

[Press Release]



## ***Mengniu's 2023 Interim Results: More Nutritious, Smarter and Greener Firmly Committed to High-Quality Growth***

(Hong Kong, 30 August 2023) China Mengniu Dairy Company Limited and its subsidiaries (together as “Mengniu” or the “Group”) (Stock Code: 2319) today released their 2023 interim results. The Group reported revenue of RMB51.12 billion for the first half of 2023, representing 7.1% year-on-year growth against the market trend. Operating profit was RMB3.27 billion, up 29.9% year-on-year. Operating profit margin further improved to 6.4%, beating expectations with a 1.1 percentage point expansion. Net cash from operating activities increased by 96.7% year-on-year to RMB3,450 million, as a result of the Group’s comprehensive high-quality development.

In the first half of 2023, Mengniu accelerated the transformation of RTM channels with consumer value creation as the core driver. While further consolidating its business fundamentals, Mengniu has made continuous efforts in the three dimensions of “greener, more nutritious and smarter”, consolidating its leadership in innovation, branding, digitalization and sustainable development as well as steadily advancing towards the strategic goal of “Creating a new Mengniu” through high-quality development.

### **Core Liquid Milk Business Expanded Against the Trend while Ice Cream and Milk Formula Businesses Continued to Improve**

In the first half of 2023, revenue from the Group’s liquid milk business increased by 5.0% year-on-year to RMB41.64 billion, representing an industry-leading growth rate and ranking number one in the UHT milk market in terms of market share. Milk Deluxe, the largest single product in the global dairy industry, maintained double-digit sales growth and continued to expand its market share lead in the high-end milk market, driving the continued premiumization of the dairy industry. The chilled product business focused on category value, featured a comprehensive lineup of nutritious, functional and delicious products and put chilled yogurt sales back on a growth trajectory, helping the chilled product business retain its No. 1 market share for the 19th consecutive year. The fresh milk business continued to grow at a high rate. “Shiny Meadow” recorded double-digit growth and ranked as the number one brand of high-end fresh milk thanks to its continued market share gains. Shiny Meadow’s sub-brand “Xiaoxianyu”, which is popular among young people, recorded twice as many sales in the first half of 2023 as it did for the full year 2022.

Revenue from the ice cream business in the first half of 2023 increased by 10.4% year-on-year to RMB4.31 billion, achieving a three-year double-digit compound growth. The ice cream business focused on developing innovative flavor profiles and exploring new consumption scenarios and ways, achieving outstanding results as the domestic ice cream market grew steadily and exhibited trends towards high-end differentiation, seasonal variation and multi-

scenario adaptability. The ice cream business maintained strong growth and Aice continued to make breakthroughs in overseas markets, ranking first in Indonesia and second in the Philippines in terms of market share and entering markets such as Vietnam, Thailand, Laos and Cambodia.

The milk formula business achieved revenue of RMB1.89 billion in the first half of 2023. The infant milk formula segment seized the market opportunity presented by the new national standards, with six product lines of milk powder products passing the registration under the new national standards and five of them being launched. The sales revenue of Bellamy's grew strongly in the first half of the year. Bellamy's retained its position as the number one cross-border e-commerce brand for organic milk powder, and its Chinese-labelled products significantly grew their distribution footprint in major distributors and mother-and-baby retail chains year-on-year. In the domestic infant formula business, Mengniu focused on its Reeborne brand and strengthened the brand foundation through new products as the business promoted the "channel-wide integrated management" model to drive long-term growth. At the same time, Yourui seized the market opportunities presented by the aging population and the increasing demand for functional milk formula for older demographics, upgrading its formula to cater to the needs of middle-aged and elderly people.

The revenue of the cheese business was RMB2.26 billion during the first half of the year. The cheese business has significant long-term growth potential. Together, "Mengniu and Milkground" represent China's leading cheese vendor in terms of market share, and their lead has been expanding further. While continuing to enhance its market share advantage in cheese sticks, sustain the chilled cheese stick business and develop the market for room temperature cheese sticks, Milkground has actively developed new business areas such as adult casual snacks, products for families and products for the catering industry.

### **More Nutritious: Satisfying consumers' aspirations for a better life**

In the first half of 2023, Mengniu adhered to consumer value-driven innovation and persisted in developing and providing consumers with diversified dairy and nutrition products covering the entire life cycle to satisfy consumers' aspirations for a better life.

In February 2023, Mengniu entered the professional nutrition business, launching the sports nutrition brand "M-ACTION" with a new line of liquid protein nutritional supplements featuring China's first liquid protein technology. At the same time, Mengniu insisted on independent research and development (R&D), cultivated innovation in nutrition and health technology and repeatedly broke through technological bottlenecks. In the field of chilled yogurt, Mengniu's self-developed domestic probiotic PC-01 *Lactobacillus paracasei* received the China Patent Award Silver Award in May 2023, which represents the highest patent award among dairy companies in China. In the area of breast milk R&D, Mengniu, as China's first dairy company with independent intellectual property rights in human milk oligosaccharides (HMOs), is accelerating the process of HMO industrialization.

### **Smarter: Driving the digitalization of the entire industry chain**

Digitalization is the only way for the dairy industry to achieve a leap in efficiency and change its business model. Digitalization is a core component of Mengniu's FIRST strategy, not only to digitalize the entire industry chain "from a blade of grass to a glass of milk", but also to become a leader in the future health ecosystem. In the first half of 2023, Mengniu released its

digital intelligence 3.0 strategy, which is focused on building AI-driven digital intelligence dual flywheels to realize comprehensive digitalization from the supply side to the consumer side.

On the supply side, Mengniu's Ningxia Factory, the world's first fully intelligent dairy factory, was completed and commenced operation in May 2023. This factory enables 100 people to produce an annual output of one million tons with a value of RMB10 billion, which represents the highest annual human efficiency ratio in the global dairy industry, which will bring Mengniu a long-term supply chain manufacturing cost advantage. In addition, Mengniu's "Cloud Cattle Rearing" smart pasture technology, which provides precise care for each cow through the Internet of Things technology, has covered 341 farms that cooperate with Mengniu and nearly one million cows.

On the consumer side, Mengniu utilized digital tools to penetrate lower-tier markets in townships and villages, grasped the opportunities of new retail channels and scenarios such as O2O, community service, and live-streaming, accelerated the transformation of RTM channels, strengthened omni-channel control, consolidated its market coverage and steadily improved its in-depth distribution capability in all categories, laying a solid foundation for the future long-term growth of the core liquid milk business and other categories. In April 2023, Mengniu launched the "WOW Health+" intelligent platform, which helps consumers nurture a healthier and more energetic lifestyle through a full range of personalized services, maintaining a good "emotional interaction" and "digital connection" with consumers. What's more, Mengniu released the world's first model in the nutrition and health field, MENGNIU.GPT as well as "AI Nutritionist Meng Meng", an application developed based on this model. Together, these technologies aim to provide Chinese families with high-quality personalized nutrition and health services around the clock and further consolidate Mengniu's leading position in the field of nutrition and health.

### **Greener: Leading low-carbon sustainable development**

Since 2023, Mengniu has continued to execute its GREEN sustainable development strategy, leading the green transformation of the dairy industry through 15 measures and 28 actions, and driving carbon emission reductions across six major aspects of the dairy industrial chain.

Mengniu has achieved comprehensive carbon reduction in upstream farms by optimizing herd structure, adjusting feed composition, enhancing manure management and improving energy utilization efficiency. In addition, China Shengmu has planted 97 million trees in the Ulan Buh Desert, turning over 200 square kilometers of desert into an oasis and creating the world's only desert organic milk source. On the production side, the number of Mengniu factories that have been recognized as national-level green factories increased to 27, with the Qujing factory becoming the first in China's dairy industry to receive both international and domestic zero-carbon factory certifications. Three factories, including the Qingyuan factory, were awarded the TÜV Rheinland landfill-free waste management system certification. Downstream, Mengniu has continued to promote the "greening" of its products, with its Reeborne milk formula and several others being certified as carbon neutral, and four of its products, including Future Star, being selected into the Consumer Goods Forum's (CGF) Golden Design Rules Case Study Booklet.

In addition, in order to promote green development practices among its industry chain partners, Mengniu released the Mengniu Forest Protection Policy and announced its commitment to achieving the goal of "zero deforestation by 2030" and eliminating the risk of deforestation throughout the supply chain. The Group also joined the World Economic Forum's

(WEF's) global initiative to grow, restore and conserve one trillion trees to encourage more public participation in the action of "reducing carbon emission and increasing greenness of the earth".

### **Committed to a brand-driven business to build a world-renowned dairy enterprise**

As one of the top ten most chosen brands by Chinese consumers, Mengniu is committed to building a brand-driven business, pursuing a long-term brand strategy. Building on Mengniu's 20 years of consistent support for the China Space Foundation as a golden partner, the two sides opened a new phase of 10-year strategic cooperation in April 2023. Mengniu also partnered with the Fédération Internationale de Football Association (FIFA) for the fourth time, which will enable Mengniu to be an official global sponsor for the FIFA World Cup™ in 2026 and 2030, as well as the FIFA Women's World Cup™ in 2027. Mengniu will continue to cooperate with the world's top tournament IPs to bring its message of health and happiness to consumers around the world.

Lu Minfang, Mengniu's Chief Executive Officer, said: "True global leadership is not just about scale and sales, but also about creating value and making contributions to the industry, consumers and the world." In the future, Mr. Lu said, Mengniu will continue to focus on the three strategic dimensions of "more nutritious, smarter, and greener" to continuously meet the diversified needs of consumers, accelerate the construction of a world-class Chinese dairy enterprise and comprehensively lead the high-quality development of China's dairy industry.

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### **About China Mengniu Dairy Company Limited**

China Mengniu Dairy Company Limited and its subsidiaries mainly 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 diversified products including liquid milk products, ice cream, milk formula and cheese. Mengniu ranked 8th in the 2023 "Global Dairy Top 20" list published by Rabobank. As of 30<sup>th</sup> June 2023, the Group's annual dairy production capacity reached 13.60 million tons. In March 2014, Mengniu became a Hang Seng Index constituent, making it the first blue-chip Chinese dairy product manufacturer. In 2022, Mengniu's MSCI ESG rating improved to an A grade, the highest rating in the Chinese food industry. Mengniu is a constituent of the Hang Seng Corporate Sustainability Index, Hang Seng (Mainland and Hong Kong) Corporate Sustainability Index, Hang Seng Corporate Sustainability Benchmark Index and HSI ESG Enhanced Select Index. For more information, please visit [www.mengniu.com](http://www.mengniu.com).

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