



2014 Results Announcement

China Modern Dairy Holdings Ltd.

中国现代牧业控股有限公司



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Company Overview

Latest Development

Financial Review

Business Outlook

Industry Overview



Company Overview

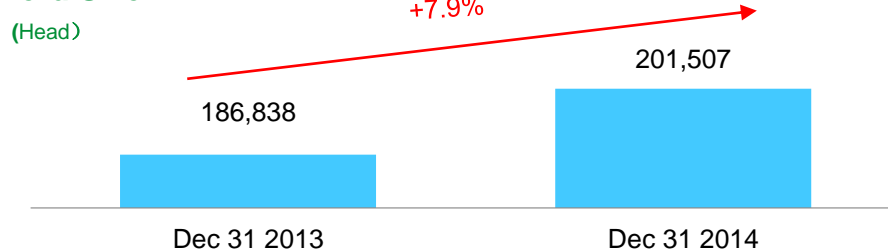
China Modern Dairy– The Largest Dairy Farming Company in China

Company Overview

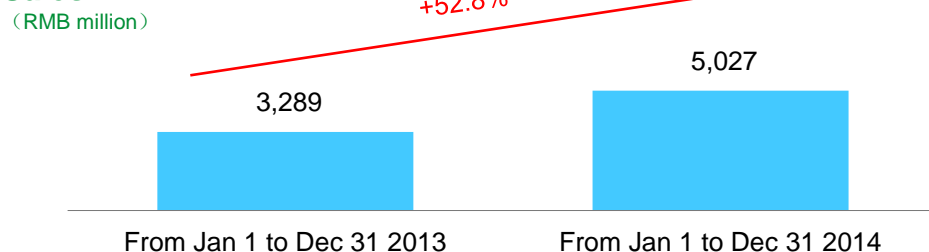
- ✓ The largest dairy farming company in China and the first listed company focused on dairy cow breeding
- ✓ Advanced breeding and feeding techniques and facilities
- ✓ Stringent standards on quality assurance and comprehensive quality control
- ✓ Industrialized free-stall dairy farming business model and standardized operational procedures and farm design, realizing sustainable economies of scale
- ✓ Eco-friendly production, achieving environmental conservation and operation cost reduction
- ✓ Keep providing highest-quality raw milk in China as a solution to the quality crisis faced by the raw milk industry

Outstanding Performance

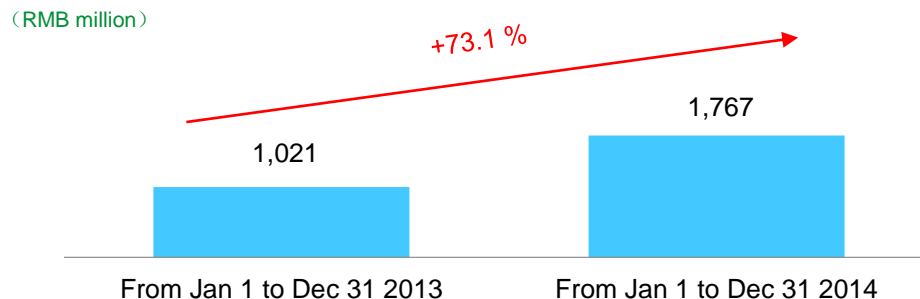
Herd Size



Sales



Cash EBITDA



Milestones

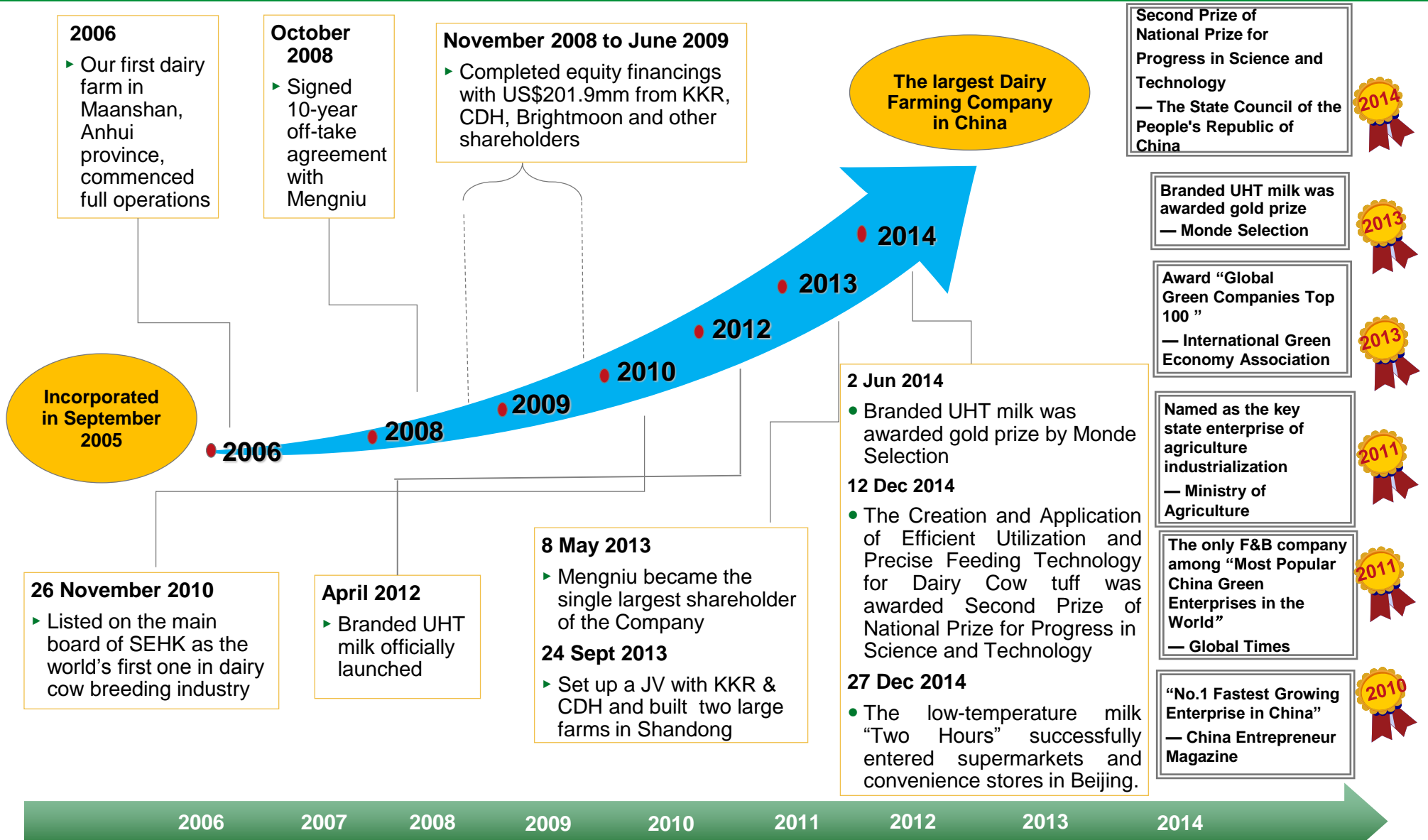
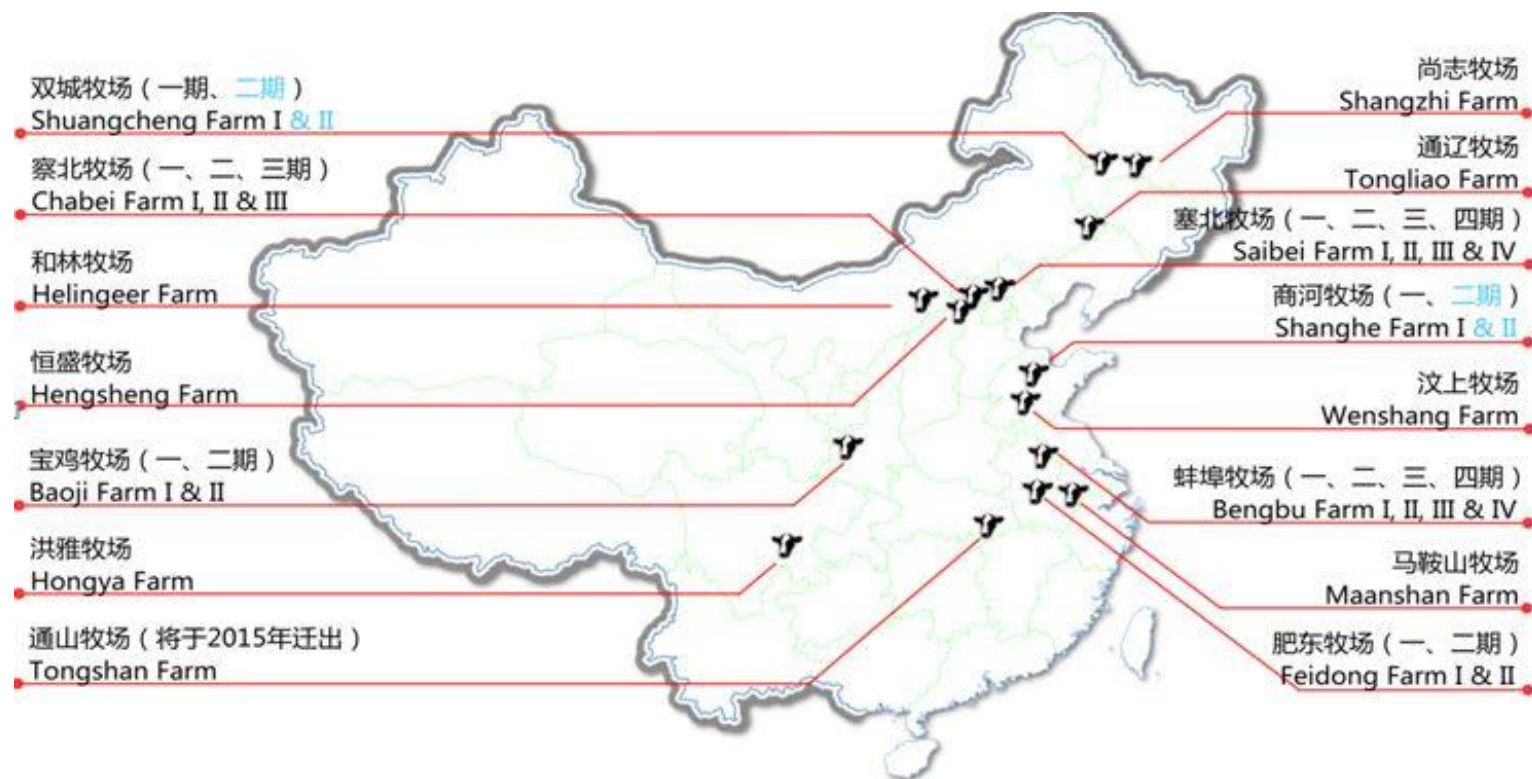


Diagram of Farm Distribution

Farm Distribution



Note: in black Farms in operation, a total of 25 farms , in blue Farms under construction , a total of 2 farms

As of 31 December 2014, the Company had 27 dairy farms in China, which had 25 farms operating and 2 farms under construction. The Company had 209,338 dairy cows in total, among which, 7,831 dairy cows belong to JV companies.

High-quality Raw Milk Benefits Our Pricing

Advanced Techniques

- ▶ Adopting the leading edge breeding and feeding techniques to improve the milk yield and quality

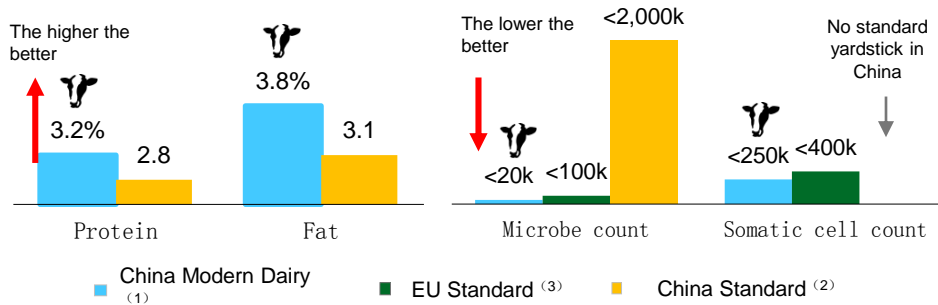
Optimizing feeding techniques

Improving the gene combinations of milkable cows

Strengthening feed mix research and managing

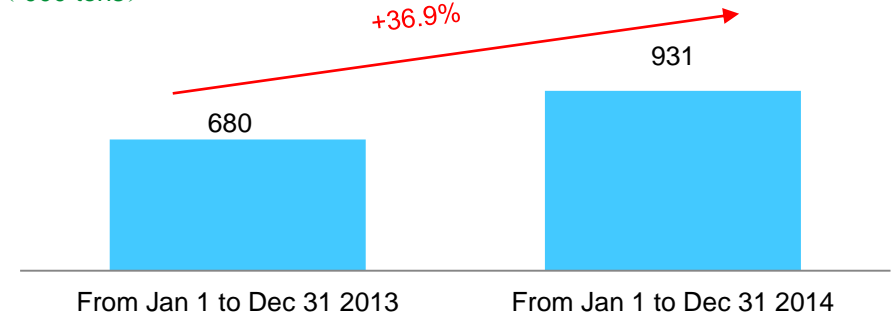
Enhancing the feed nutrients and energy

Strive to Improve Raw Milk Quality

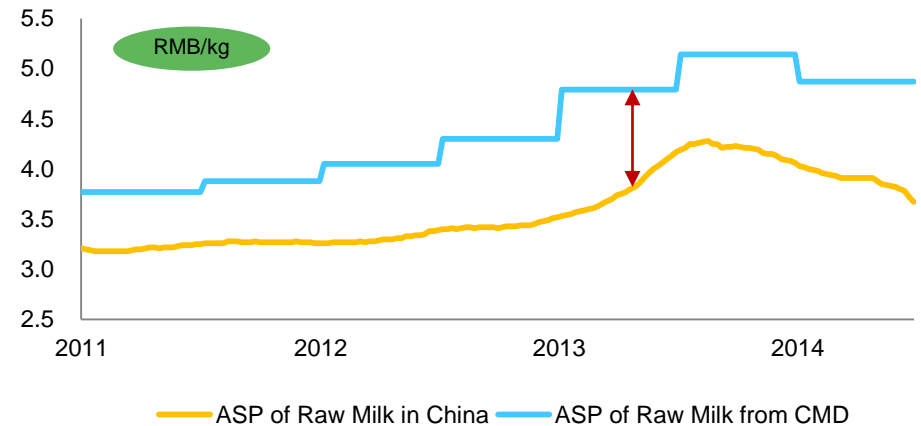


Rapid Growth in Raw Milk Sales Volume

('000 tons)



Higher Raw Milk ASP Driven by Premier Quality and Nutrition Standard



Source: Company data, Wind.



Latest Development

Increasing Brand Value

HONORS

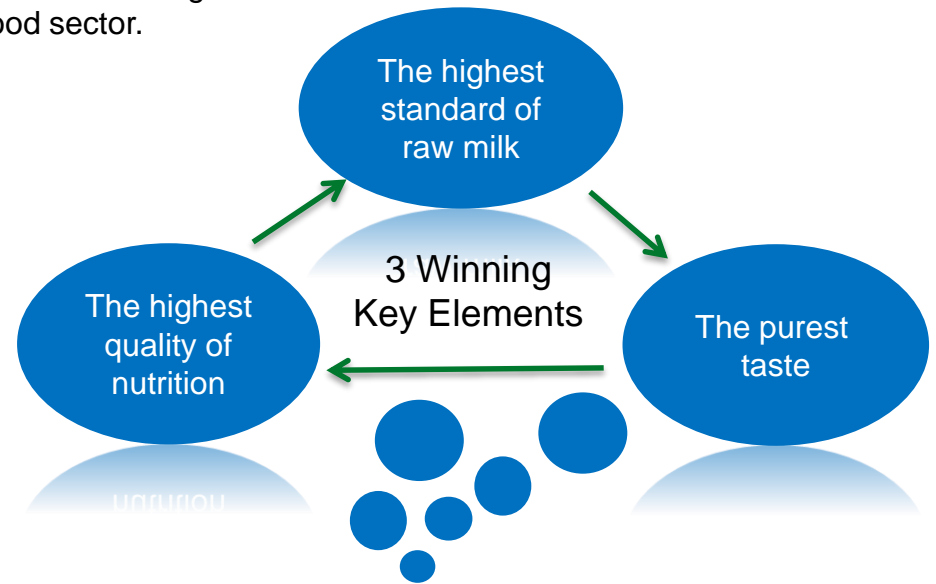


China Modern Dairy's self-branded milk been awarded the Gold Award in the food category by Monde Selection at its 53rd Award Ceremony in Bordeaux, France, June 2014. This is the first time China's own UHT milk gained this honor, also known as the only Gold Awarded given to a pure milk product worldwide in the past five decades.

Monde Selection is praised as the world's most representative and authoritative food quality testing organization in the world, its awards are regarded as the "Nobel Prize" in the international food sector.



Monde Selection
世界食品品质评鉴大会
金奖



Two hours from milking to final products with the shortest distance and least procedures possible: our branded milk meet all the three requirements mentioned above

Increasing Brand Value (con'd)



The 2014 Annual Award Ceremony of National Science and Technology Awards held on January 9th 2015 at the Great Hall in Beijing, by attended national leaders

Efficient Application of Cow Feeds and the Development and Application of Precise Feeding Technology, a collaborative research project jointly conducted by China Modern Dairy and several institutions including China Agricultural University, won the Second Prize in the State Science and Technology Awards, which was also the only project relating to dairy industry in 2014.

Second Prize





“Two Hours”

We understand that the quality of milk depends on the set standard whereas the safety of milk depends on every processing step. China Modern Dairy's branded milk takes 2 hours from milking to final products with the shortest distance and least procedures possible, which is a vertical integration aimed at presenting customers a milk product with true freshness and great quality. Our product has been recognized as the finest dairy product by the inspection department of the Ministry of Agriculture.

Our low-temperature pasteurized milk and yogurt products (named as “Two Hours”) were officially launched in supermarkets and convenience stores in Beijing at the end of December, 2014. Customers from cities of northern and eastern China are able to enjoy them as of 2015.

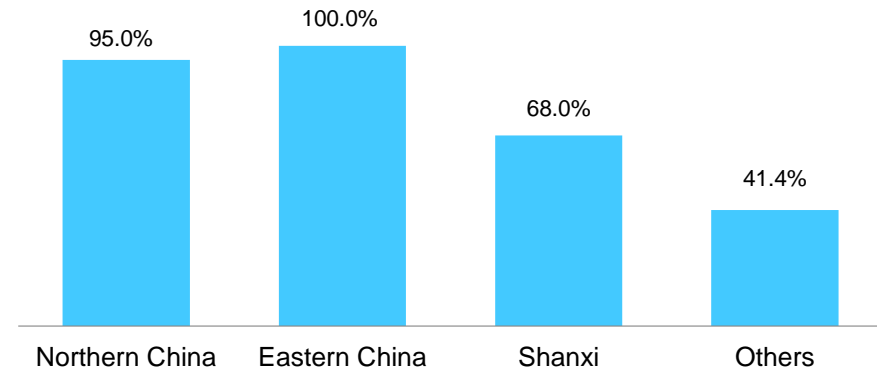
Our
Brand
Products



KA Channel Penetration Rate of Liquid Milk Products and Market Development



KA Channel Penetration Rate, 2014



- ▶ By 2014, China Modern Dairy's liquid milk products had set foot in 28 provinces including 196 cities, 214 country-level cities and 4 municipalities.
- ▶ Our sales coverage included: Carrefour, Wal-Mart, Meetail, Shiji Hualian, C.P. Lotus, Yonghui, Auchan, Yinzuo, RT-Mart, Tesco, and Dennis, etc.
- ▶ As of December 31 2014, our distribution partners have increased from 210 to 463, while the POS exceeded a number over 260k, up 120.5% YoY and 147.8% YoY respectively.



Financial Review

2014 Results Overview

For 2014, Cash EBITDA increased by 73.1% YoY and Net profit excluding changes in fair value increased by 89.7% YoY.

Items	From Jan 1 to December 31 2014	From Jan 1 to December 31 2013	Changes
	RMB'000	RMB'000	%/ppts
Turnover	5,026,706	3,289,281	52.8%
Cost of sales ⁽¹⁾	-3,161,345	-2,304,022	37.2%
Gross profit margin	37.1%	30.0%	7.1ppt
Cash EBITDA ⁽²⁾	1,767,432	1,021,157	73.1%
Cash EBITDA margin	35.2%	31.0%	4.2ppt
Loss from changes in fair value	-434,537	-124,382	249.4%
Net profit	762,888	506,994	50.5%
Net profit stripping off the gain or loss from changes in the fair value ⁽³⁾	1,197,425	631,376	89.7%
Basic earnings per share (RMB cent)	15.23	9.99	52.5%

Notes: (1) Cost of sales before biological fair value adjustment;

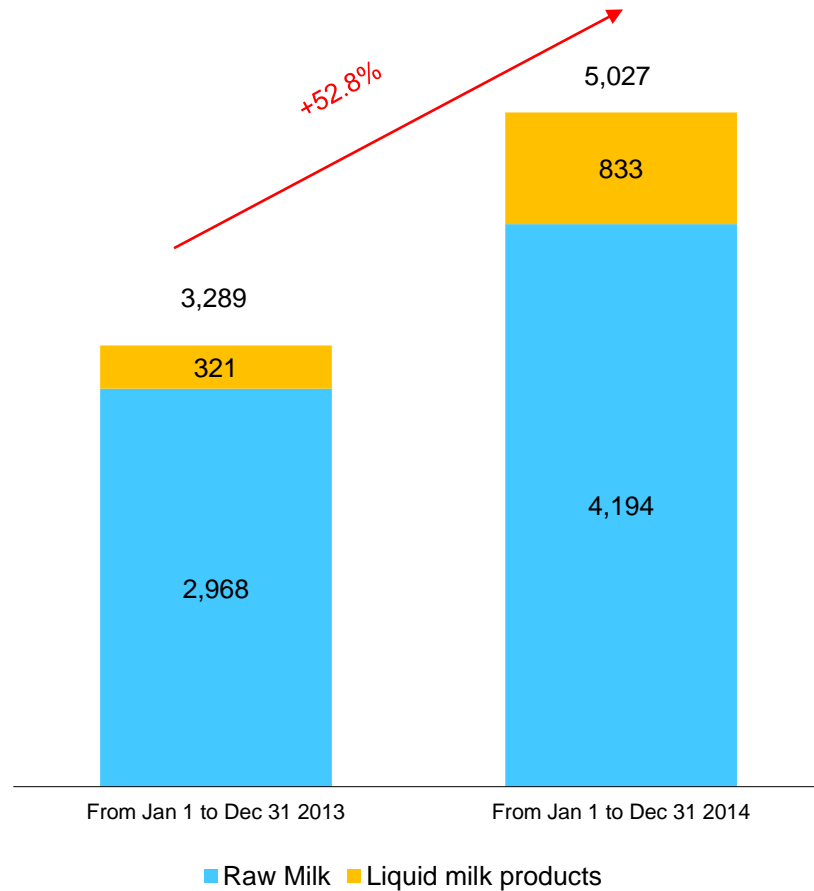
(2) Cash EBITDA represents EBITDA before loss arising from changes in fair values less costs to sell of dairy cows, fair value gain from derivative financial assets, fair value loss from derivative financial liabilities, net loss on disposal of property, plant and equipment and impairment of property, plant and equipment.;

(3) Gain or loss from changes in the fair value including the loss arising from changes in fair value less costs to sell of dairy cows, fair value gain from derivative financial assets, fair value loss from derivative financial liabilities.

Strong Financial Indicators – Revenue, Gross Profit and Gross Profit Margin

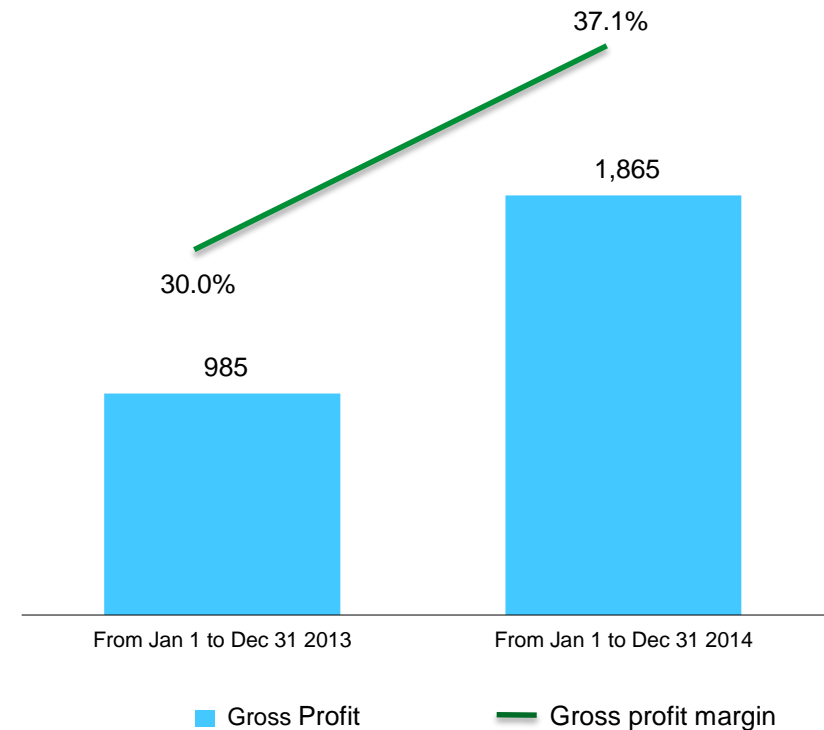
Revenue

(RMB million)



Gross Profit and Gross Profit Margin

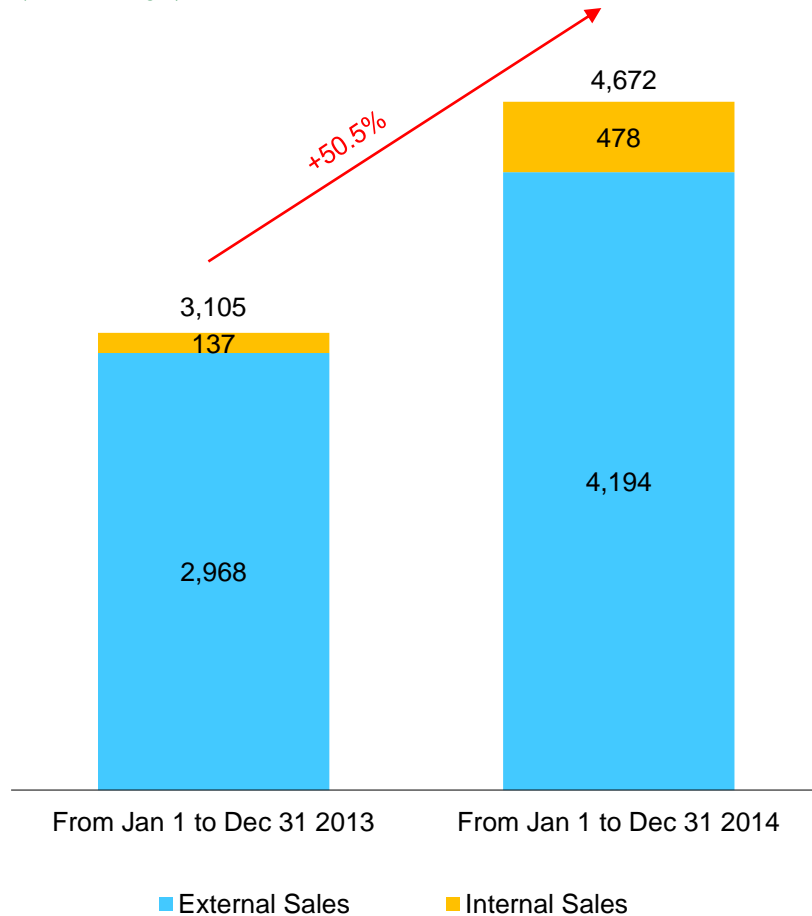
(RMB million)



Strong Financial Indicators – Sales of Raw Milk

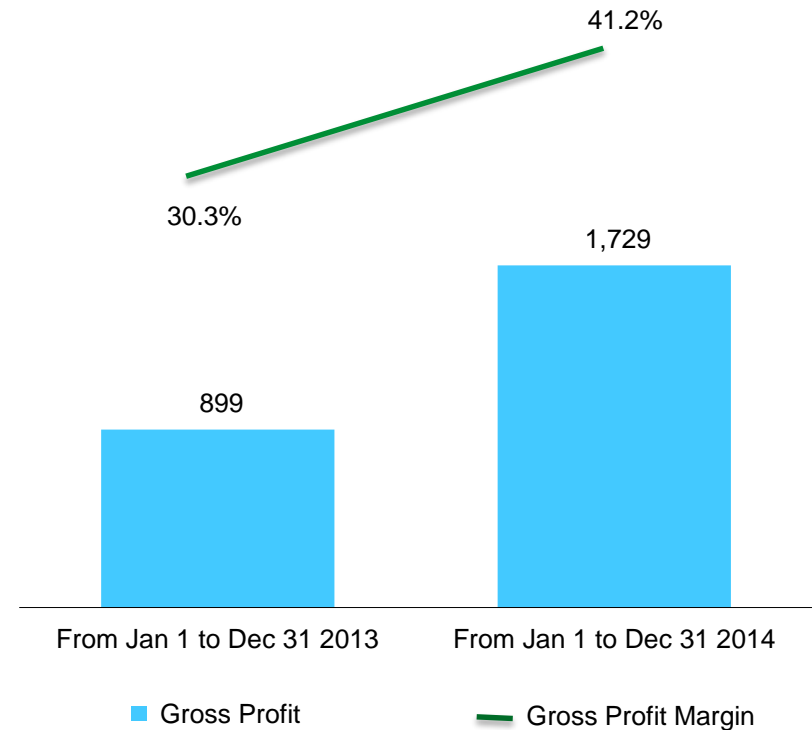
Sales of Raw Milk

(RMB million)



Gross profit and gross profit margin of external sales raw milk⁽¹⁾

(RMB million)

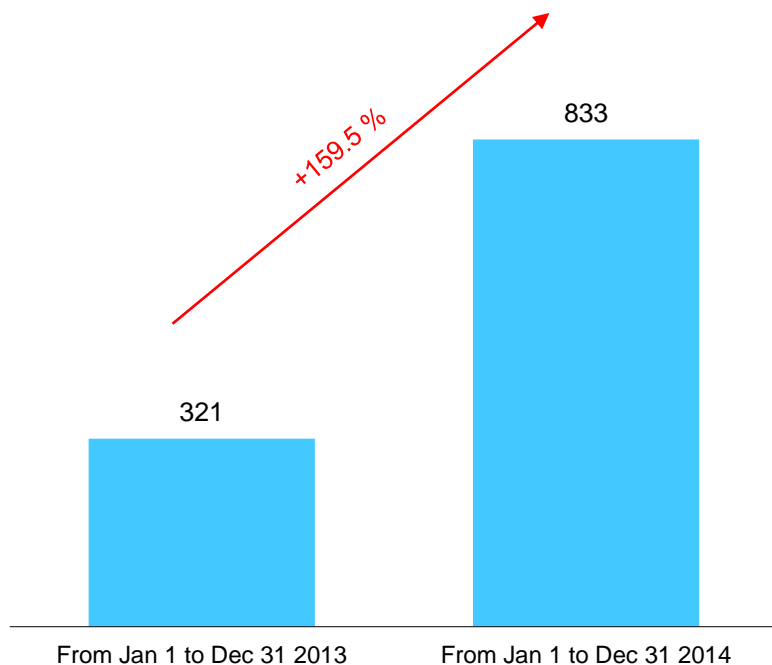


Note: (1) After eliminating the internal relative sales and cost of sales of the supply of raw milk

Strong Financial Indicators –Liquid Milk Products

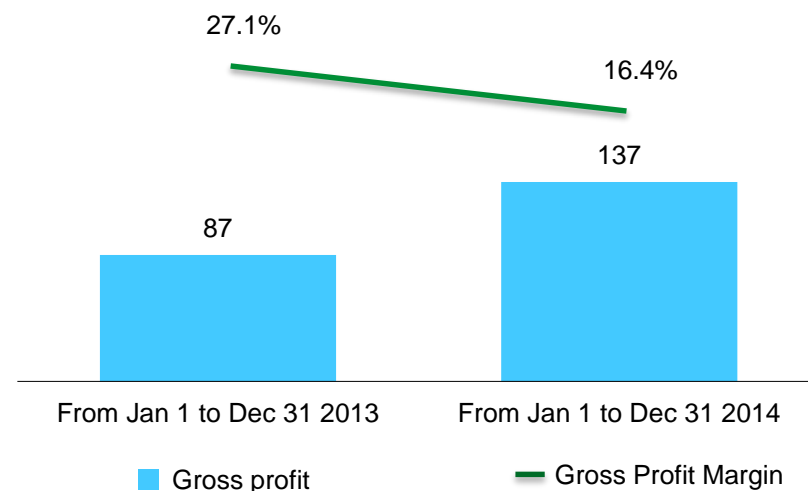
Revenue of Liquid Milk Products

(RMB million)



Gross Profit and Gross Profit Margin of Liquid Milk Products

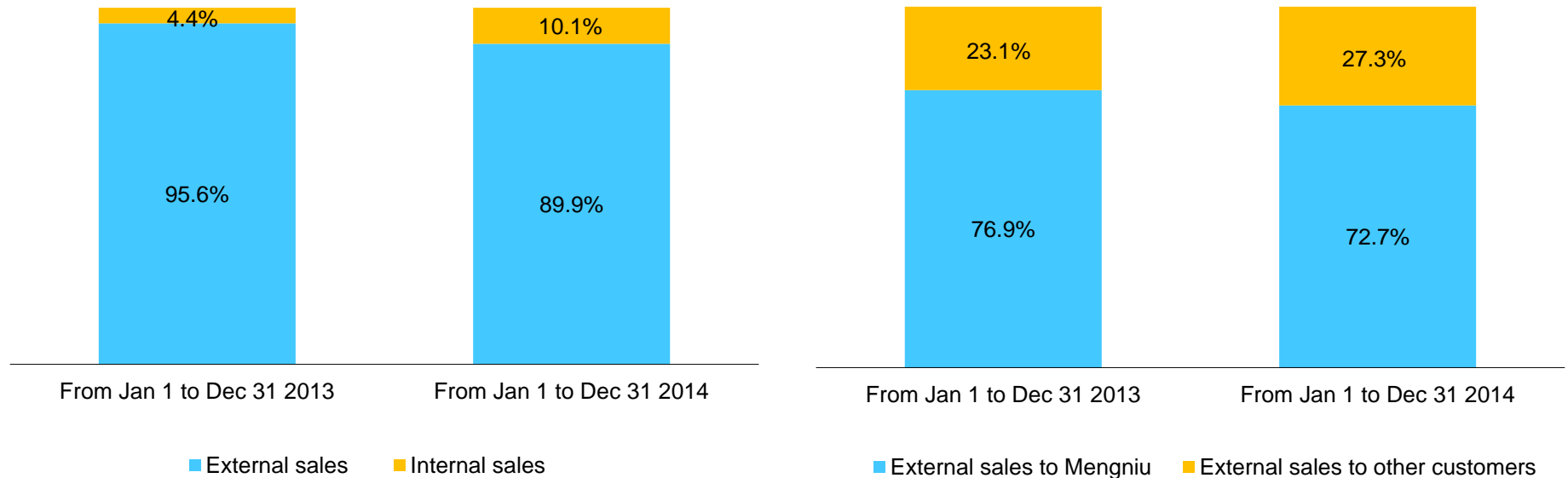
(RMB million)



Thanks to strong market demand, the revenue of our liquid milk products increased by 159.5% from 321 millions in the corresponding period last year to 833 millions for the year of 2014; gross profit margin of liquid milk products business decreased from 27.1% in the corresponding period last year to 16.4% for the year of 2014, mainly aiming to the the increase of raw milk price and greater promotion efforts in order to expand market share.

Proportion of Raw Milk Sales Volume

Diversified customer base of raw milk sales and increased proportion of internal sales

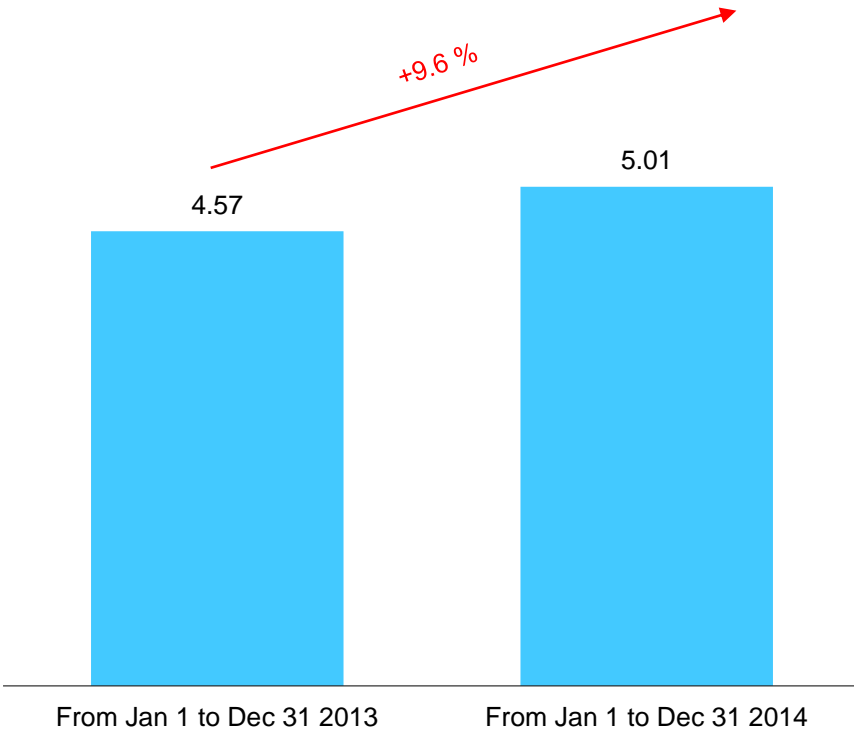


- ▶ Continue to cooperate with Mengniu according to the long-term strategic agreement of raw milk supply
- ▶ Proactively expand third parties sales channels and build marketing network
- ▶ In 2014, the company had sold raw milk to more than 20 third-party dairy manufacturing companies
- ▶ Proportion of internal sales continuously increased with the development of liquid milk products business

Per Unit Raw Milk Cash Cost was Effectively Controlled with Downward Trend

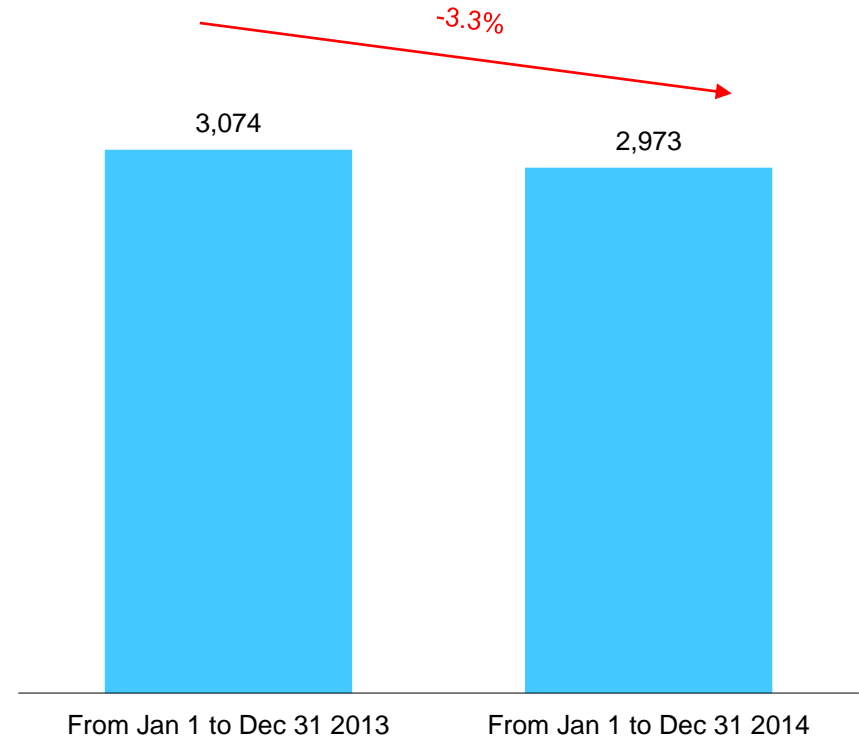
Raw milk price for external sales

(RMB/kg)



Raw milk cash cost⁽¹⁾

(RMB/ton)

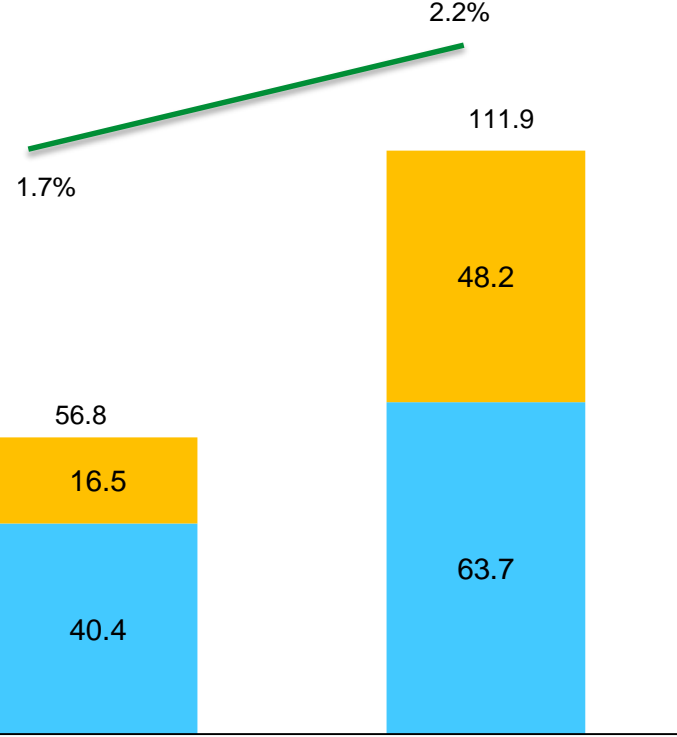


Note: (1) The cost of sales raw milk (before eliminating the internal relative costs of sales of the supply of raw milk) excluding the depreciation divided by the sales volume of raw milk (before eliminating the internal relative sales volume from the supply of raw milk.)

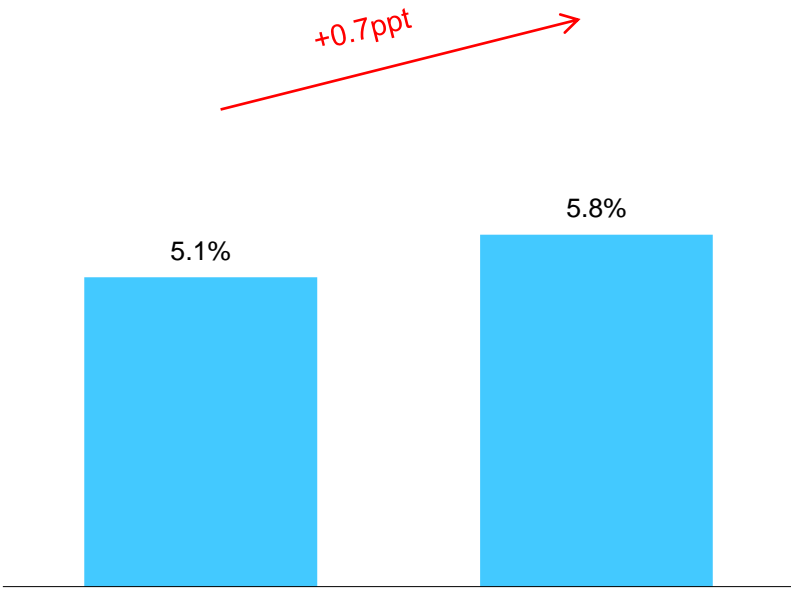
Selling Expenses and Selling Expenses as % of revenue

Total Selling Expenses and Selling Expenses as % of Revenue

(RMB Million)



Selling Expenses and Selling Expenses as % of Revenue of Liquid Milk Products



From Jan 1 to Dec 31 2013 From Jan 1 to Dec 31 2014

■ Dair Farming ■ Liquid Milk Products — Selling Expense as % of Revenue

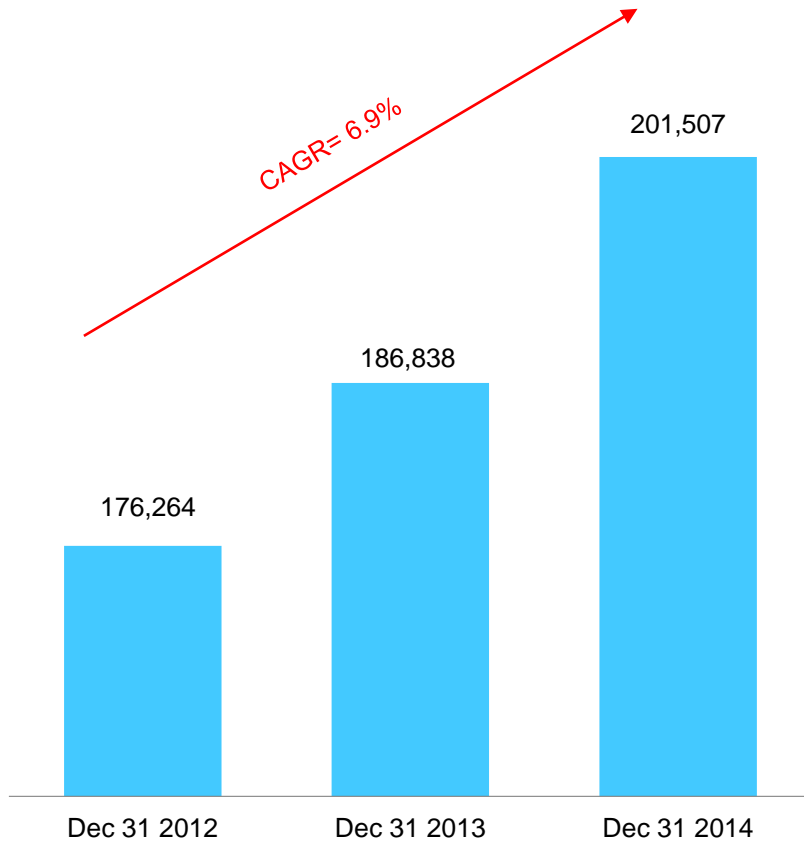
From Jan 1 to Dec 31 2013 From Jan 1 to Dec 31 2014



The largest Dairy Farming Company in China

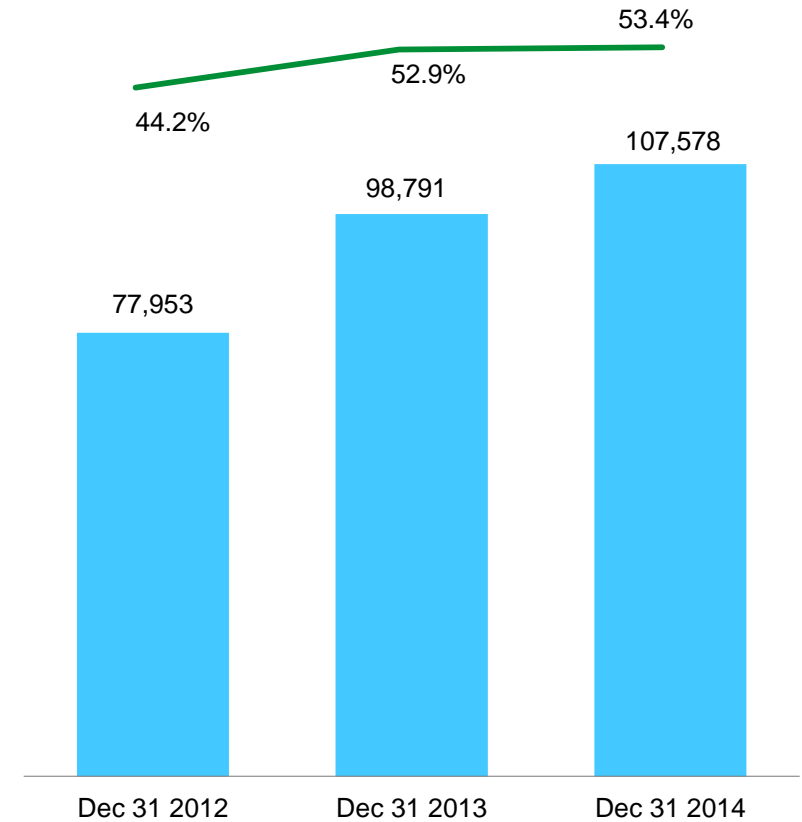
Steady Growth in Herd Size

Herd Size (Head)



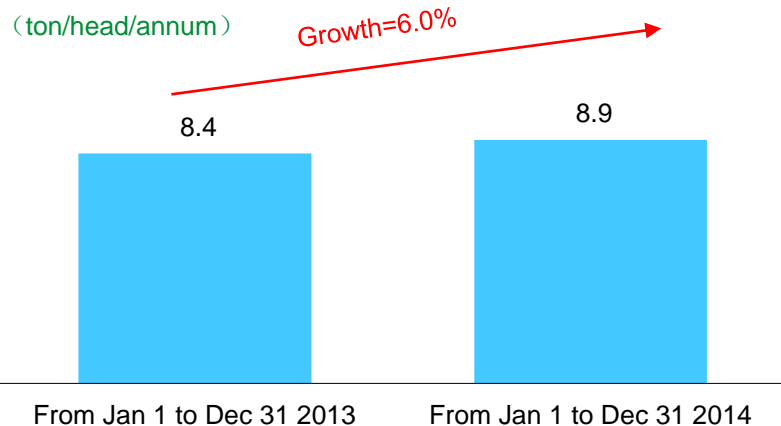
Rapid Growth in Number of Milkable Cows Herd Structure Tends to be Reasonable

Number of Milkable Cow (head) and as % of Total Dairy Cows

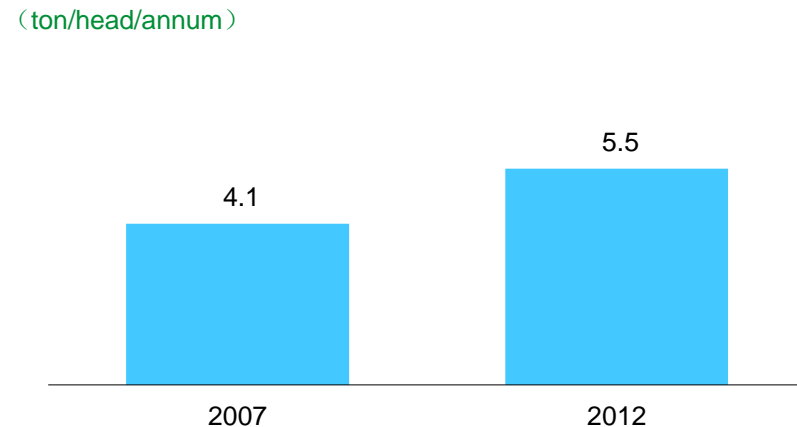


Continued rise in yield and sales volume

Continued Improvement of The Yield of Milkable Cow



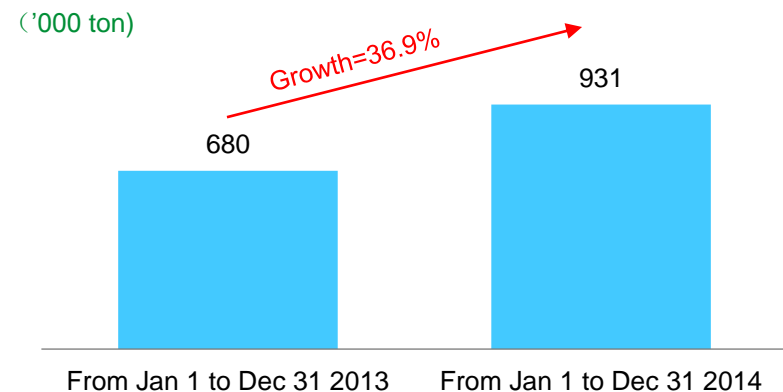
Industrial Situation⁽¹⁾



Yield of Milkable Cow

Items	Milk yield per cow (kg/day)
Milkable Cow	25.1
Lactating Cow	28.2

Continuous Rise in Sales Volume of Raw Milk⁽²⁾



Notes: (1) Source: National Bureau of Statistics of China, Frost & Sullivan
 (2) Include internal sales of raw milk

Continuously Growth of Assets Scale

Items	Dec 31 2014	Dec 31 2013	Changes
	RMB'000	RMB'000	%/ppt
Biological assets	6,530,814	5,954,363	9.7%
Fixed assets	4,457,970	4,032,642	10.5%
Total assets	14,210,853	12,493,821	13.7%
Total liabilities	7,554,901	6,633,087	13.9%
Total borrowing	5,787,848	4,948,666	17.0%
Debt ratio⁽¹⁾	47.1%	46.3%	0.8ppt
Cash balance⁽²⁾	1,169,873	799,576	46.3%
Bank facilities (not yet utilized)	8,089,553	3,668,079	120.5%

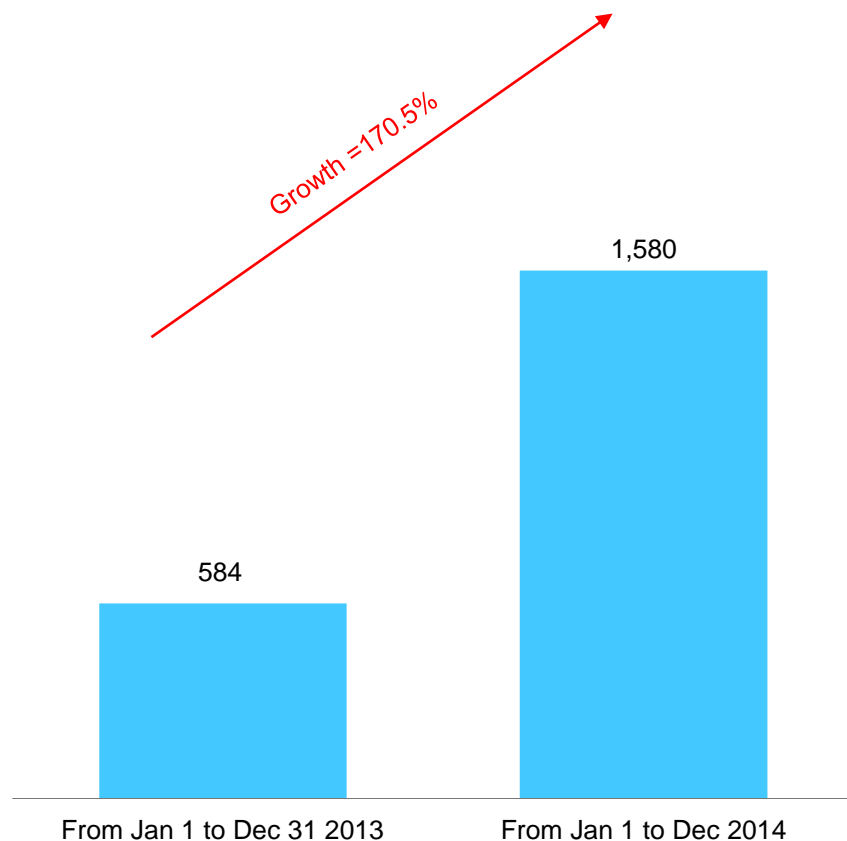
Notes: (1) Debt ratio=Interest bearing liabilities / (Interest bearing liabilities + book value of total equity).

(2) Including pledged bank balances.

Asset Utilization Rate

Operating Cash Flows Generated from Operating Activities

(RMB million)



Turnover Days

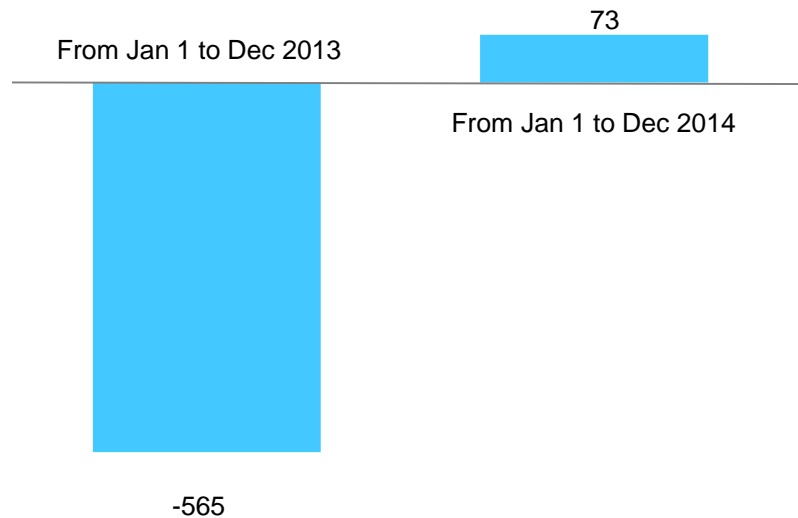
Items	From Jan to Dec 2014	From Jan to Dec 2013
Inventories	62	64
Trade Receivable	44	41
Trade Payable	78	89

- ▶ With the increase in both revenues and the production scale of branded milk, the company gave the customers certain trade days, which increased trade receivable days; the trade days of raw milk is 30.
- ▶ With the increase in both revenues and production scale of branded milk, the production of packaging materials was booked as prepayment and the purchase raw milk for internal sales do not form the account payables, leading to decreased accounts payable turnover days.

Gradually Matured Farms—Positive Free Cash Flow and Stable Improvement in Cash EBITDA Margin

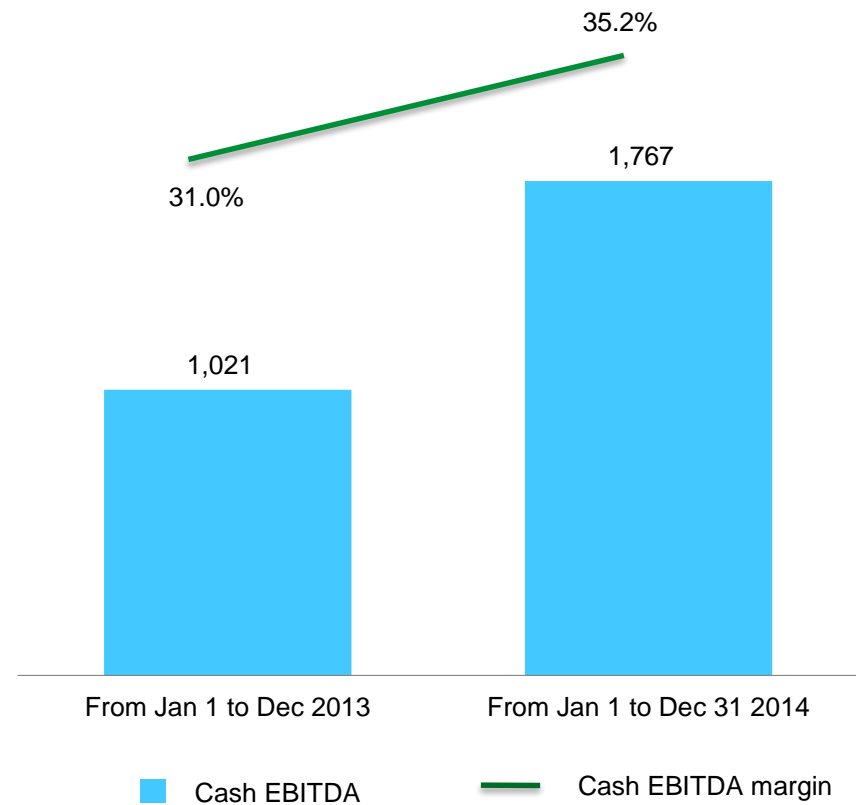
Free cash flow became positive⁽¹⁾

(RMB million)



Stable improvement in Cash EBITDA and Cash EBITDA margin

(RMB million)



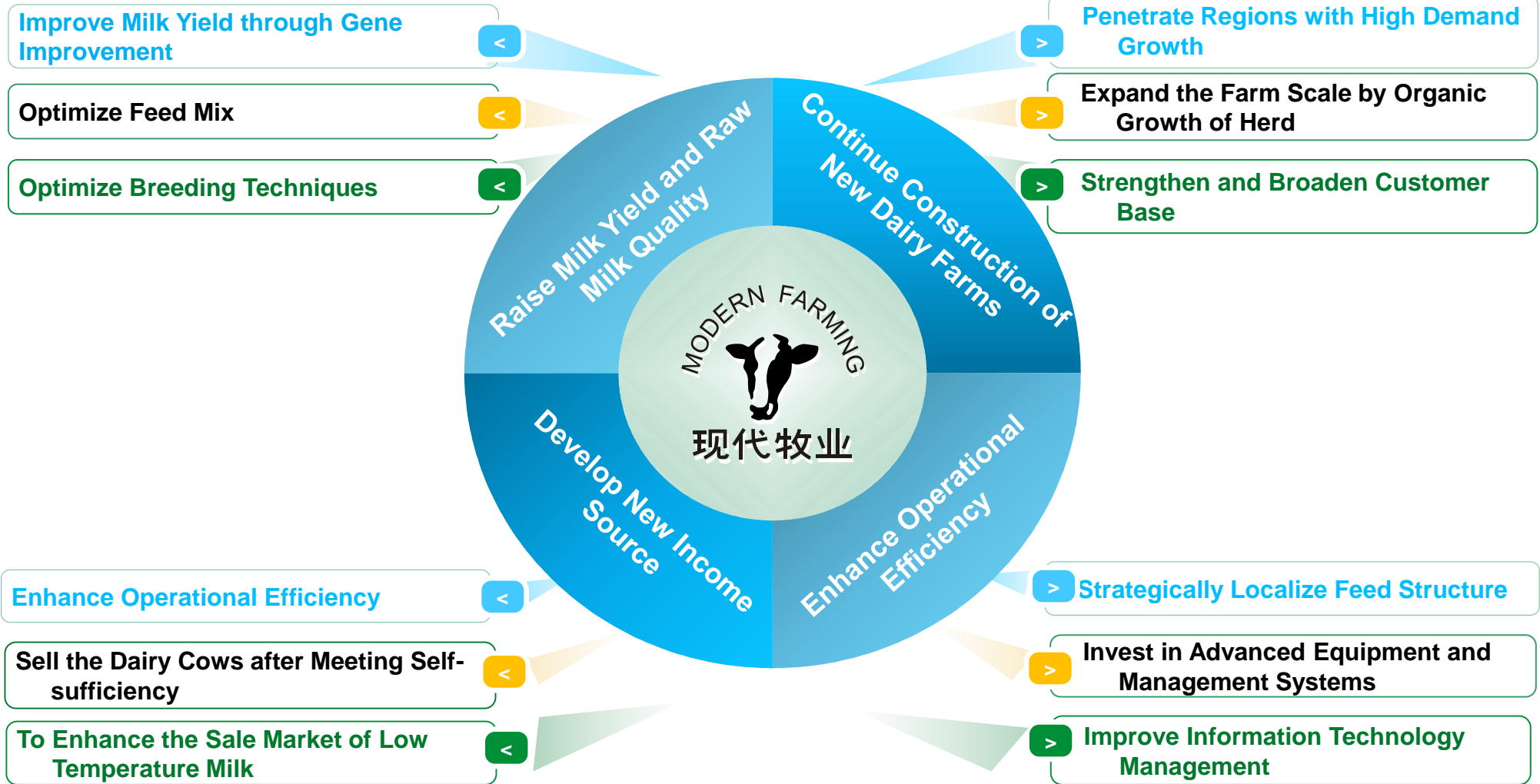
Note: (1) Free cash flow = operating cash flows generated from operating activities + proceeds from selling dairy cows – purchase of property, plant and equipment – addition in biological assets



Business Outlook

Company Future Strategy for Growth

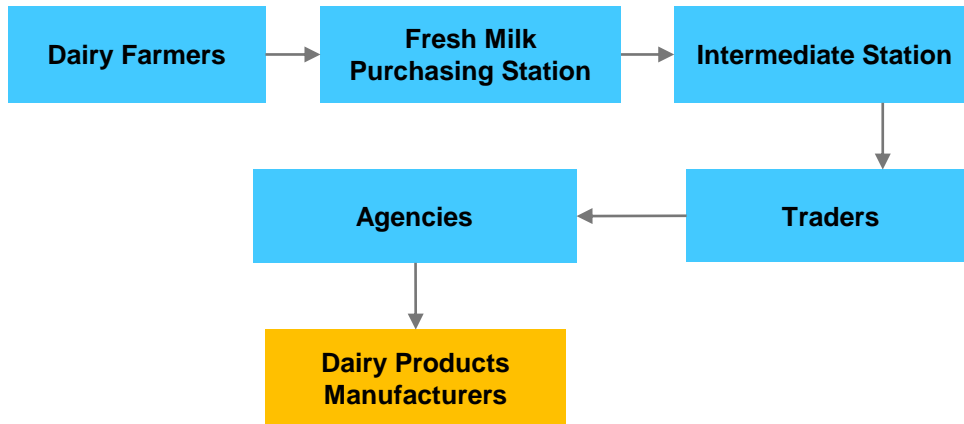
China Modern Dairy Aims to Be Recognized as the Best Dairy Farm Brand for Raw Milk in China



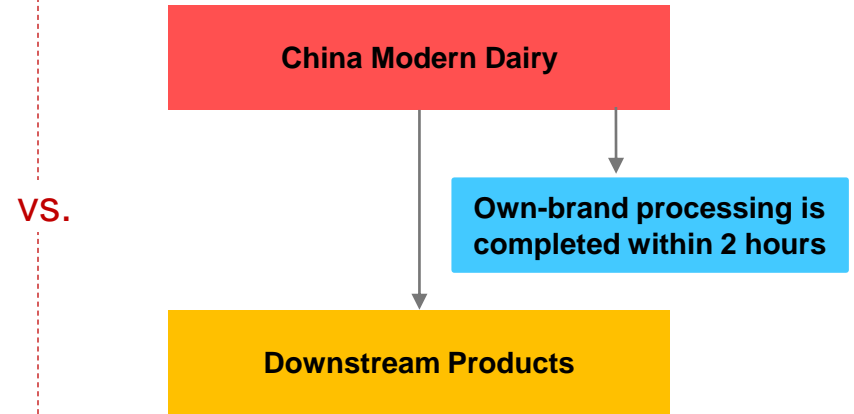
Large-scale Farms Possess Significant Competitive Edges

Ensure Safety of Milk Source, Better Control Cost and Avoid the Risks

Individual Farms Operation Model

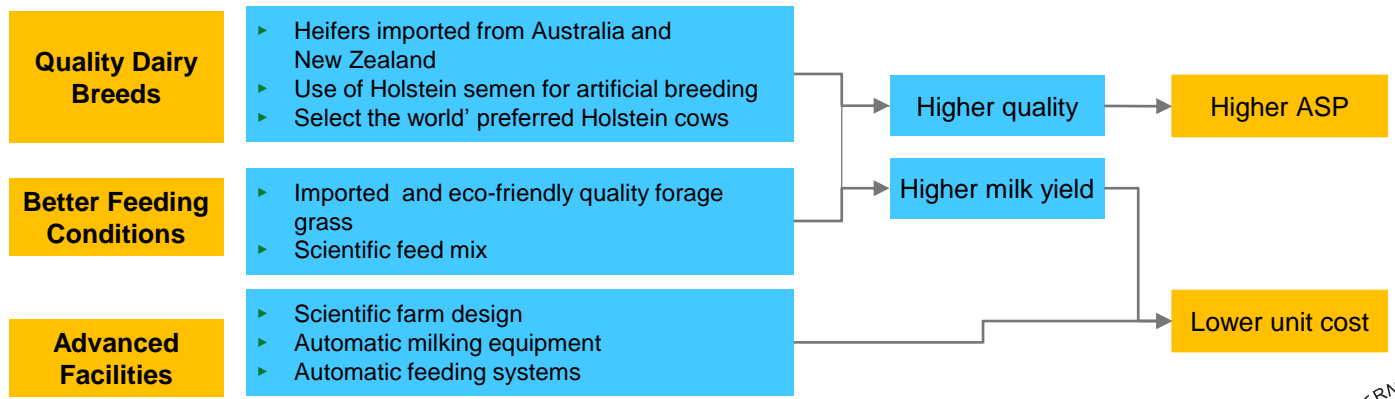


Large-scale Farm Operation Model



VS.

Competitive Edges of Large-scale Farms



Grass-planting, Raising and Processing- a Vertical Integration Business Model

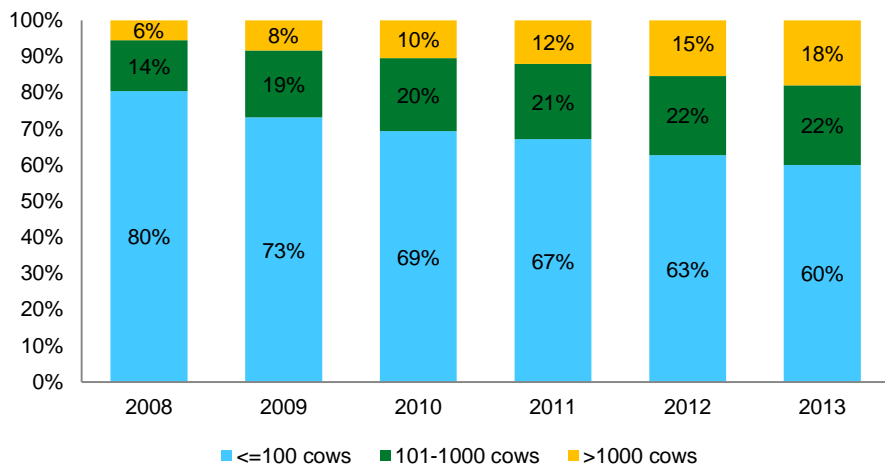




Industry Overview

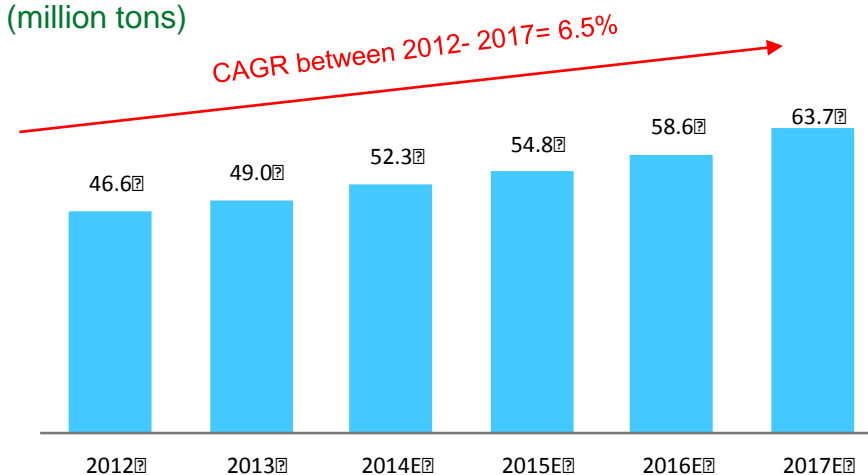
Benefit from the Growing Demand for Raw Milk and Consolidation Trends of Dairy Industry

Consolidation Trends of Dairy Industry



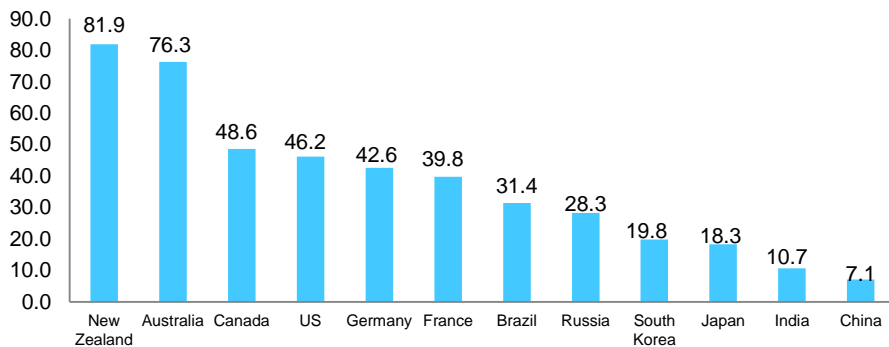
Growing Demand for Raw Milk in China

(million tons)



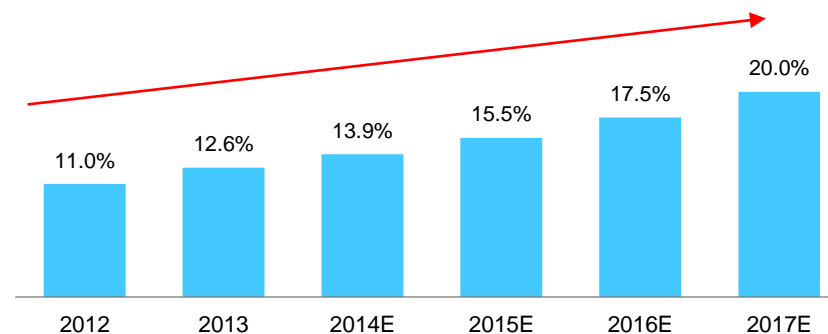
China's per capita dairy products consumption is still at growing stage

Per Capita Liquid Milk Consumption, 2013 (kg/ person)



Especially Premium Raw Milk

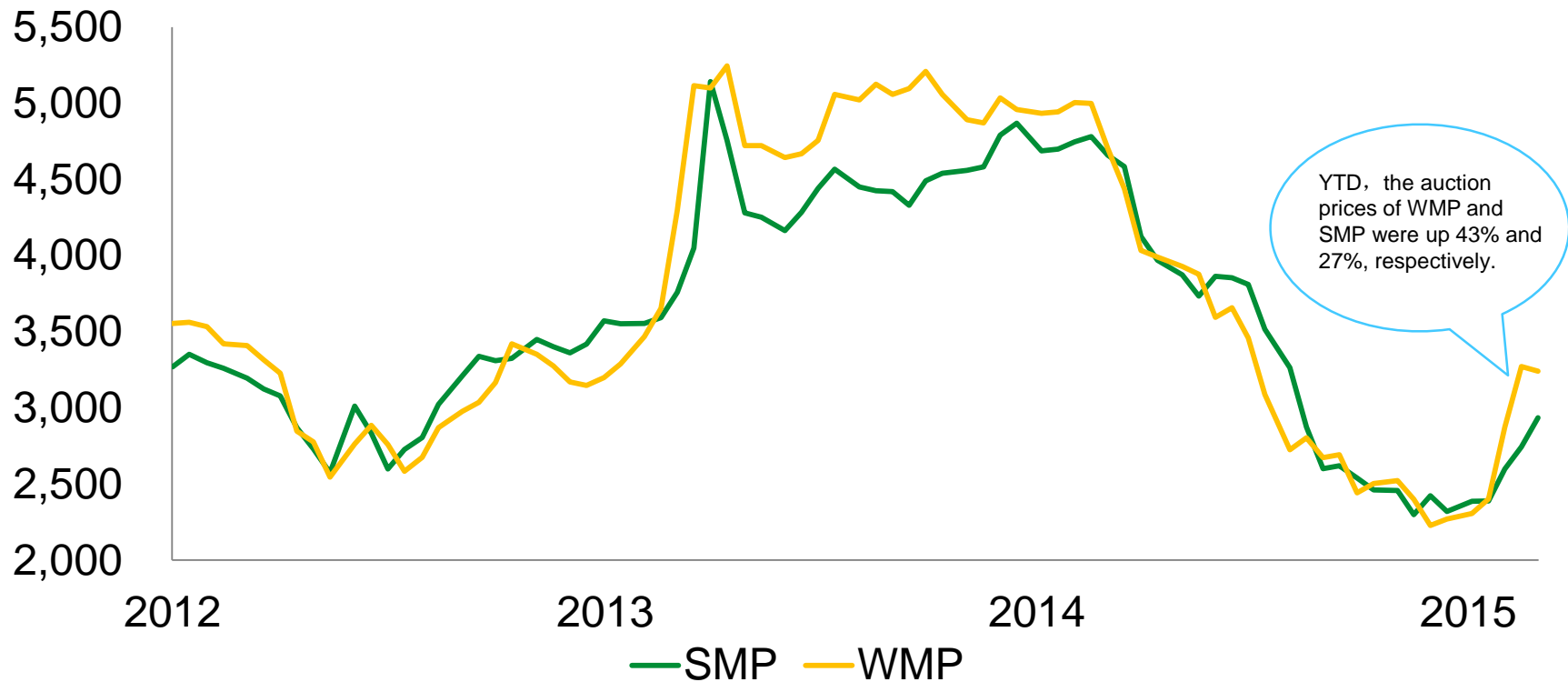
The Percentage of Premium Raw Milk Accounts Among Total Raw Milk Output



Source: National Bureau of Statistics of the People's Republic of China, Frost & Sullivan and Euromonitor International.

Global Milk Price is Bottoming Out

Auction Price of Fonterra Whole Milk Powder and Skim Milk Powder ¹



Source: Global Dairy Trade.

Note: (1).Based on the price at March 3rd, 2015



Thank you!