

# China Modern Dairy Holdings Ltd.

## 中国现代牧业控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1117)



## 2013 Interim Results Announcement

27 February 2013



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## Company Overview

# Company Overview

- ✓ The largest dairy farming company in China
- ✓ Industrialized free-stall dairy farming business model and standardized operational procedures and farm design
- ✓ Stringent standards on quality assurance and comprehensive quality control
- ✓ Advanced breeding and feeding techniques and modernized facilities realizing significant economies of scale
- ✓ Eco-friendly production with zero waste discharge achieving environmental conservation and operation cost reduction

## Crises

- ▶ Product safety crisis
- ▶ Environmental protection crisis
- ▶ Disease prevention and control crisis



**A solution to the crises and issues faced by China's dairy product industry**

## Issues

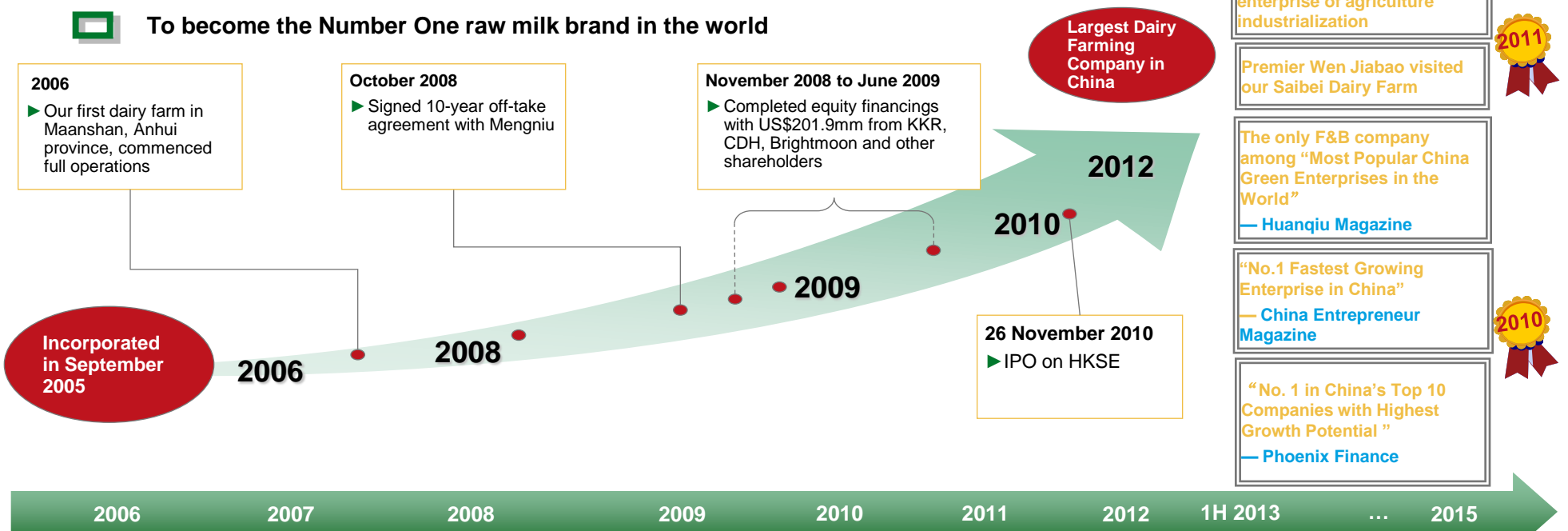
- ▶ Urgent need to improve the quality of raw milk
- ▶ Urgent need to raise the milk yield of dairy cow
- ▶ Urgent need to enhance the level of industrialization

**With its establishment and development, China Modern Dairy is the solution to the crises and issues faced by China's dairy product industry.**

# Our History and Vision

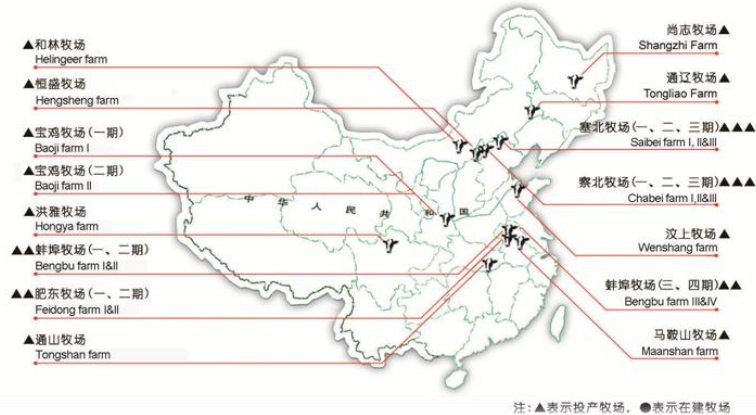
## China Modern Dairy's Mission and Vision

- ☐ To positively respond to Central File No. 1, keep developing breeding and genetic engineering and further expanding the scale of standardized farming for livestock and aquaculture
- ☐ To become the world's most advanced farm operator while remaining environmentally friendly
- ☐ To produce the highest-quality milk in the world with scientific breeding and feeding
- ☐ To provide the most trusted and safest source of dairy milk using best-in-class management practices and technology
- ☐ To become the Number One raw milk brand in the world



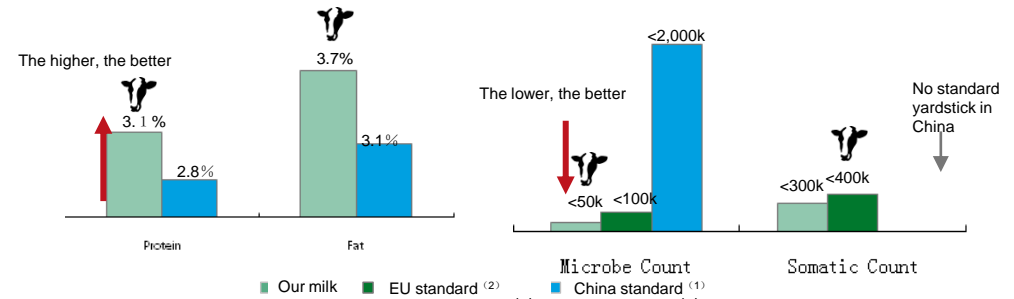
# Company Status Update

## The Largest Dairy Farming Company in China



Note: ▲ Operating farm

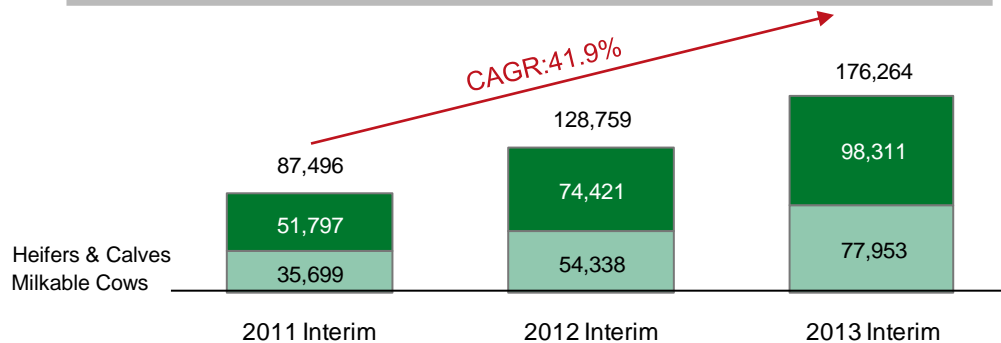
## Nationwide Strategic Presence



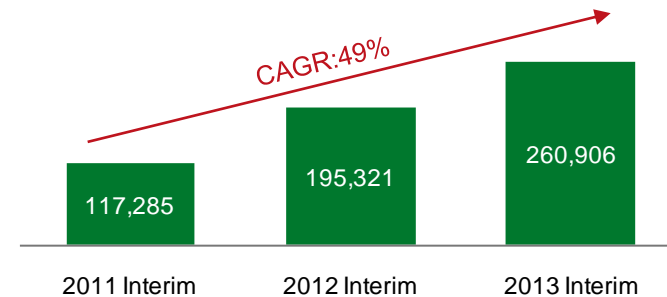
Notes: (1) in terms of herd size and raw milk output

(2) National Food Safety Standard — Raw Milk published on March 26, 2010.  
 (3) Raw Milk quality standards in Council Directive 92/46/EEC adopted in EU comprising 15 member countries.

## Rapid Growth in Herd Size



## Fast Growth in Milk Yield (tons)





## Results Overview

# 2013 Interim Results Highlights

**2013 Cash EBITDA increased by 63.4% compared to the same period of last year  
Net Profit excluding changes in fair value increased by 47.8%**

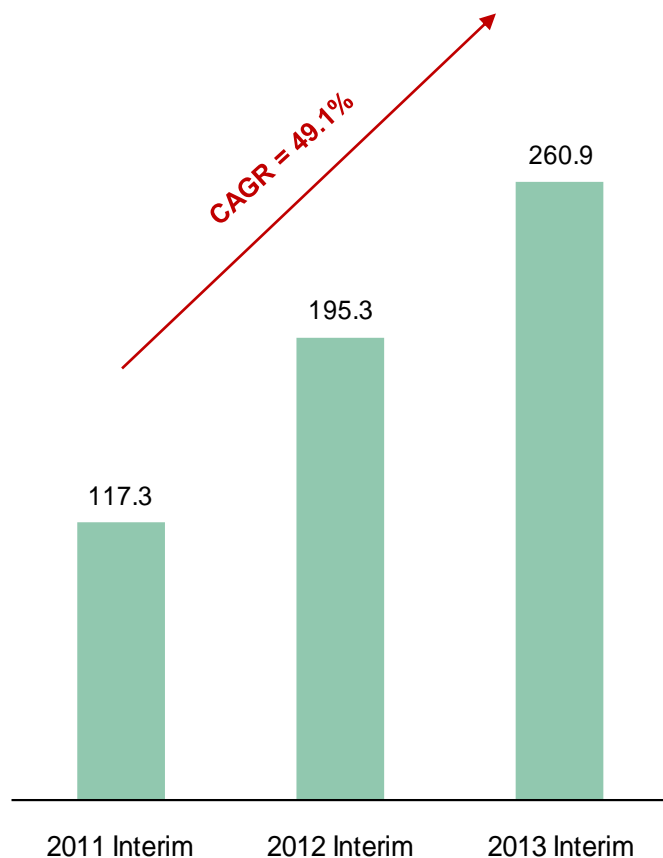
	Dec2012 Interim	Dec2011 Interim	Increase/ (Decrease)
	Rmb' 000	Rmb' 000	%
<b>Sales of raw milk produced</b>	<b>1,092,528</b>	<b>735,640</b>	<b>48.5%</b>
<b>Cash EBITDA<sup>(1)</sup></b>	<b>222,757</b>	<b>136,310</b>	<b>63.4%</b>
<b>Cash EBITDA margin</b>	<b>20.4%</b>	<b>18.5%</b>	<b>1.9%</b>
<b>Gains or loss from changes in fair value</b>	<b>27,744</b>	<b>63,508</b>	<b>-56.4%</b>
<b>Net profit</b>	<b>170,269</b>	<b>159,934</b>	<b>6.5%</b>
<b>Net profit excluding changes in fair value</b>	<b>142,525</b>	<b>96,426</b>	<b>47.8%</b>
<b>Basic earnings per share (RMB cent)</b>	<b>3.55</b>	<b>3.33</b>	<b>6.6%</b>

Note: (1) Cash EBITDA is the profit before subsidies and changes in fair value

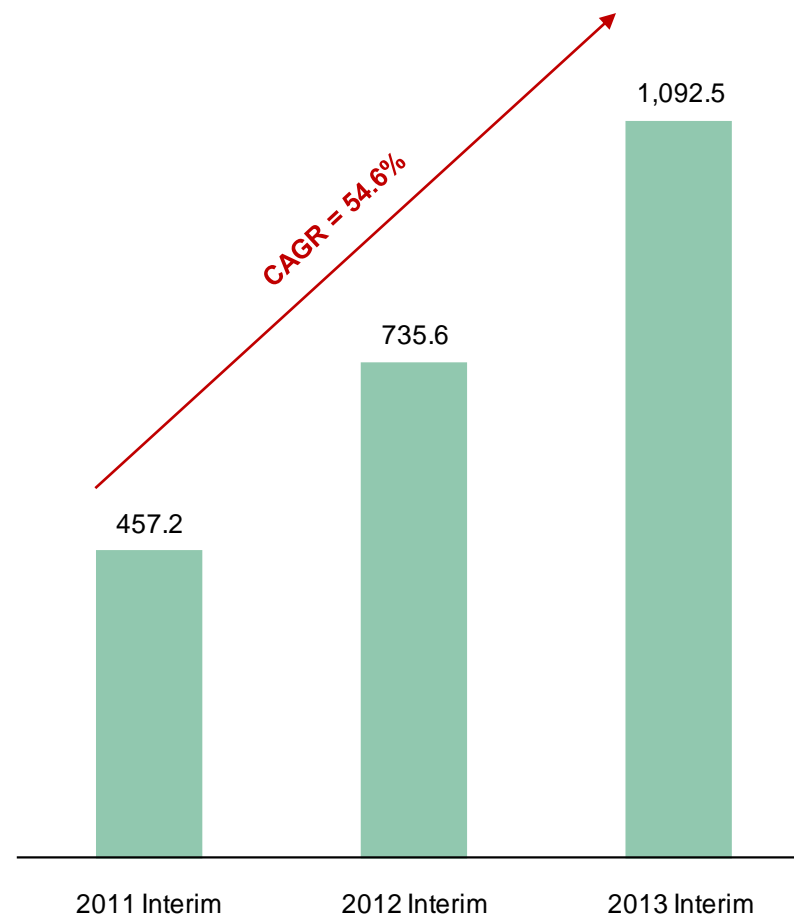


# Strong Track Record of Growth

Raw milk sales volume (1,000 tons)

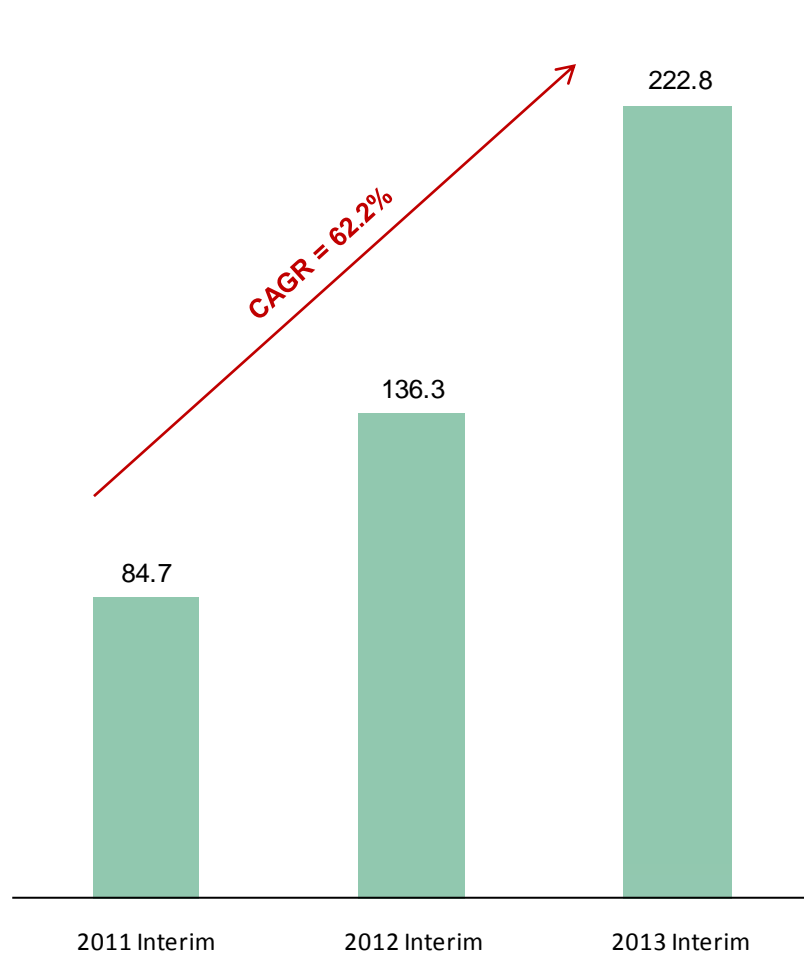


Sales (RMB Million)

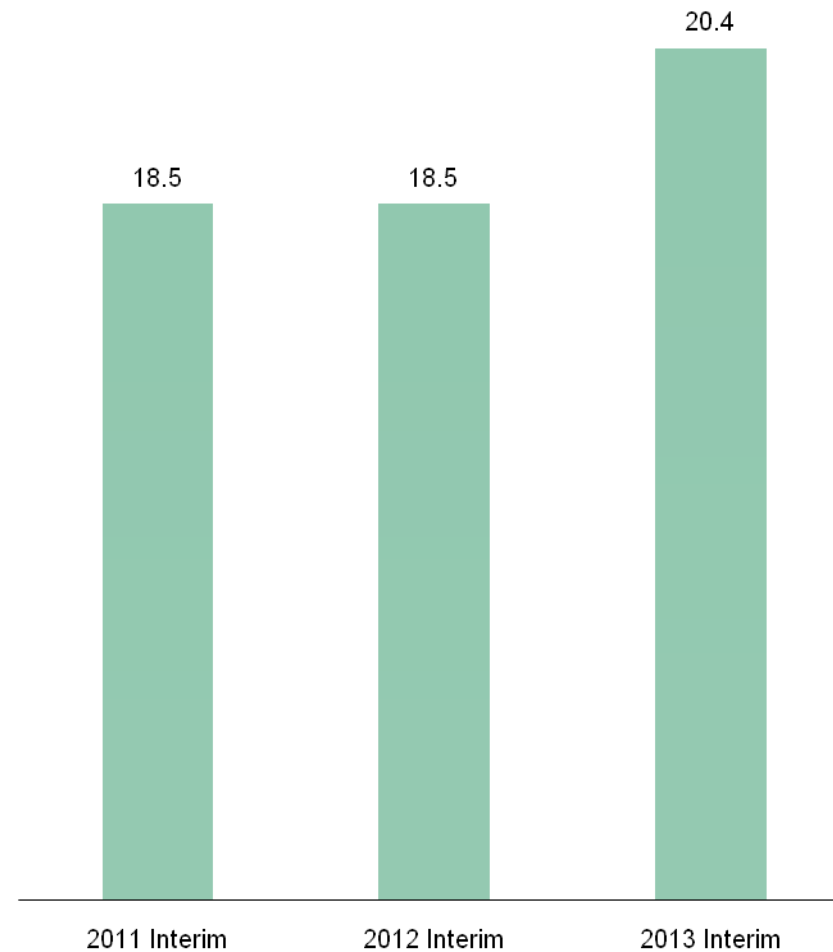


# Strong Track Record of Growth

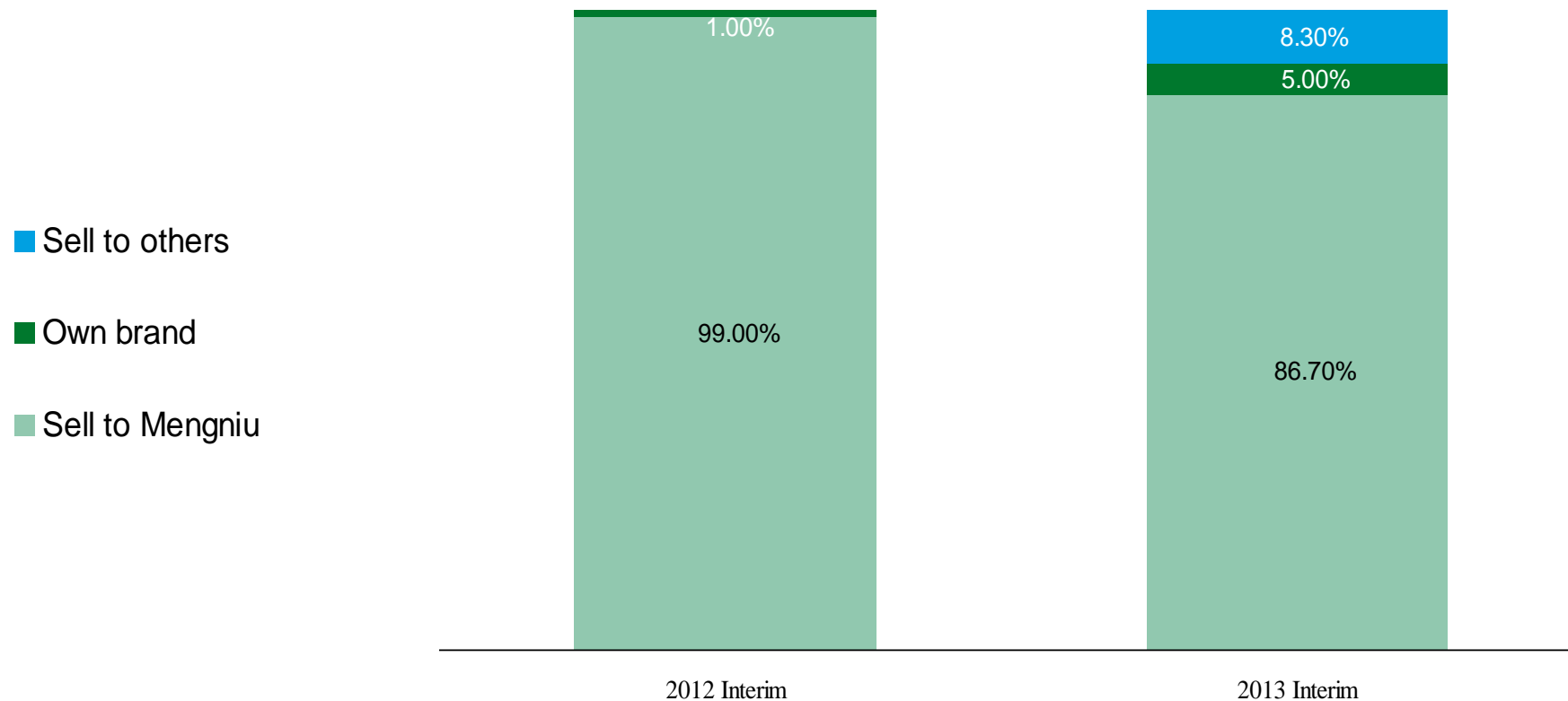
## Cash EBITDA ( RMB Million)



## Cash EBITDA Margin



## Proportions of Sales (in terms of client base)



**As of 31 Dec 2012, Mengniu continues to be a core customer of the Company**

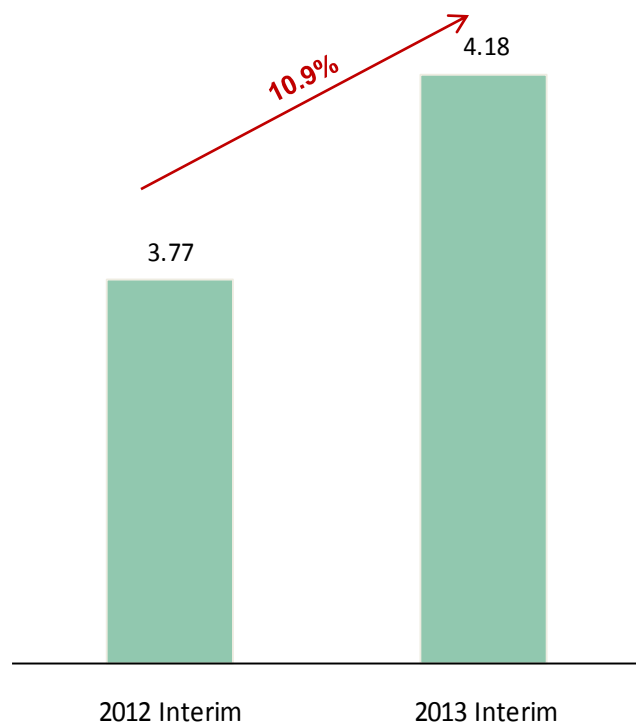


## Key Financials

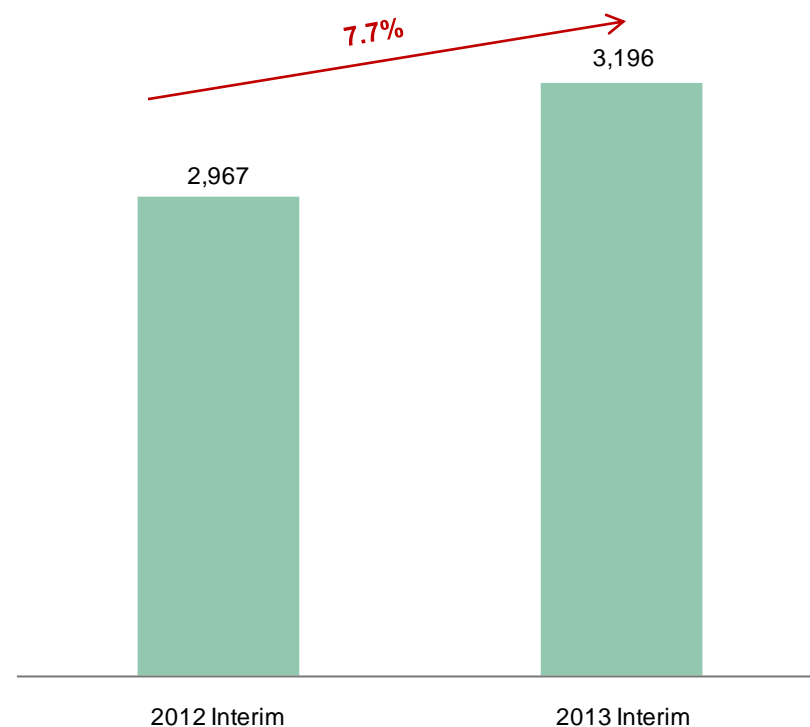
# The Rising Cost has Shifted to the Price of Raw Milk

During the reporting period, the Company faced the pressure of rising feed cost, but our raw milk price also increased correspondingly, which enable the Company to maintain a stable margin

## Raw milk price (RMB/ kg)



## Cash Cost (RMB/ton)



- Though the cash cost of raw milk per ton increased by 7.7% from RMB2,967 for the same period last year to RMB3,196 in the current interim period, our raw milk price has also increased by 10.9% from RMB3.77 for the same period last year to RMB4.18 in the current interim period, relieving the pressure of increasing feed cost.

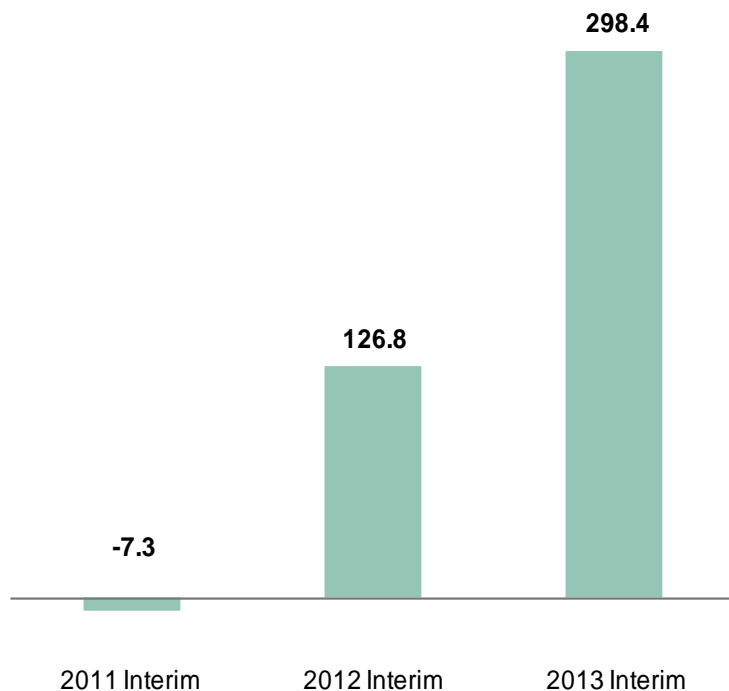
# Rapid Expansion of Assets

	31 DEC 2012	30 JUN 2012	Increase/ (Decrease)
	RMB'000	RMB' 000	%
<b>Biological assets</b>	<b>4,977,300</b>	<b>4,185,600</b>	<b>18.9%</b>
<b>Fixed assets</b>	<b>3,583,323</b>	<b>2,964,585</b>	<b>20.9%</b>
<b>Total assets</b>	<b>10,159,237</b>	<b>8,651,814</b>	<b>17.4%</b>
<b>Total liabilities</b>	<b>4,830,486</b>	<b>3,519,098</b>	<b>3.7%</b>
<b>Total borrowing</b>	<b>3,307,407</b>	<b>2,590,789</b>	<b>27.7%</b>
<b>Leverage ratio<sup>(1)</sup></b>	<b>38.3%</b>	<b>33.5%</b>	<b>4.8%</b>
<b>Cash balance</b>	<b>470,085</b>	<b>652,439</b>	<b>-27.9%</b>
<b>Bank facilities (not yet utilized)</b>	<b>1,396,700</b>	<b>740,010</b>	<b>88.7%</b>

(1) Leverage ratio=Interest bearing liabilities / (Interest bearing liabilities + book value of total equity)

# Asset Turnover Rates

## Operating Cash Flows (RMB Million)



	Cash Conversion Days	
	2012 Interim	2013 Interim
Inventory Days	59	49
Trade Receivable Days	29	32
Trade Payable Days	55	70

- For 2013 interim, the average inventory days is 49 days
- For 2013 interim, trade receivable days is 32 days, which is determined by the credit period that the Group giving to its major customers
- For 2013 interim, trade payable days is 70 days



## Business Outlook



# Future Strategy for Growth

China Modern Dairy aims to be recognized as the best dairy farm brand for raw milk in China

Improve milk yield through gene improvement <

Optimize Feed Mixing <

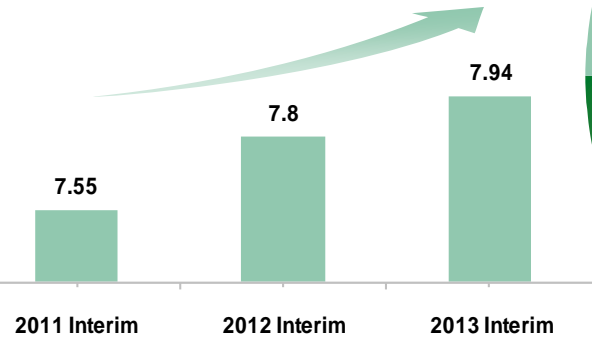
Optimize Breeding Techniques <

> Penetrate Regions with High Demand Growth

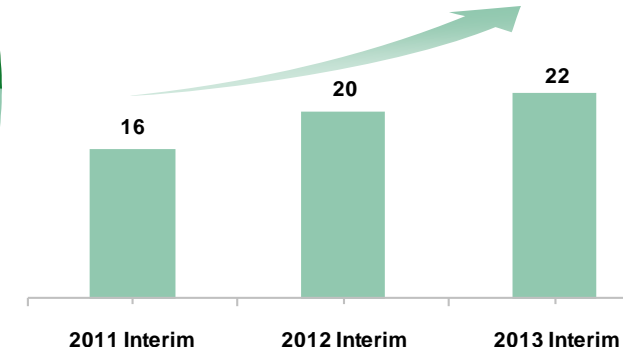
> Expand the Farm Scale by the Natural Growth of Herd

> Strengthen and Broaden Customer Base

Milk yield growth (tons/annum)



Farms expansion



Develop Premium-Branded Dairy Products <

Sell the excess herd after the self-sustaining model is optimized <

> Strategically Localize Feed Structure

> Continuously Improve Productivity and Efficiency

> Invest in Advanced Equipment and Management Systems

# Enhance Operational Efficiency

## Invest in advanced technology and management system

- ▶ Install and implement herd management system in all farms
- ▶ Subtotal data from all functional departments while realizing centralized monitoring and data analysis.



## Develop and implement new technologies and new techniques

- ▶ Apply new technologies and techniques in farm operations
- ▶ Achieve higher operation efficiency and lower operation costs



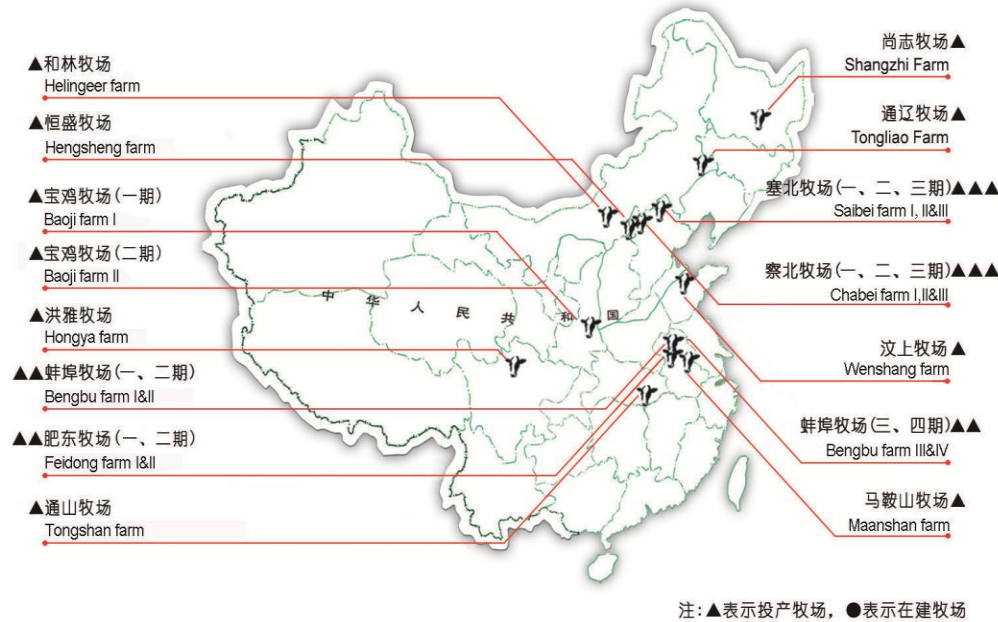
## Strengthen cooperation with local farmers and agricultural institutions

- ▶ Research and supply high-quality plants and crops
- ▶ On the basis of cost control, supply high-quality feed with special features in accordance with geographical requirements

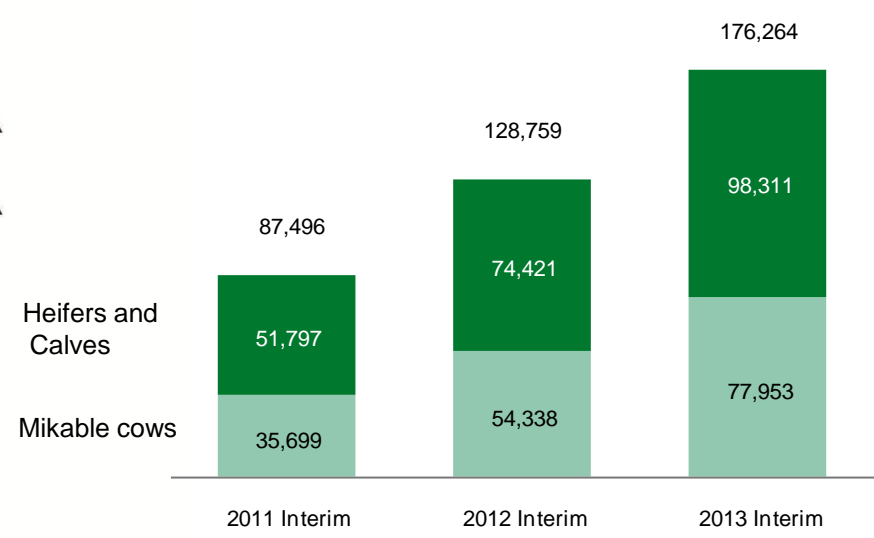


**Combining world-class equipments with the best management practice in the industry to enhance operational efficiency**

# Continue to Expand Herd Size



## Number of Dairy Cows



As of 31 December 2012, we had more than 176,264 dairy cows in the PRC, representing an increase of 37% comparing to the same period last year. The number of mikable cows was about 78,000, upped 43% yoy.

# Continue to raise milk yield and raw milk quality

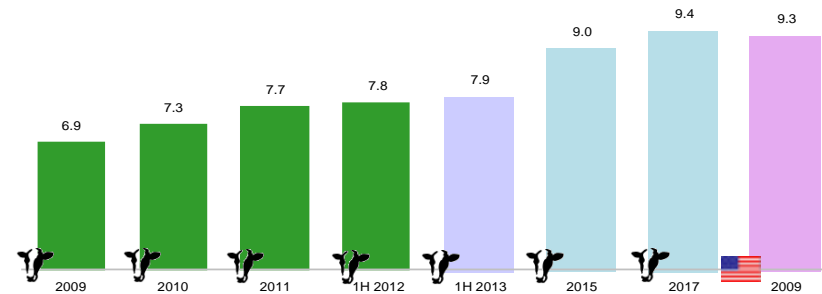
## Technological means

- ▶ China Modern Dairy applies the most advanced feeding and breeding technology in the industry to raise milk yield and milk quality

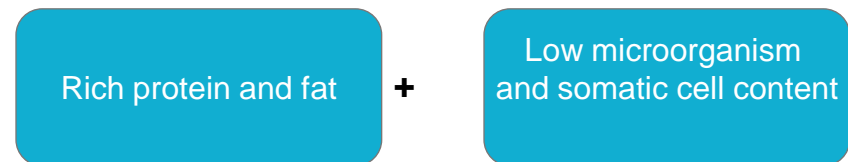


## Continue to raise milk yield

- ▶ Working hard to raise milk yield to the same level of developed countries  
milk yield per milkable cow (ton/annum)



## Strive to improve raw milk quality

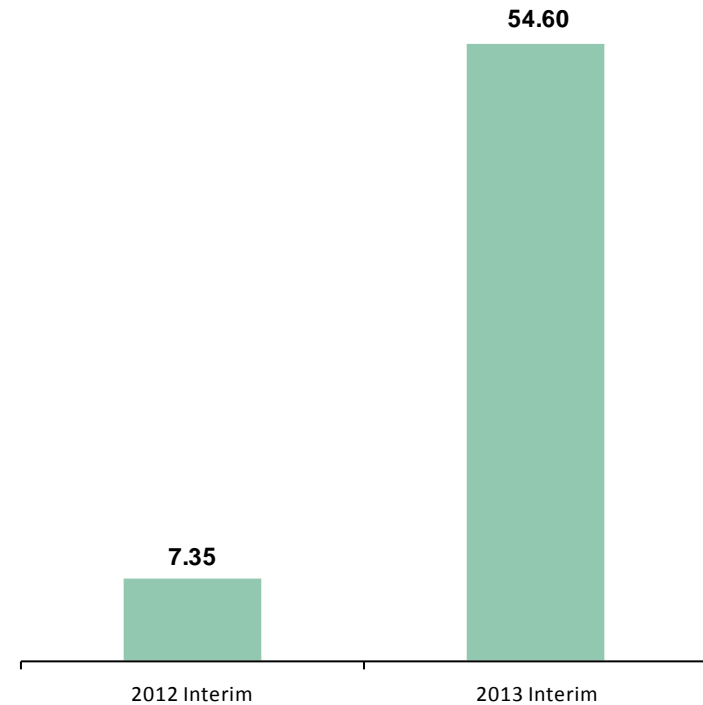


Class feeding management techniques and one of the best operators in the industry enable China Modern Dairy abreast with international standard of milk yield and quality

# Develop Own-brand Milk Business

Own-brand sales (RMB Million)

Own-brand sales (RMB Million)





**Thank you!**