

[Press release]


Mengniu Announces 2020 Annual Results

Opens New High Quality Growth Era for Dairy Industry Aspired in 14th Five-Year Plan

2020 Annual Results Highlights:

	For the year ended 31 December		Change %
	2020 RMB million	2019 RMB million	
Revenue	76,035	79,030	-3.8%
Gross profit	28,629	29,679	-3.5%
Profit attributable to owners of the Company	3,525	4,105	-14.1%
Earnings per share (RMB)			
- Basic	0.897	1.049	-14.5%
- Diluted	0.892	1.046	-14.7%

(Hong Kong, 25 March 2021) China Mengniu Dairy Company Limited and its subsidiaries (together as “Mengniu” or the “Group”) (Stock Code: 2319), a leading dairy product manufacturer in China, announced today its audited annual results for the year ended 31 December 2020.

In 2020, Mengniu had successfully overcome the challenges the COVID-19 epidemic brought. By grasping market opportunities as the epidemic eased, it was able to drive high quality growth of its business. It recorded revenue of RMB76,034.8 million, down by 3.8% year-on-year. Excluding the revenue of Shijiazhuang Junlebao Dairy Co., Ltd. (“Junlebao”), which was disposed of in 2019 and of Bellamy’s Australia Limited (“Bellamy’s”), which was acquired in 2019, the Group’s revenue from comparable businesses (here in the press release, all mentions of “Comparable Businesses” do not include Junlebao and Bellamy’s) would be RMB75,003.1 million, up by 10.6% year-on-year.

For the year, profit attributable to owners of the Company amounted to RMB3,525.0 million, down by 14.1% year-on-year, which was mainly due to the following actions taken in the first quarter of 2020: (i) the Group had incurred additional expenses on epidemic prevention to safeguard the health and safety of its employees, and to ensure the resumption of work and production; (ii) the Group had incurred additional marketing and sales expenses to reduce inventories in its distribution channels in order to accelerate the resumption of normal sales, and (iii) the Group had actively fulfilled its corporate social responsibilities and had made cash and dairy product donations to more than 10,000 hospitals and relevant epidemic control organizations.

Mr. Lu Minfang, CEO of Mengniu, said, “Mengniu’s steadily growing results reflect the resilience of a leading Chinese dairy enterprise that embraces sustainable development. In 2020, with ‘consumer first’ as the core principle and by delivering on its social and economic responsibilities, involving efforts to promote overall industry upgrade, to improve its environmental, social and corporate governance system and develop innovative products, among others, Mengniu was able to offset the negative impacts of COVID-19, achieving a quick rebound and quality growth of its businesses. Guided by its five-year strategic plan themed ‘Creating a new Mengniu’, the Group will lead the industry’s entry into an era of quality development agreeing with the country’s 14th Five-year Plan.”

Despite facing dire challenges of the epidemic, Mengniu managed to resume operation and production quickly, and actively developed new retail channels, including e-commerce platforms, O2O home delivery service, online fresh food shopping platforms, community group purchase and WeChat social groups, to speed up integration of on- and off-line sales networks. It seized the trend of consumption upgrade post-epidemic and promote comprehensive industrial transformation and upgrade. Taking a host of measures including expanding product mix, optimizing quality control and developing innovative products, the Group strived to facilitate high quality development of all different aspects and in all dimensions of the industry. Hence, its business started to rebound strongly in the second quarter of 2020, and pace and quality of development in the second half year actually exceeded the pre-epidemic levels. The entire year considered, segments including room temperature liquid milk, yogurt, cheese and fresh milk recorded impressive growth.

To maintain the healthy and sustainable development of its industrial chain, Mengniu accepted from ranchers all fresh raw milk that passed quality checks during the Epidemic and strengthened cooperation with upstream and downstream business partners. The Group also donated money and products to frontline healthcare and medical personnel helping the fight against the Epidemic. Dairy products were sent to major healthcare institutions in Wuhan and across China. As a result, the reputation of Mengniu brand improved notably.

Regarding performance by segment, room temperature liquid milk benefited from the increased awareness of health and nutrition among consumers, and the Group proactively adjusted its strategies in line with market trends resulting from the epidemic, and realized fast growth during the year. Sales of Milk Deluxe and Mengniu pure milk increased more quickly, while sales of Just Yoghurt and Zhenguoli Fruit Milk Drink also increased thanks to the introduction of new products despite the adverse market condition. The market shares of premium brands of room temperature product category continued to expand and continued to hold the top spot in the industry.

As for chilled liquid milk business, Mengniu further promoted the nutritional values for yogurt and lactobacillus. It also strived to develop new products, and launched the Champion light and refreshing yogurt series and Yoyi C low sugar and zero-fat formula product and accelerate channel development. Mengniu has had the biggest share of the chilled dairy products market in China for 16 consecutive years. Ice cream business focused on rebranding and product upgrades, and products were promoted through online-offline coordination and multi-dimensional co-operations, achieving as a result improved brand awareness and steady growth in sales.

Regarding milk formula business, Yashili International Holdings Ltd. (stock code: 1230), a subsidiary of Mengniu, expanded the coverage of adult milk powder and nutrition products on new functional products to shift focus to high-end products while developing market segments. It also optimized the product structure of infant formula products and achieved satisfactory business growth after the rebranding. Moreover, it has enhanced brand exposure and credibility through a variety of advertising and promotion efforts, which contributed to online and offline sales volume growth.

Moreover, *Bellamy's*, which was acquired by Mengniu at the end of 2019, speedily deployed offline channels for its milk formula and baby food in China and developed distribution networks that cover first- to third-tier cities in the country. As at the end of 2020, *Bellamy's* products were sold in close to 3,000 stores in 13 provinces.

Mengniu's fresh milk business developed robustly. Through product innovation, stringent quality control, strengthening the supply chain and extending sales network, revenue doubled and market share also increased significantly. *Shiny Meadow*, its core brand and a leading premium fresh milk product, consolidated its top premium brand position in the market by launching two new products namely organic fresh milk from the desert and Youhu A2 β -casein fresh milk. *Modern Meadow* increased markedly the proportion of daily supply of T+0 milk products, which are made and sold the same day, to ensure the freshness of milk.

As for cheese products, defying market trend, growth was achieved, with retail sales delivering outstanding performance, recording triple-digit growth in revenue and net profit and well-exceeding expectation. During the year, Mengniu actively developed new products, including white sugar-free cheese desserts, brand new room temperature squid flavored cheese snacks and the first made-in-China liquid butter. It also actively increased its market presence in such segments as Chinese and Western catering, baking and tea beverage, and hotels and airlines, in order to further improve the penetration of its cheese products.

Mr. Lu concluded, “As one of the global top eight dairy manufacturers, Mengniu will adopt a more pragmatic approach, continuously step up innovation to introduce more high-quality products so as to meet the diverse demand of consumers and help revitalize the dairy industry in the country. It will also make new and greater contributions to the execution of important national strategy that covers rural revitalization.”

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About China Mengniu Dairy Company Limited

China Mengniu Dairy Company Limited and its subsidiaries manufacture and distribute quality dairy products in China. It is one of the leading dairy product manufacturers in China, with MENGNIU as its core brand. Mengniu offers diverse products including liquid milk products, ice cream, milk formula and cheese. In 2020, Mengniu ranked as “Global Dairy Top 8”, and placed 31th on BrandZ™’s list of most valuable Chinese brands, TOP10 of brand contribution. Mengniu also made it again among Brand Finance’s list of the top 500 most valuable brands of the world in 2020. As at the end of December 2020, the Group’s annual dairy production capacity reached 9.90 million tonnes. In March 2014, Mengniu became a Hang Seng Index constituent, making it the first blue chip Chinese dairy product manufacturer. In August 2020, Mengniu was included as a constituent of Hang Seng Corporate Sustainability Index and Hang Seng ESG50 Index. For more information, please visit www.mengniuir.com.

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China Mengniu Dairy Company Limited

Consolidated Statement of Profit or Loss

	For the year ended December 31	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	76,034,844	79,029,856
Cost of sales	(47,405,564)	(49,351,242)
Gross profit	28,629,280	29,678,614
Other income and gains	1,204,786	4,100,888
Selling and distribution expenses	(21,540,925)	(21,536,054)
Administrative expenses	(3,132,947)	(3,319,414)
Impairment losses on financial and contract assets, net	(156,876)	(248,355)
Loss on disposal of financial assets measured at amortized cost	(22,385)	(14,008)
Other expenses	(1,764,510)	(3,691,877)
Interest income	1,084,613	1,104,791
Finance costs	(572,255)	(644,202)
Share of profits and losses of:		
A joint venture	(37,413)	(9,160)
Associates	463,418	184,224
Profit before tax	4,154,786	5,605,447
Income tax expense	(653,193)	(1,309,532)
Profit for the year	3,501,593	4,295,915
Attributable to:		
Owners of the Company	3,525,044	4,105,437
Non-controlling interests	(23,451)	190,478
	3,501,593	4,295,915
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB per share)		
Basic	0.897	1.049
Diluted	0.892	1.046