全球乳业第一



- **Lactoferrin:** Yili is the first to break the technical barriers in the industry regarding the extraction of active lactoferrin, increasing the retention rate of lactoferrin in pure milk at room temperature from 10% to over 90%
- **Sugar control:** Yili launched the world's first sugar control milk, the first low GI (Low Glycemic Index) formula milk powder, and a series of formula food with special medical and nutritional functions
- **Strains for infants and children:** The first strain for infants and young children was independently developed by Ausnutria, which has been approved by the state and has broken the monopoly of overseas institutions on probiotic research in infants and young children
- **Revenue of new products accounts for over 15%**

Create omni-channel advantages, and seize opportunities in online, catering and other channels



Online Channels

Rapid growth of e-commerce platforms

- On major e-commerce platforms, the sales of liquid milk increased by 29.5% year-on-year, and its market share increased by 3ppts, ranking No.1 in the industry

Promote digital transformation in channels

- On one hand, actively explore and expand new channels
- On the other hand, through digital empowerment, further strengthen the delicacy management of all channels, improve operation efficiency, and promote sustained business growth



Catering Channels

Channel customization service in liquid milk

- The company leverages consumption hotspots in industries such as catering, tourism, and entertainment to vigorously develop customized channel services for liquid milk

product solutions for catering customers in cheese business

- The company focuses on the innovation of specialized dairy products, relying on dual core milk source bases in China and New Zealand to build the "Yili Pro" platform, providing high-quality and comprehensive product solutions for dairy products and services to professional customers in the baking, catering, and beverage industries

Continuously promote digital transformation, and comprehensively improve operational and management efficiency



digitalization empowers
Supply Chain



digitalization empowers
Innovation System



digitalization empowers
Membership Management



digitalization empowers
Channel Operation

- By utilizing big data technology, Yili is able to integrate information from ranches to stores to consumers; additionally, a dynamic intelligent decision engine composed of multiple algorithms is implanted to support efficient collaborative operation of the supply chain
- By applying artificial intelligence technology, an agile innovation system has been established throughout the entire process from consumer insight to product launch; this has shortened the product innovation cycle and effectively improved innovation efficiency and quality
- With the help of digital tools, Yili established the "XinHuo Joy Club" membership platform; By serving user's needs, the company actively carries out nutrition education and brand interaction, and provides precise membership services to drive the accelerated growth of milk powder
- Relying on digital technology innovation, Yili continuously improves the integrated operational efficiency of online and offline channels, shortens product delivery cycles, and reduces supply chain operational costs; Continuously optimizing the delicacy management system and driving business growth in all aspects

Actively explore overseas markets, and steadily promote international business



Steady growth of business overseas

- The company continues to engage in cooperation with global partners, optimize production capacity of overseas bases, actively develop overseas markets, and further expand business overseas
- In 1H2023, the company's **oversea revenue increased by 19.9%** compared to the same period last year

Efficient collaboration of the global supply chain

- The company continues to improve the mechanism between domestic and foreign markets and production bases, fully leveraging the efficiency and collaborative advantages of the "global supply chain networks"
- As of the end of June 2023, the company has 75 production bases worldwide, with products sold to over 60 countries and regions, and a comprehensive production capacity of 16.18 million tons/year



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Culture & Brand Essence

Belief

“Yili” means the best quality

Core Values

Excellence Accountability Innovation

Win-win Respect

Vision

Be the most trusted global healthy food provider

The Spirit of Yili

Ownership mindset

Strong sense of responsibility

Powerful execution capability



Brand Essence

Nourish for life the provider of healthy food and the advocator of healthy lifestyle



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Thank you!