

[Press Release]



Mengniu's 2023 Annual Results: Leading the Industry, Against Market Trends, Through High-Quality Development Fueled by New Quality Productivity

(Hong Kong, 26 March 2024) – China Mengniu Dairy Company Limited and its subsidiaries (together as “Mengniu”, the “Company” or the “Group”) (Stock Code: 2319) released its 2023 annual results. The announcement reveals that Mengniu achieved total annual revenue of RMB98.62 billion, representing year-on-year growth of 6.5%. Operating profit reached RMB6.17 billion, an increase of 13.8% from the previous year, with a continuous year-on-year improvement in operating profit margin of 40 basis points to 6.3%, maintaining its industry-leading position through high-quality growth.

In 2023, Mengniu demonstrated steadfast confidence in its business development, profitability, and future prospects. The Company strengthened market confidence through share buybacks, spending a total of HKD795.6 million to repurchase shares. In addition, Mengniu actively rewarded shareholders by raising the dividend payout ratio to 40% for 2023 and declared a final dividend of RMB0.489 per ordinary share, amounting to a total proposed payment of cash dividend of RMB1,924.4 million, which represents a year-on-year increase of 21%.



CHINA MENGNIU DAIRY COMPANY LIMITED

中國蒙牛乳業有限公司*

(在開曼群島註冊成立之有限公司)

(股份代號：2319)

**截至二零二三年十二月三十一日止年度
的全年業績公告**

摘要

- 本集團於二零二三年積極強化核心業務、優化業務結構，精細化運營管理，實現收入增長6.5%至人民幣986.240億元。
- 本集團於二零二三年的經營利潤同比增長13.8%至人民幣61.706億元，經營利潤率同比提升0.4個百分點至6.3%。

Resilient Core Business Growth and Notable Channel Optimization Results

Throughout 2023, domestic dairy consumption showed signs of a modest recovery, with the growth rate of dairy product consumption experiencing a short-term slowdown and the reorganization of online and offline sales channels. These factors contributed to increased market competition. In the post-pandemic era, Chinese consumers' awareness of nutrition and health has continued to rise, showcasing the strong resilience in demand for dairy products. In the face of external challenges, Mengniu maintained its commitment to a strategy focused on high-quality growth, actively strengthening its core business, optimizing its business structure, and refining its operational management. These actions have led to steady revenue growth and a consistent improvement in operating profit margins.

During the year, Mengniu's core "liquid milk" business experienced growth, with its market share expanding continuously. "Milk Deluxe" continued to strengthen its market share advantage. The chilled yogurt business focused on delicious, nutritious, and functional upgrades and innovations, achieving counter-trend growth while maintaining its top rank in market share for the 19th year in a row. Growth for the fresh milk business outpaced the industry, with "Shiny Meadow" leading the high-end fresh milk market through its upgraded quality, with 4.0g of fresh milk protein.



As the economy and society returned to normal, consumers placed more emphasis on greater efficiency in order fulfillment and product value for their money. Mengniu continued to drive RTM channel transformation, solidifying its offline channel distribution advantages while actively expanding in new online retail channels. Through new scenarios and channels, the Company effectively reached consumers and drove business growth. Its room temperature liquid milk business maintained its No. 1 market share in online sales, with the number of online members in new retail channels growing steadily to more than 74 million. The Company used its digital tools to strengthen control over rural markets, covering more than 26,000 townships and over 800,000 distribution points during the year. For the fresh milk business, Mengniu strengthened its channel operations, maintaining its No. 1 market share across offline and online channels, including Yonghui, Sam's Club, Hema, JD.com, and Taobao Maicai.

Flagship Products Lead the Market With Brand-Driven Category Innovation

“Milk Deluxe,” the leading flagship product in the global dairy industry, maintained its market leadership in 2023 through a relentless focus on product innovation and brand value enhancement. During the year, “Milk Deluxe” reinforced its “better” brand proposition, further expanding its lead in high-end market share. “Just Yoghurt” focused on its brand differentiation strategy by unveiling a new diamond-shaped package for its plain yogurt series, while emphasizing the nutritional and health benefits of yogurt through a purer formula. In addition, Mengniu has identified and met market needs across its product lines, focusing on segments like nutrition, functionality, taste, and consumption scenarios, and continuously exploring new market opportunities.

With nutritional innovation in mind, Mengniu has enhanced quality across its range of products, with “Mengniu Fresh Yogurt” quickly capturing market share in the fresh and nutritious segment after its launch. “Shiny Meadow” introduced the industry’s first “4.0 Fresh Jersey Milk,” further consolidating its No. 1 position in the high-end market. A sub-brand, “Xiaoxianyu,” targeting youngsters with light fresh milk, recorded annual sales growth which led in the mid-to-high-end fresh milk market, with robust performance in convenience store channels.



In terms of functional innovation, Mengniu launched its flagship lactose-free milk product under its parent brand, which caters to specific consumer needs. The “Yoyi C” probiotic drink line features a proprietary, award-winning probiotic strain that was independently developed by Mengniu. The Company revitalized its “Champion Jianzihao” brand by introducing products designed to boost immunity. Mengniu also embraced the silver economy with its high-end “Yourui” products—which include whey protein—tailored to the nutritional needs of middle-aged and elderly consumers, offering solutions that are more appropriate for this demographic.

Speaking of flavor innovation, Mengniu has committed to developing its high-end “YO!FINE DIARY” brand, which is “yogurt that tempts you to savor every last spoonful.” The “Osmanthus and Water Chestnut Yogurt” and “Forest Avocado Yogurt” have been well-received by consumers and quickly topped sales charts across various e-commerce platforms when they were released.



For scenario-based innovation, the ice cream business actively promoted an upgrade of its product portfolio, breaking through seasonal limitations and expanding consumption scenarios. Mengniu's cheese business and "Milkground" have concentrated on scenario-based and age-oriented consumption, extending their reach from "children's snacks" to "adult snacks." In this period, Mengniu launched its first in-house produced light cream and unveiled the first fermented butter product by a domestic dairy enterprise in China—successfully establishing a dual growth model targeting both retail consumers and business clients—while reinforcing its No. 1 position in cheese market share in China.



Robust New Business Growth and Continued Breakthroughs in Overseas Markets

In 2023, alongside bolstering category innovation, Mengniu actively explored new business prospects aimed at specific consumer segments, successfully cultivating new high-potential products from the ground up.

In infant formula nutrition, Mengniu introduced “Reeborne Enzhi series 4,” which is the only milk formula product to use two innovative ingredients, HMO and MLCT, which were independently developed in China. In sports nutrition, Mengniu met the demands of the fitness community for “fat reduction and muscle gain” by launching China's first liquid protein nutritional supplement—“M-ACTION Sports Protein Drink,” aiding fitness enthusiasts by enhancing performance and recovery.



While strengthening its position in the domestic market, Mengniu also accelerated its global expansion. During the year, Mengniu's ice cream business made impressive strides in Southeast Asia, with “Aice” achieving robust growth and significantly improved profit margins, securing a No. 1 position in market share in Indonesia, while entering markets like Vietnam, Thailand, Laos, and Cambodia, where it has been warmly embraced by local consumers.

More Nutritious, Smarter, and Greener: Setting Industry Benchmarks

In 2023, upholding the core value that “consumers are at the heart of all our decisions,” Mengniu continued to set industry benchmarks aligned with the strategic approaches of “More Nutritious, Smarter, and Greener.” For “More Nutritious,” Mengniu provided consumers with a diverse range of dairy products covering the entire life cycle. Its self-developed HMO received approval from Chinese regulatory authorities, making it the only Chinese company in the initial group to achieve such a milestone. This allowed Mengniu to overcome a significant industry challenge and secure a competitive advantage in nutritional innovation.

During the year, Mengniu launched the world's first fully intelligent super factory in the dairy industry, located in Ningxia, setting a new global productivity standard—100 people producing an annual output of 1 million tons with a value of RMB10 billion. Mengniu's artificial intelligence-(AI) driven digital intelligence dual flywheel strategy spurred its full-scale transition into stage 3.0 of its digital intelligence strategy from the supply side to the consumption side. Mengniu unveiled the world's first model in the nutrition and health field—MENGNIU.GPT,

creating the "WOW Health+" digital and intelligent nutrition and health management platform, providing families with personalized, long-term health services supported by AI nutritionists for the entire family of consumers.

At the same time, Mengniu steadily advanced its "GREEN" sustainability strategy and its "dual-carbon" goals, releasing sustainability policies like the "Animal Welfare Policy" and committing to "Zero Deforestation by 2030." To date, Mengniu's Shengmu Forage has planted 97 million trees in the Ulan Buh Desert, turning over 200 square kilometers of desert into an oasis. In the upstream, Mengniu has built several green ranches, achieving a carbon reduction of over 180,000 tons in 2023. In the midstream, the Company has constructed 30 national-level green factories, with the Qujing factory in Yunnan becoming the first in China's dairy industry to receive both international and domestic zero-carbon factory certifications, achieving carbon neutrality for two consecutive years. In the downstream, Mengniu has optimized its packaging materials and designs, launching a variety of carbon-neutral products and green, low-carbon products.

Mengniu's dedication to sustainable development has received acclaim both at home and abroad. Mengniu's MSCI ESG rating was elevated to AA, distinguishing it as the only comprehensive dairy company in China to achieve this rating. It has been named the 2023 Forbes Best Employer of the Year in China and the Best Employer for ESG Practices of the Year, and has been recognized by S&P Global as the "Most Improved Enterprise in the Industry."

Lu Minfang said that the dairy industry in China represents a vast market brimming with tremendous potential, and Mengniu holds complete confidence in the industry's future prospects. In the future, Mengniu will maintain its strategic focus and seize opportunities to become a leader of change. The Company will expedite the cultivation of new quality productivity within the dairy sector, while continuously creating value for its consumers and partners. Mengniu seeks to guide the Chinese dairy industry towards high-quality development, aspiring to become the preferred dairy brand for Chinese consumers and to build a world-class national dairy enterprise. In doing so, Mengniu is dedicated to contributing to the advancement of human health and wellness.

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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. In March 2014, Mengniu became a Hang Seng Index constituent, making it the first blue-chip Chinese dairy product manufacturer. In 2023, Mengniu's MSCI ESG rating was elevated to AA, distinguishing it as the only comprehensive dairy company in China to achieve this rating. 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.

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