

2015 Interim 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 in the world



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



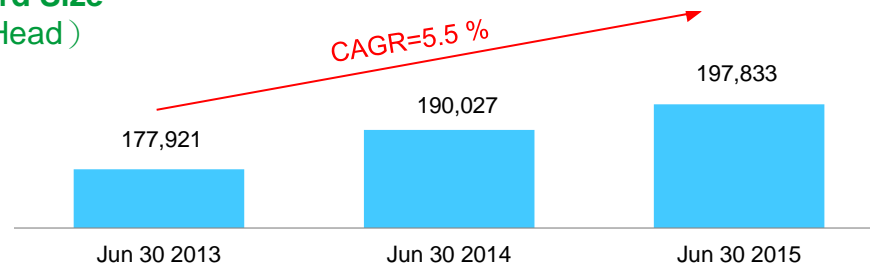
Adopting a integrated business model with forage grass planting, cow breeding and milk processing, achieving environmental conservation and operation cost reduction



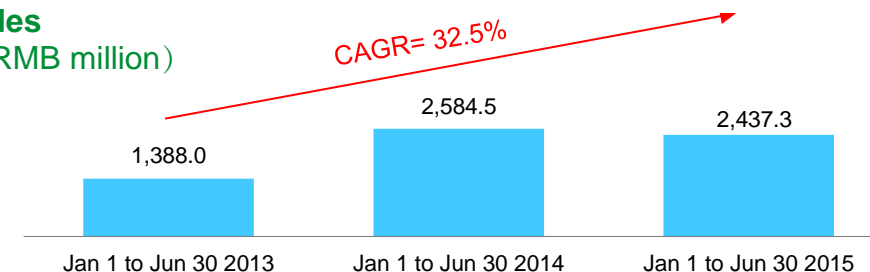
Keep providing highest-quality raw milk and liquid milk products in China as a solution to the quality crisis faced by the dairy industry

Outstanding Performance

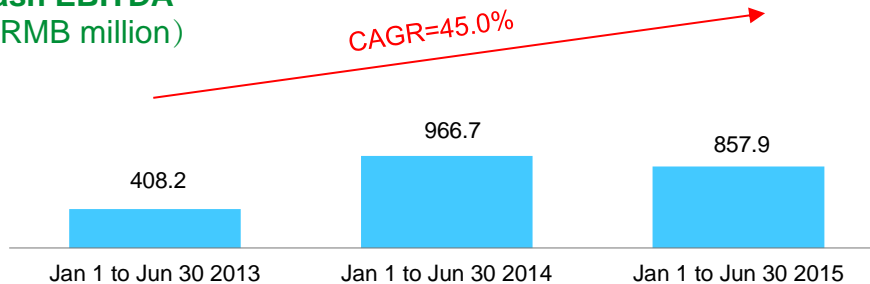
Herd Size (Head)



Sales (RMB million)



Cash EBITDA (RMB million)



Milestones

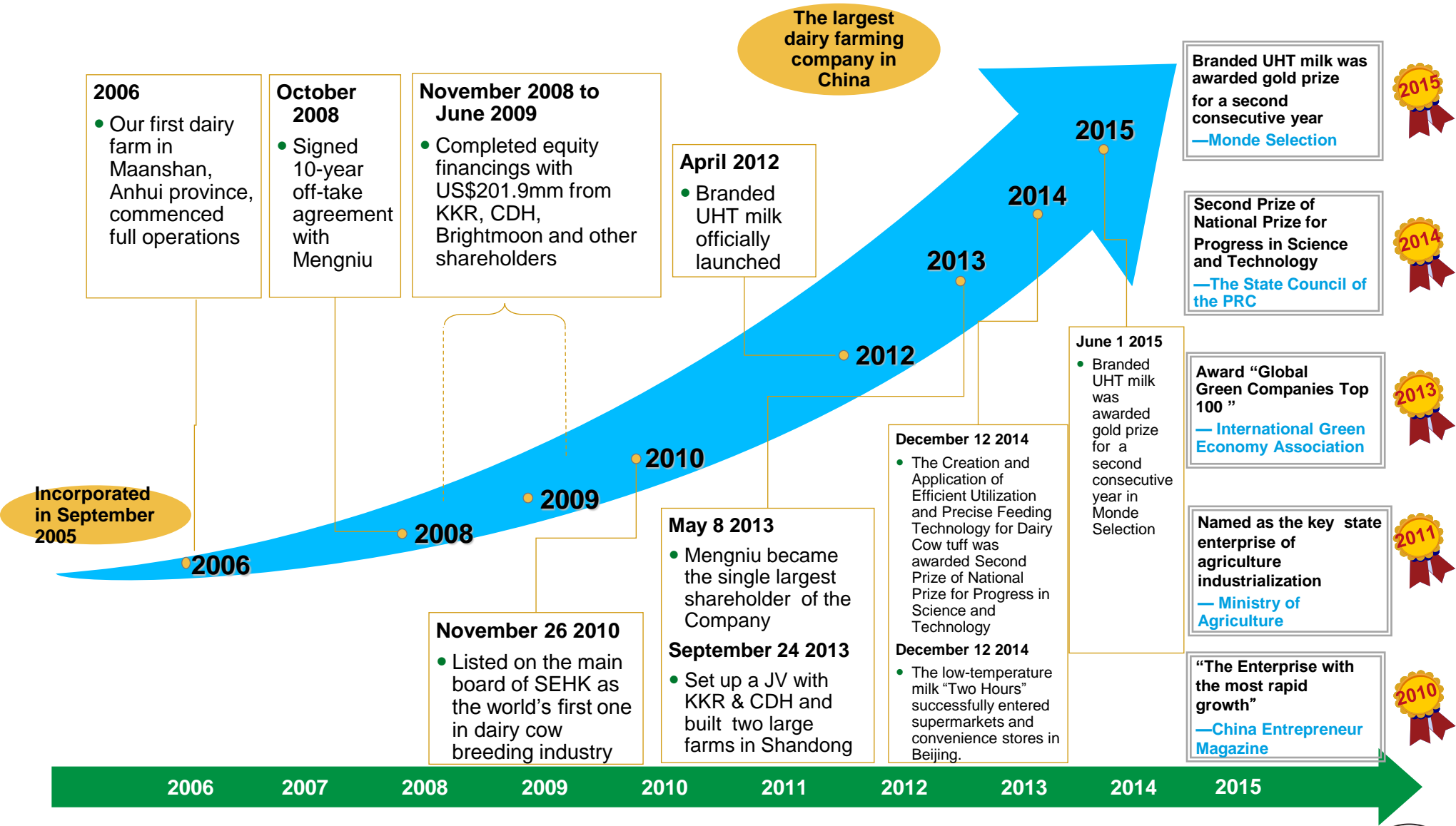
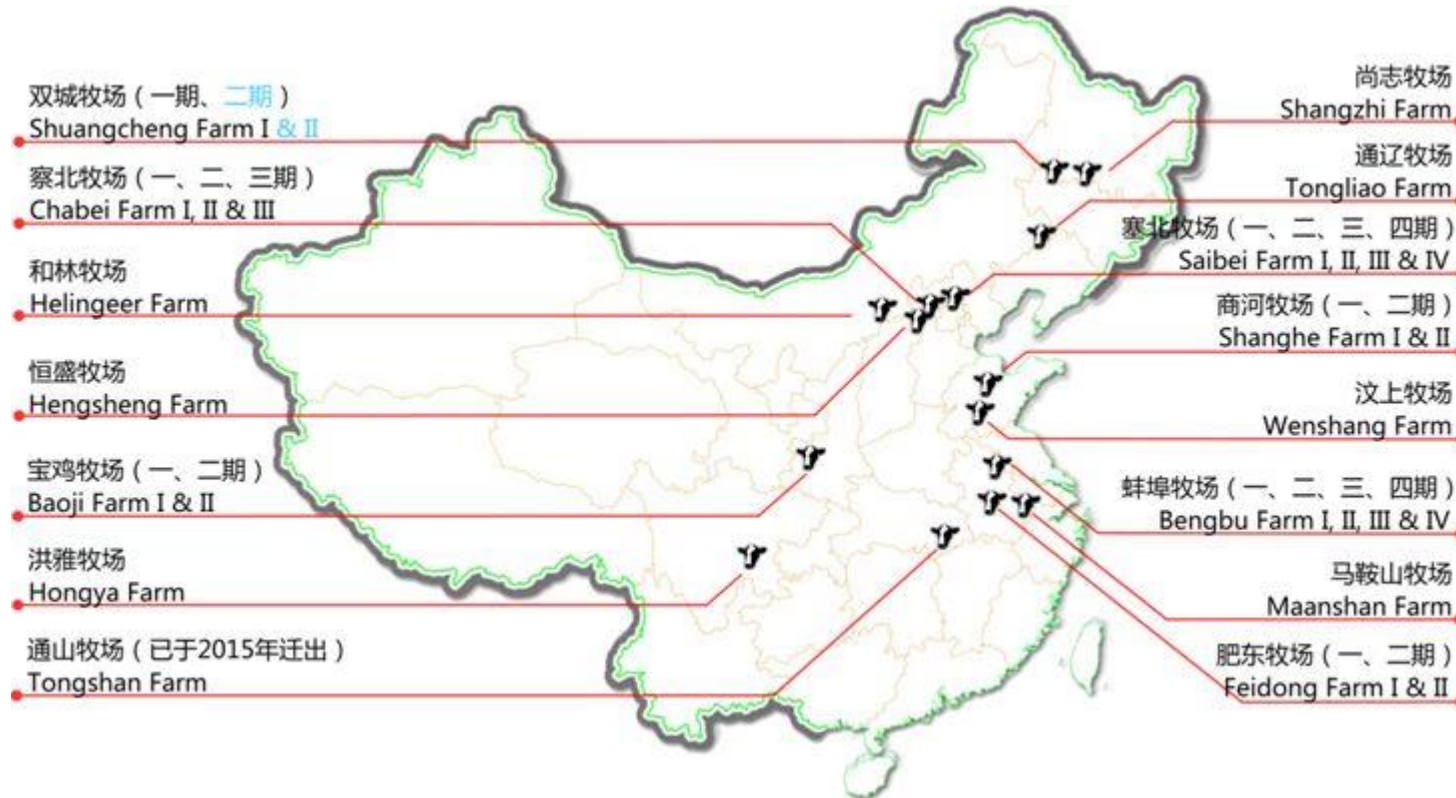


Diagram of Farm Distribution

Farm Distribution



Note: Farms in black stand for those in operation, a total of 26 farms; Farms in blue stand for those under construction, a total of 1 farm.

As of June 30 2015, the Company had 27 dairy farms in China, which had 26 farms operating and 1 farm under construction. The Company had 213,999 dairy cows in total, among which, 16,166 belong to JV companies.

Pioneered the Layout of “Zero-Distance Integration from Milking to Processing”

The whole processing is fully under control accomplished by scientific and standardized design. With refined processing management, the Group is capable of producing “Two Hours” milk, which can prevent milk from thermal injury and guarantee the best nutrition.



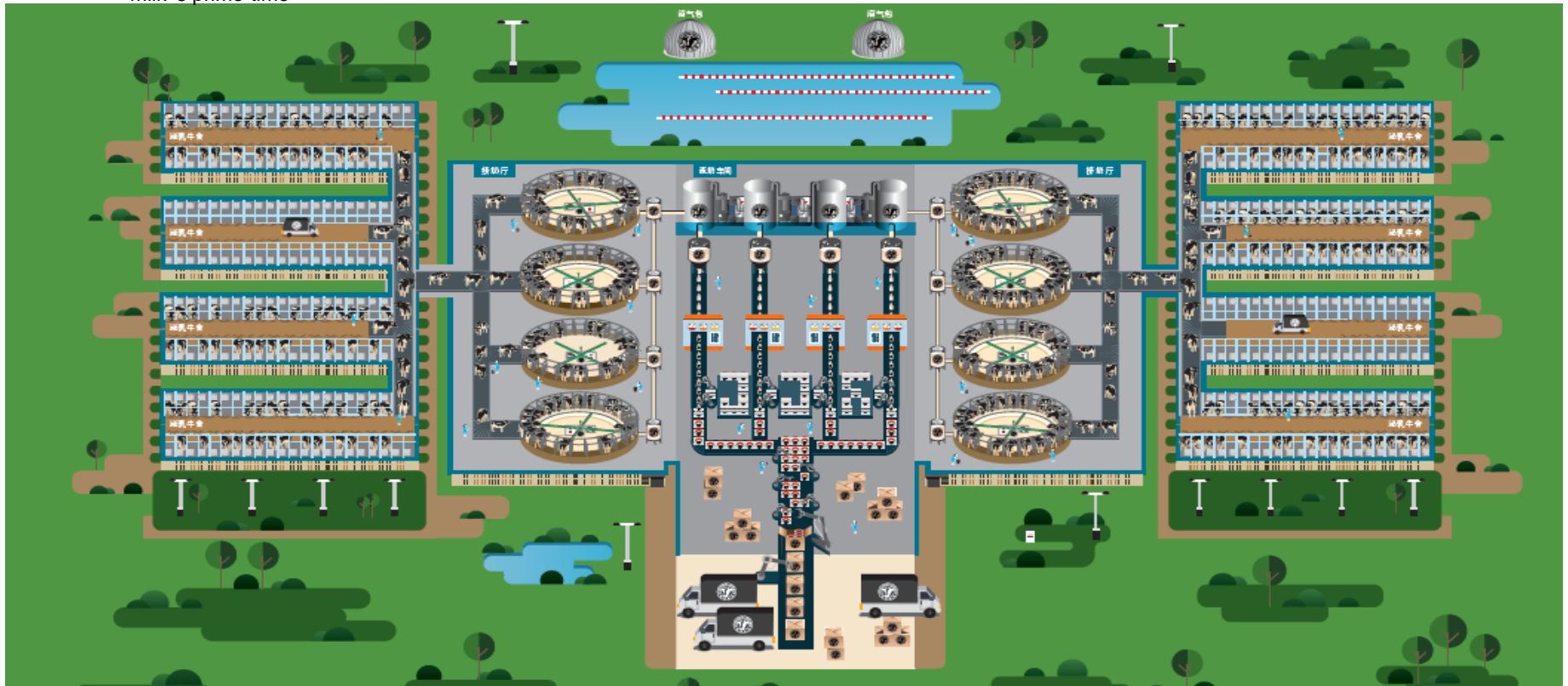
Unique production mode

- ▶ Production lines of liquid milk are adjacent to milking parlours;
- ▶ Without raw milk transportation, collection, pasteurization, and flash vaporization, the whole process only takes 2 hours and finished within raw milk's prime-time



Biogas power generation system

- ▶ Through advanced process flow, biogas power generation and organic fertilizer production are achieved, which make waste profitable



Milking parlours are adjacent to milking cows

- ▶ Enhanced efficiency and lower cost



Pioneered the layout of “Zero- Distance Integration”

- ▶ Milking parlours are adjacent to production line, which guarantees the product's safety and enables consumers to enjoy the highest quality fresh milk



High-quality Raw Milk Benefits Our Pricing

Advanced Techniques

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

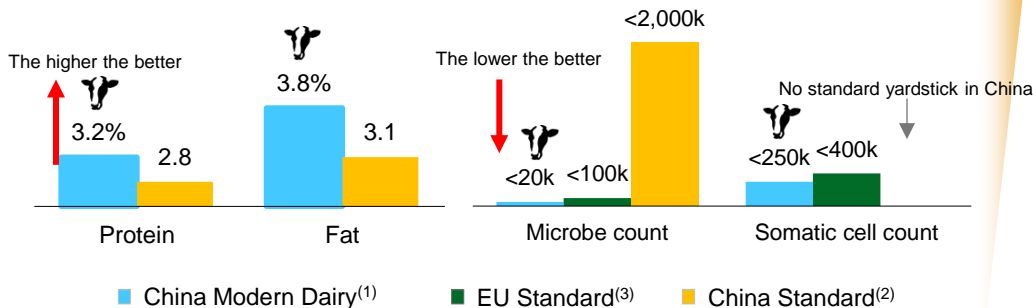
Optimizing feeding techniques

Improving the gene combinations of milkable cows

Strengthening feed mix research and managing

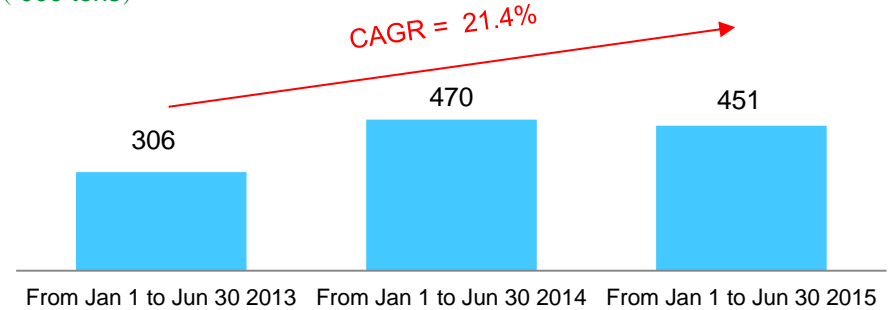
Enhancing the feed nutrients and energy

Strive to Improve the Raw Milk Quality

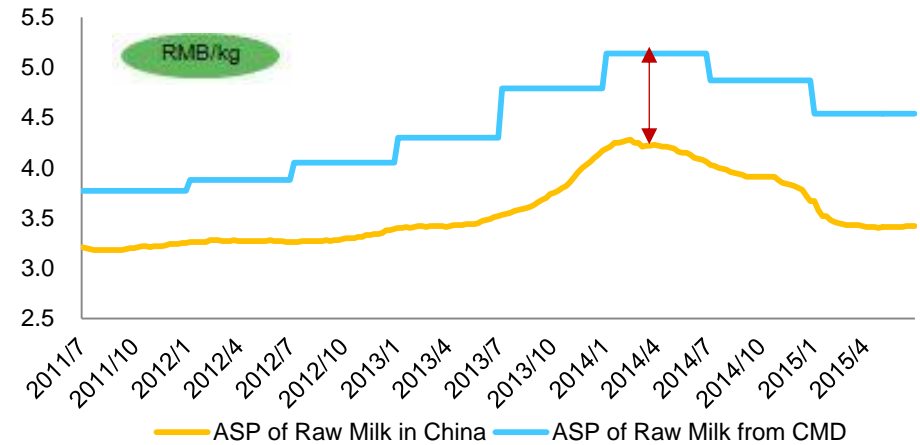


Rapid Growth in Raw Milk Sales Volume

('000 tons)



Higher Raw Milk ASP Driven by Premier Quality and Nutrition Standard



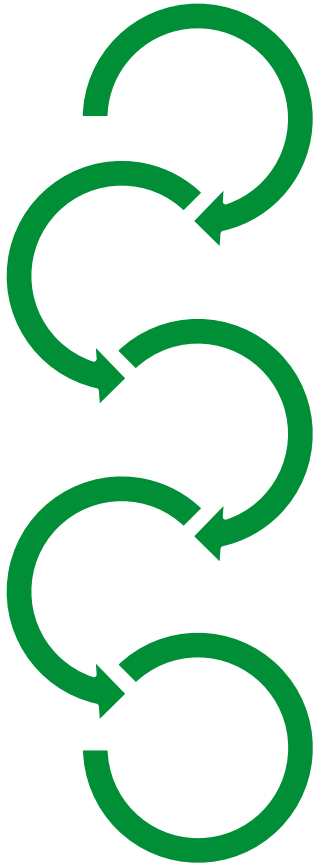
Source: Company data, Wind





Latest Development

Acquisition of Joint Venture Farms



- 1** JV farms have more significant advantages than any other peer farms in the industry
- 2** Solidify and enhance the leading position among upstream enterprises
- 3** Obtain advanced operating experience and recruiting management talents through introduction of outstanding private equity funds
- 4** Further improve financial performance
- 5** Good timing for asset injection
- 6** Optimize capital structure to exert positive effect on the future financing activities of the Company

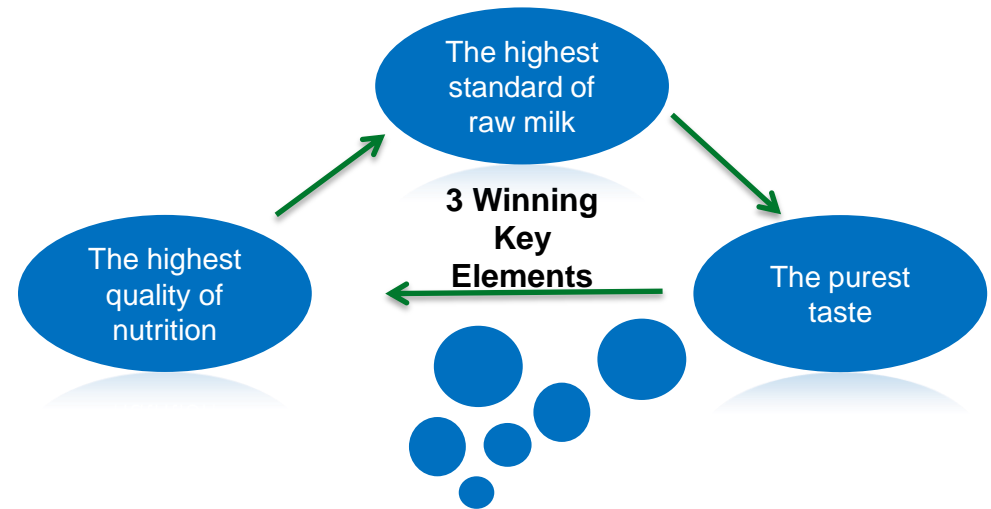
Enhancing Brand Value



Monde Selection®
蝉联世界食品品质评鉴大会
金奖



- ▶ China Modern Dairy's self-branded milk products has been awarded the Gold Award for a second consecutive year in the food category by Monde Selection at its 54th Award Ceremony in Lisbon, Portugal. This is the first time domestic milk product gained this honor consecutively. This award is also known as the only Gold Award given to a pure milk product worldwide in the past five decades. The Company was awarded the Gold Award for the first time in the 53rd Monde Selection.
- ▶ Monde Selection is praised as the world's most representative and authoritative food quality testing organization. Its awards are regarded as the "Nobel Prize" in the international food sector.



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





Financial Review



2015 Interim Results Overview

As of 30 June 2015, Cash EBITDA decreased by 11.3% YoY and Net profit decreased by 7%YoY, mainly due to the significant decrease of raw milk price.

Items	1H2015	1H2014	Changes
	RMB'000	RMB'000	%/ppts
Turnovers	2,437,320	2,584,535	-5.7%
Cost of Sales ⁽¹⁾	-1,548,426	-1,579,185	-1.9%
Gross profit margin	36.5%	38.9%	-2.4ppt
Cash EBITDA ⁽²⁾	857,934	966,690	-11.3%
Cash EBITDA margin	35.2%	37.4%	-2.2ppt
Loss from changes in fair value	-52,170	-169,279	-69.2%
Net profit	507,314	545,377	-7.0%
Basic earnings per shares (RMB)	9.88 cents	10.84 cents	-8.9%

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 .



Financial Overview-Liquid Milk Products' Revenue and Profit Contribution are Rising

Revenue

(RMB million)

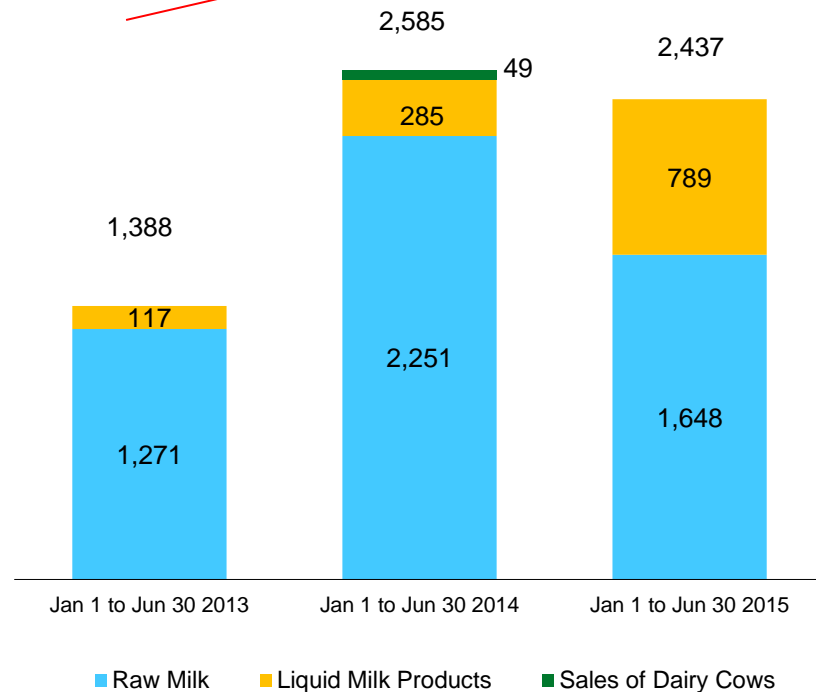
Liquid milk products' contribution

8%

11%

32%

CAGR=32.5%



Gross Profit and Gross Profit Margin

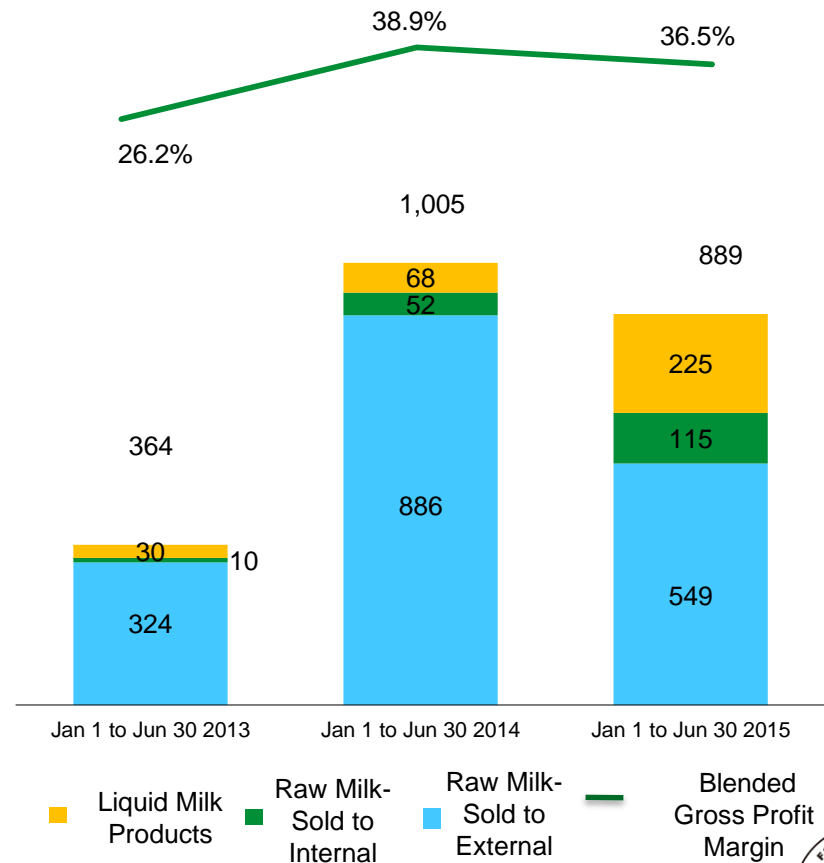
(RMB million)

Liquid milk products' contribution

8%

7%

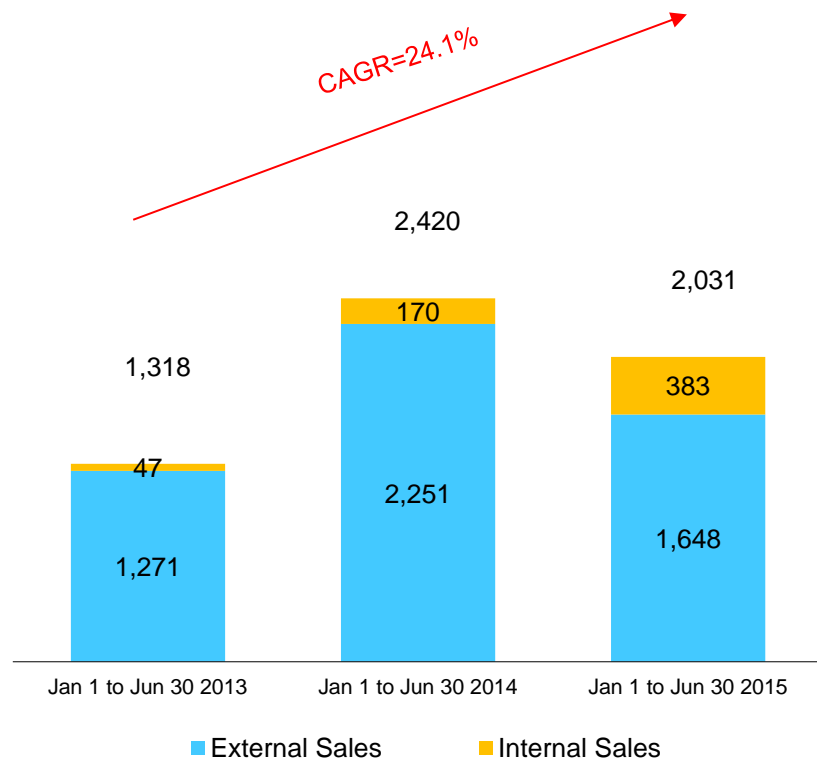
25%



Upstream Segment-Sales, Gross Profit and Gross Profit Margin

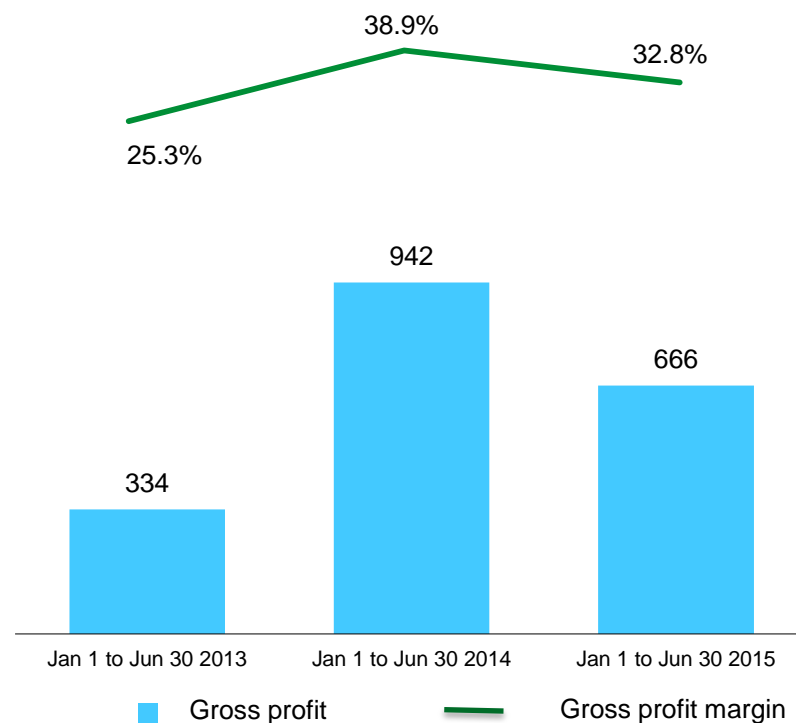
Sales of Raw Milk

(RMB million)



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

(RMB million)



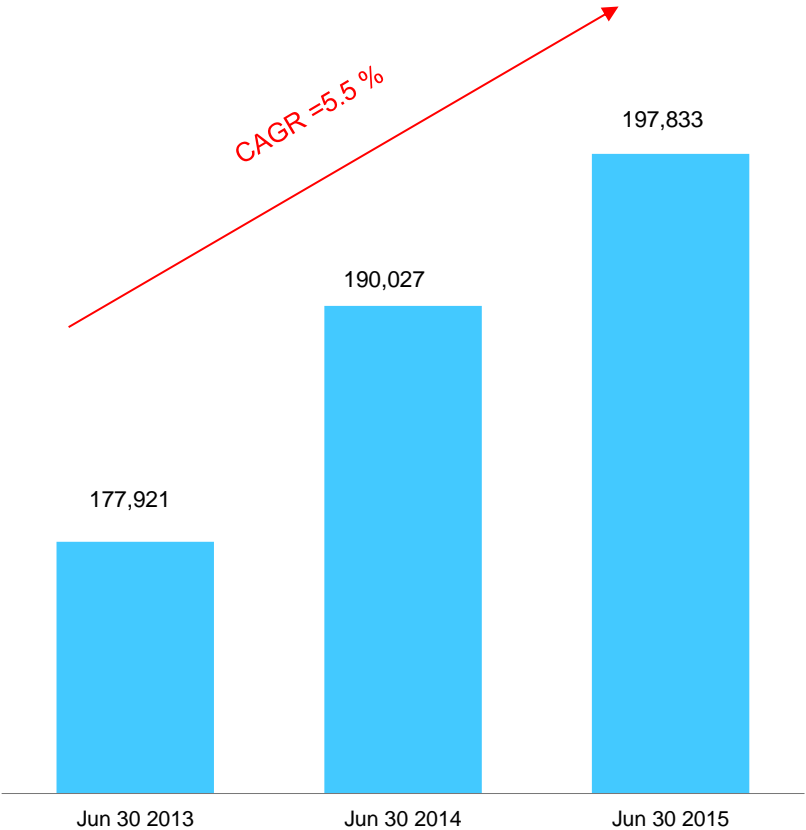
Note: (1) Before eliminating the internal relative sales and cost of sales of the supply of raw milk



Upstream Segment–Herd Size

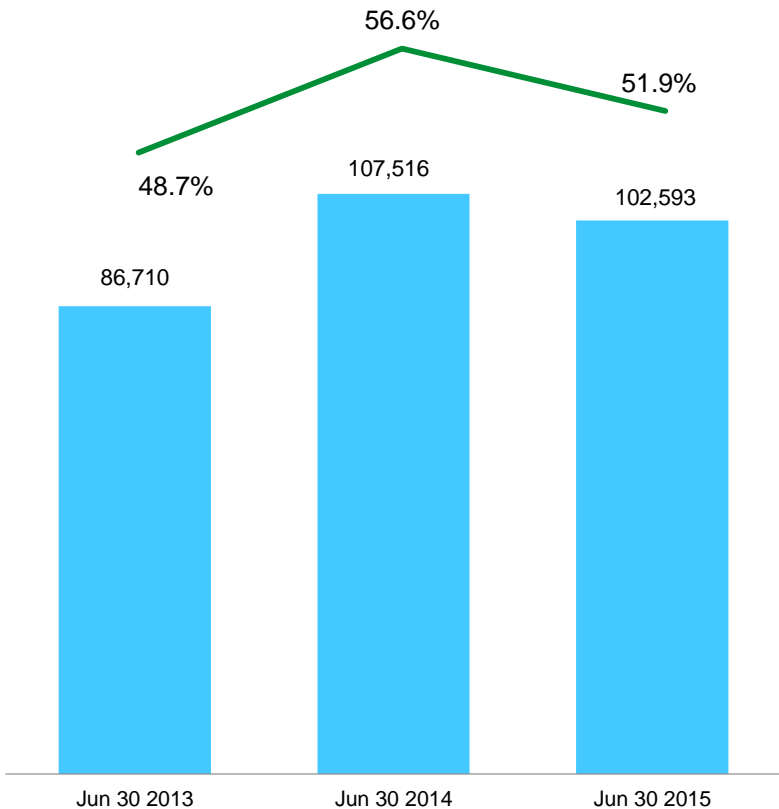
Steady Growth in Herd Size

Herd Size (head)



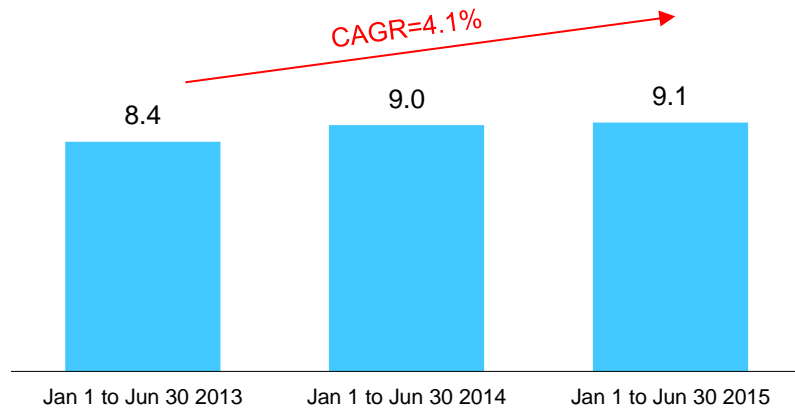
Structure of Milkable Cows

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



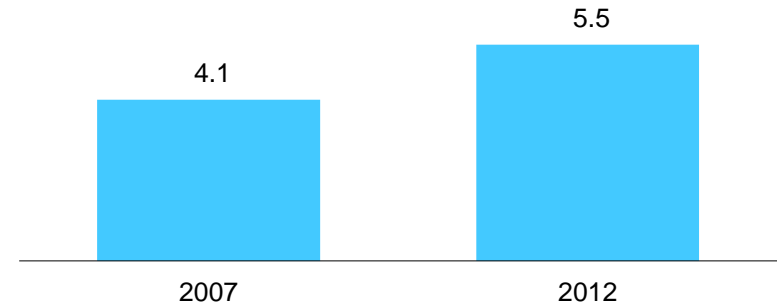
Upstream Segment-Milk Yield and Sales Volume

Continued Improvement of Milk Yield



Industrial Situation⁽¹⁾

(head/ton/annum)

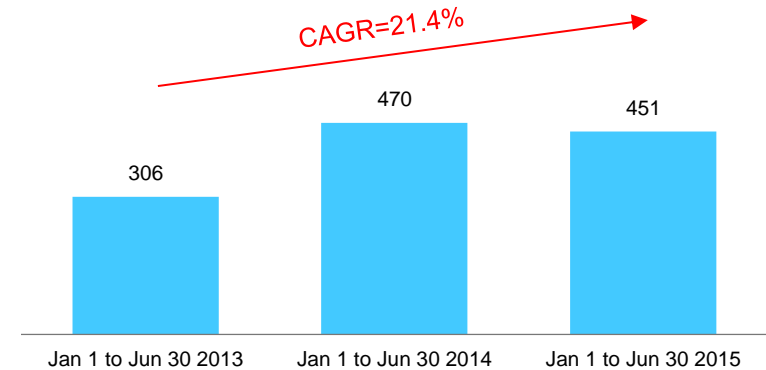


Milk Yield

Items	Milk yield (kg/head/day)
Milkable Cow	26.0
Lactating Cow	28.8

Raw Milk Sales Volume⁽²⁾

('000 ton)



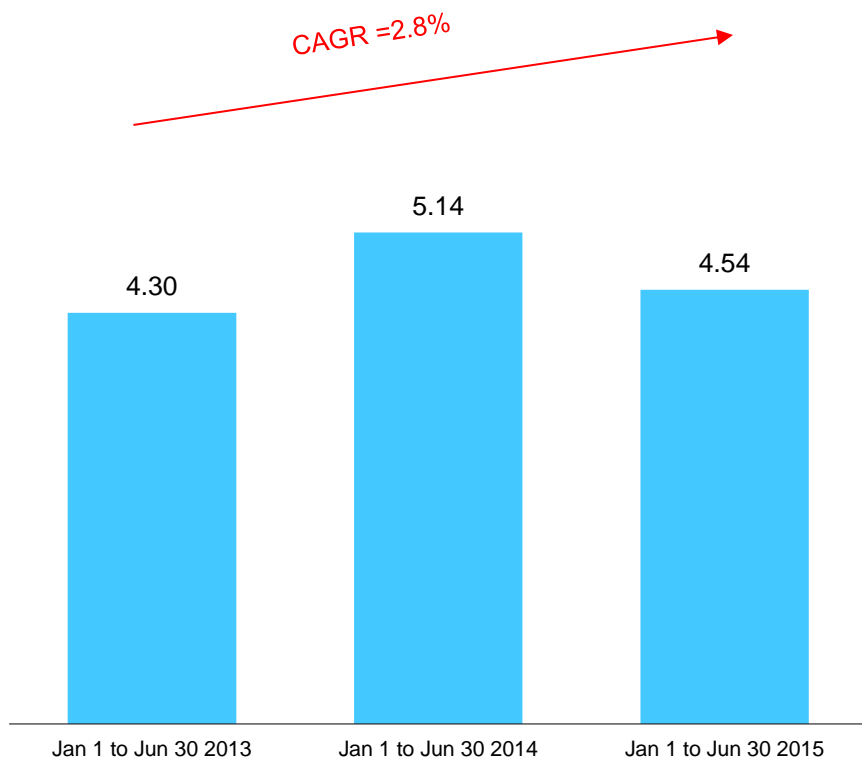
Notes: (1) Source: National Bureau of Statistics of China , Frost & Sullivan
 (2) Include internal sales of raw milk



Upstream Segment - Raw Milk Price and Cash Cost

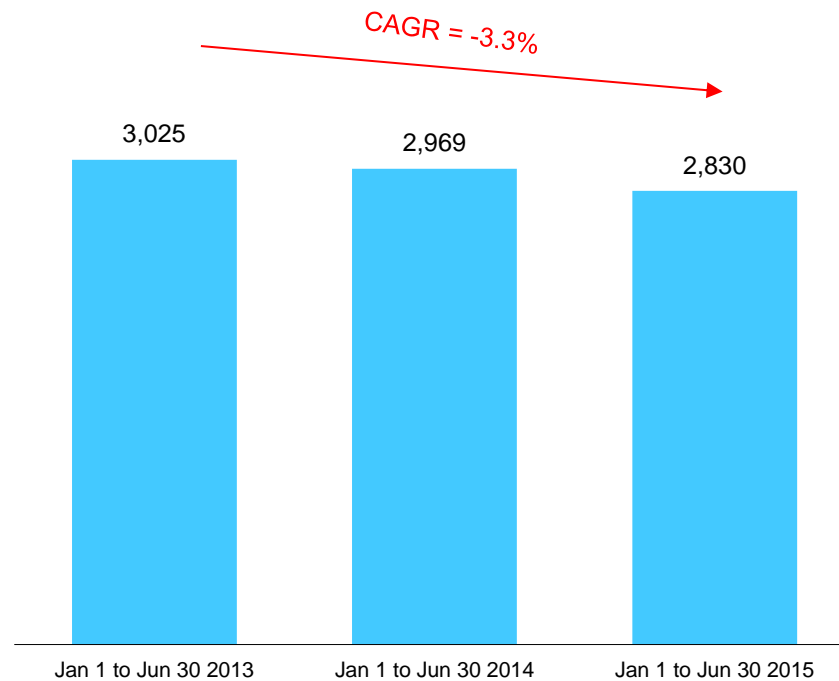
Raw Milk Price for External Sales

(RMB/kg)



Raw Milk Cash Cost⁽¹⁾

(RMB/ton)

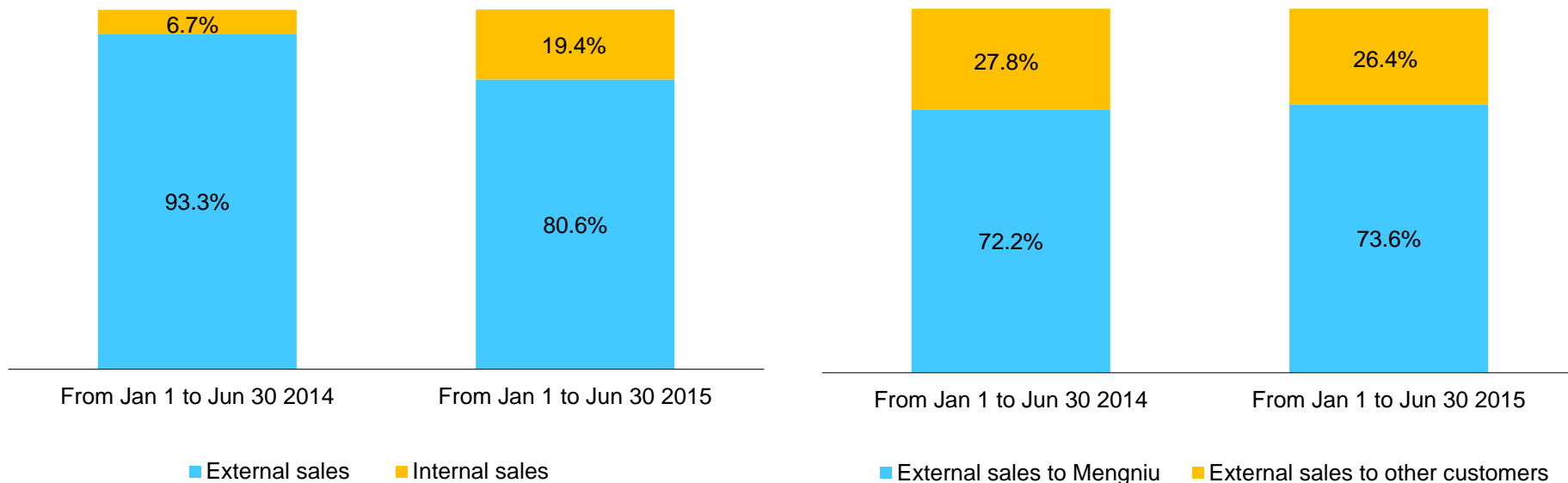


Note: (1) The cost of sales raw milk (before eliminating the internal relative costs of sales of the supply of raw milk) excluding the depreciation divided by the sales volume of raw milk (before eliminating the internal relative sales volume from the supply of raw milk).



Upstream Segment-Proportion of Raw Milk Sales Volume

Diversified Customer Base of Raw Milk Sales and Increased Proportion of Internal Sales



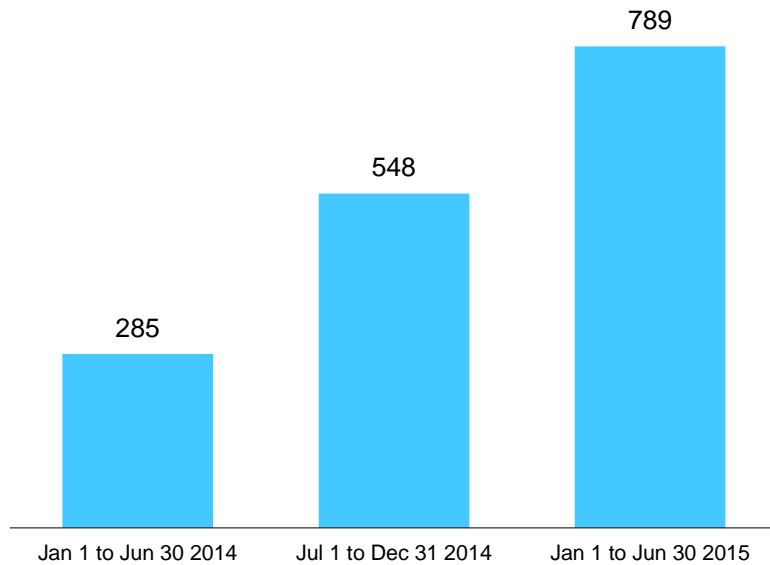
- ▶ Continue to cooperate with Mengniu according to the long-term strategic agreement of raw milk supply
- ▶ Proactively extend sales channels from third parties and build marketing network
- ▶ Proportion of internal sales continuously increased with the development of liquid milk products business



Downstream Segment-Strong Growth

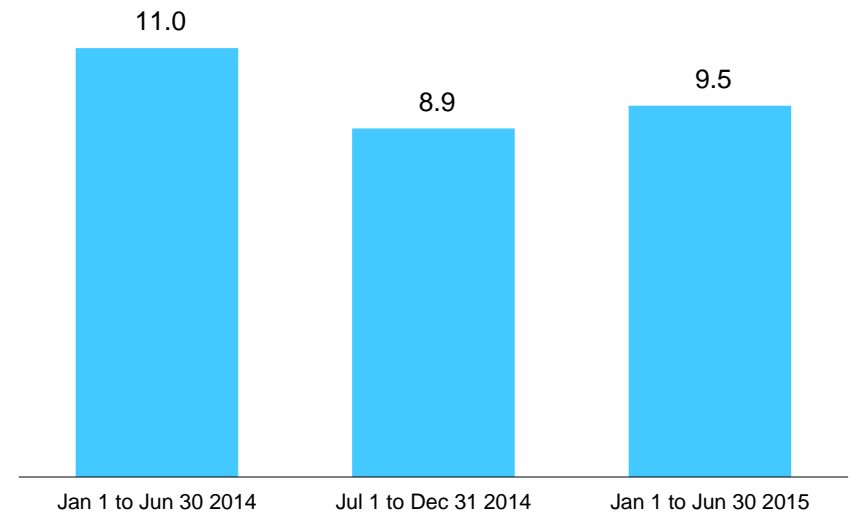
Sales of Liquid Milk Products

(RMB million)



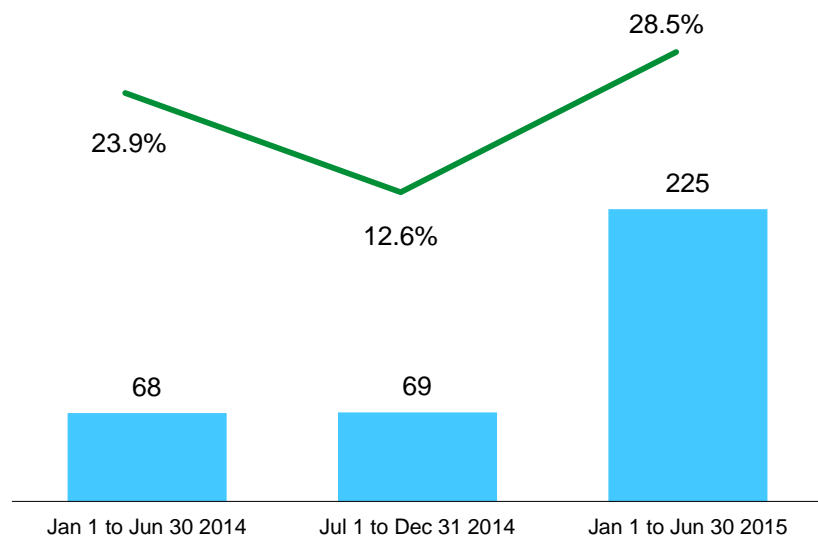
Average Selling Price of Liquid Milk Products

(RMB/kg)



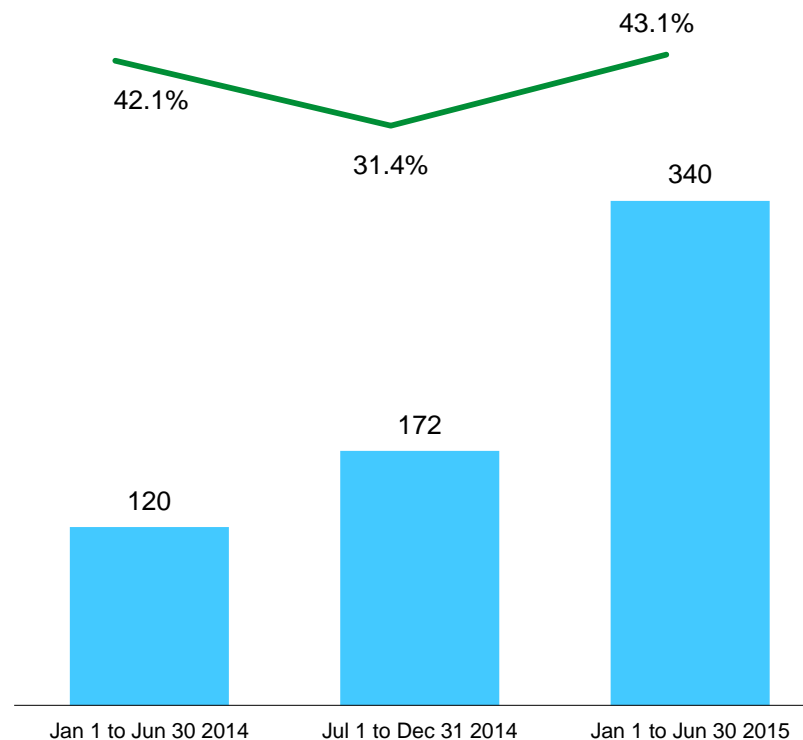
Downstream Segment-Gross Profit and Gross Profit Margin

Before Internal elimination



■ Gross Profit — Gross Profit Margin

After Internal elimination (1)



■ Gross Profit — Gross Profit Margin

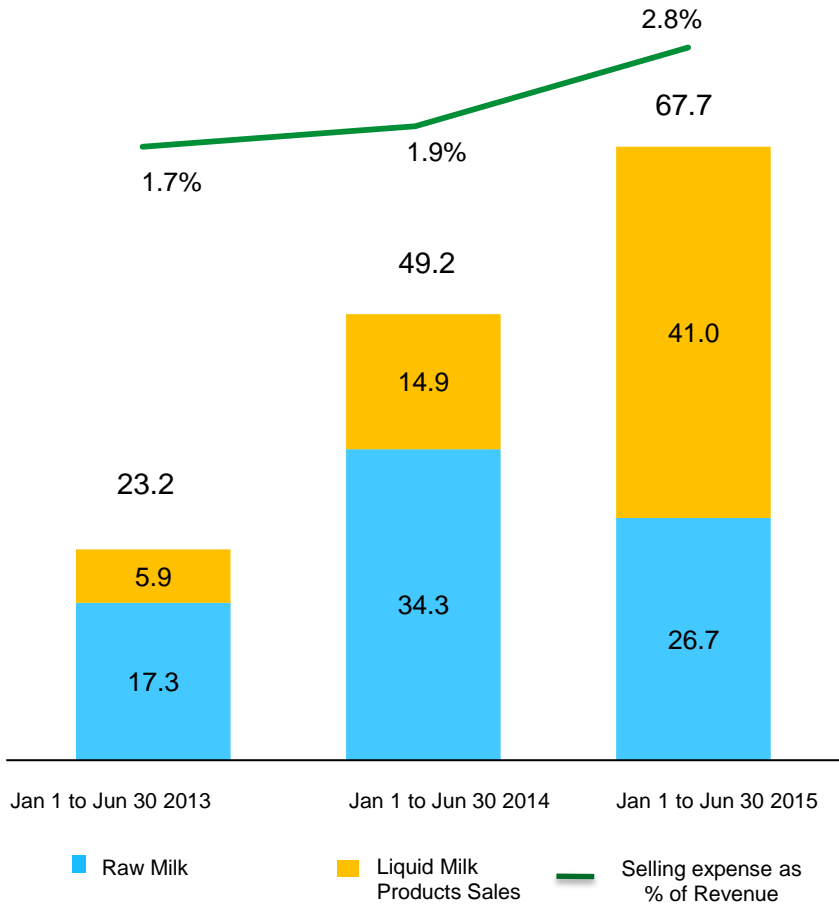
Notes: (1) Gross profit of liquid milk products included the gross profit of raw milk sold to internal



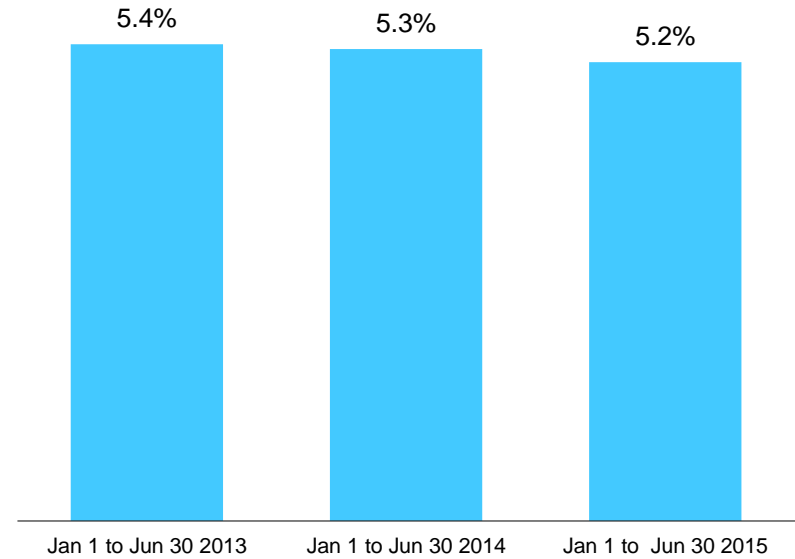
Selling Expenses and Selling Expenses as % of Revenue

Total Selling Expenses and Selling Expenses as % of Revenue

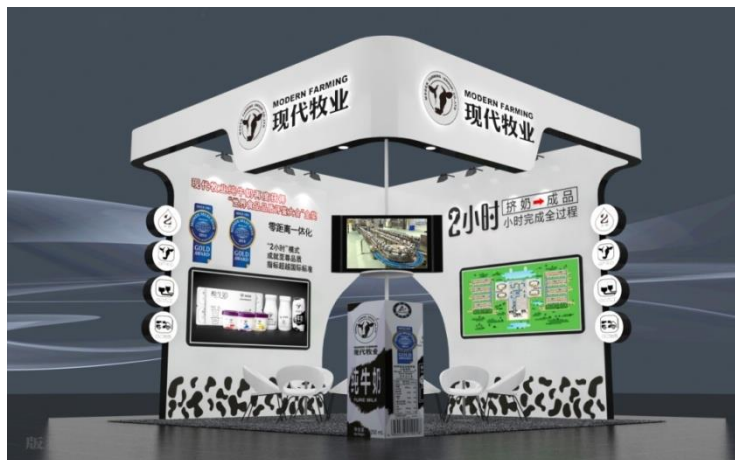
(RMB million)



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



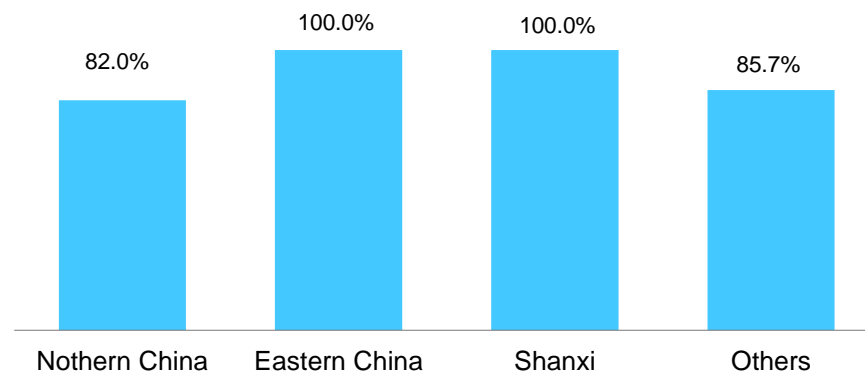
KA Channel Penetration Rate of Liquid Milk Products and Market Development



产品全家福



KA channel penetration rate, as of June 30 2015



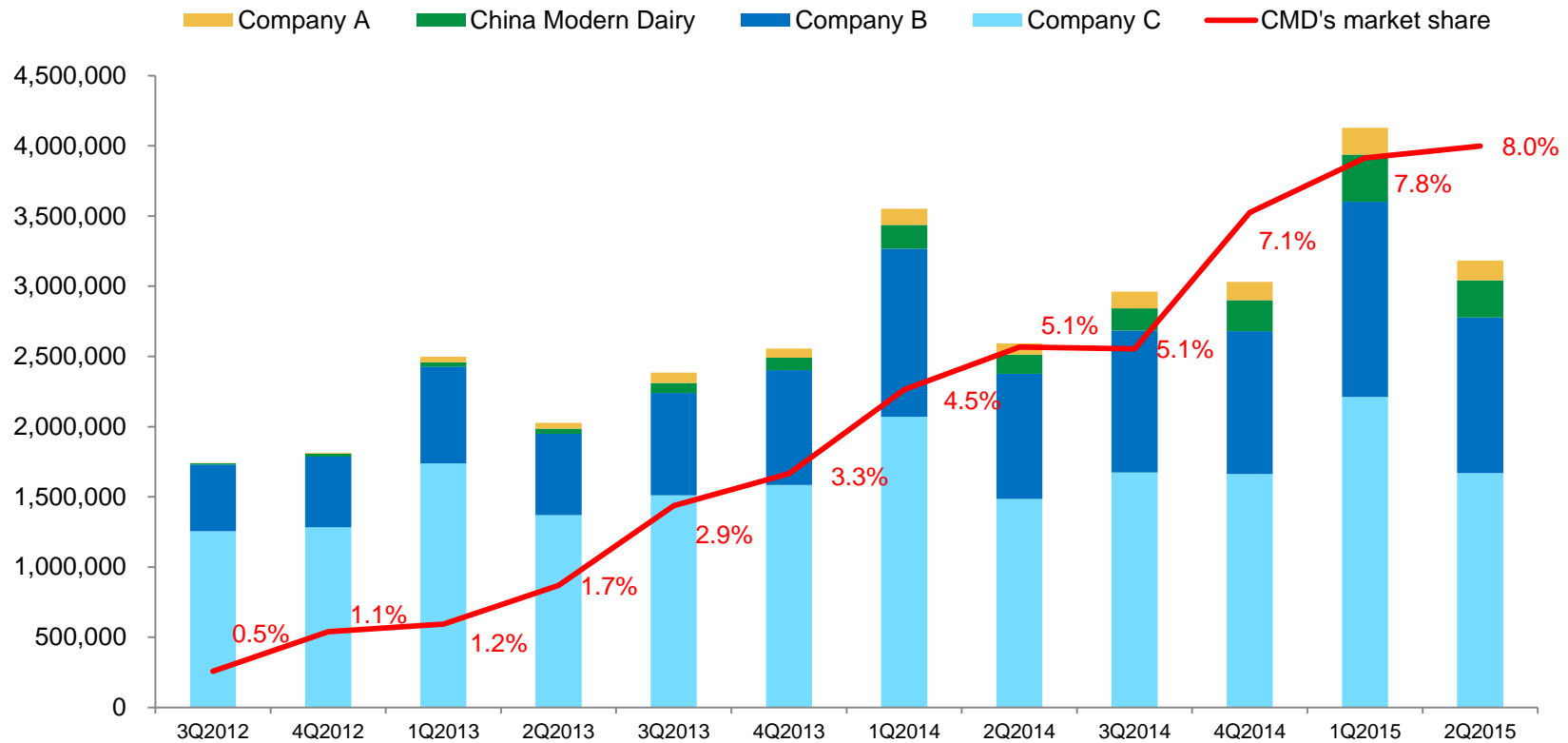
- ▶ As of June 30 2015, China Modern Dairy's liquid milk products had set foot in 28 provinces (and autonomous regions) including 4 municipalities, 226 prefecture level cities and 273 country-level cities.
- ▶ Our sales coverage included: Carrefour, Wal-Mart, Meetail, Yonghui, RT-Mart, and Tesco, etc., with KA penetration rate reaching 91.93%.
- ▶ As of June 30 2015, our distribution partners increased to 467, while the POS exceeded 270,000.
- ▶ As of June 30 2015, our pasteurized milk products have successfully launched in 316 large supermarkets.

Liquid Milk Products' Market Share is Growing

Since the launch of liquid milk products in 2012, the market share of CMD increased rapidly under the circumstances that China's high-end milk market size is ever-growing.

The Top-4 companies' market size in high-end milk category of China, 3Q2012-2Q2015

('000 RMB)



Financial Position

Items	Jun 30 2015	Dec 31 2014	Changes
	RMB'000	RMB'000	%/ppt
Biological assets	6,762,218	6,530,814	3.5%
Fixed assets	4,484,901	4,457,970	0.6%
Total assets	14,018,725	14,210,853	-1.4%
Total liabilities	6,887,397	7,554,901	-8.8%
Total borrowing	5,534,427	5,787,848	-4.4%
Debt ratio⁽¹⁾	44.30%	47.10%	-2.8 ppt
Cash balance⁽²⁾	733,978	1,169,873	-37.3%
Bank facilities (not yet utilized)	9,419,460	8,089,553	16.4%

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

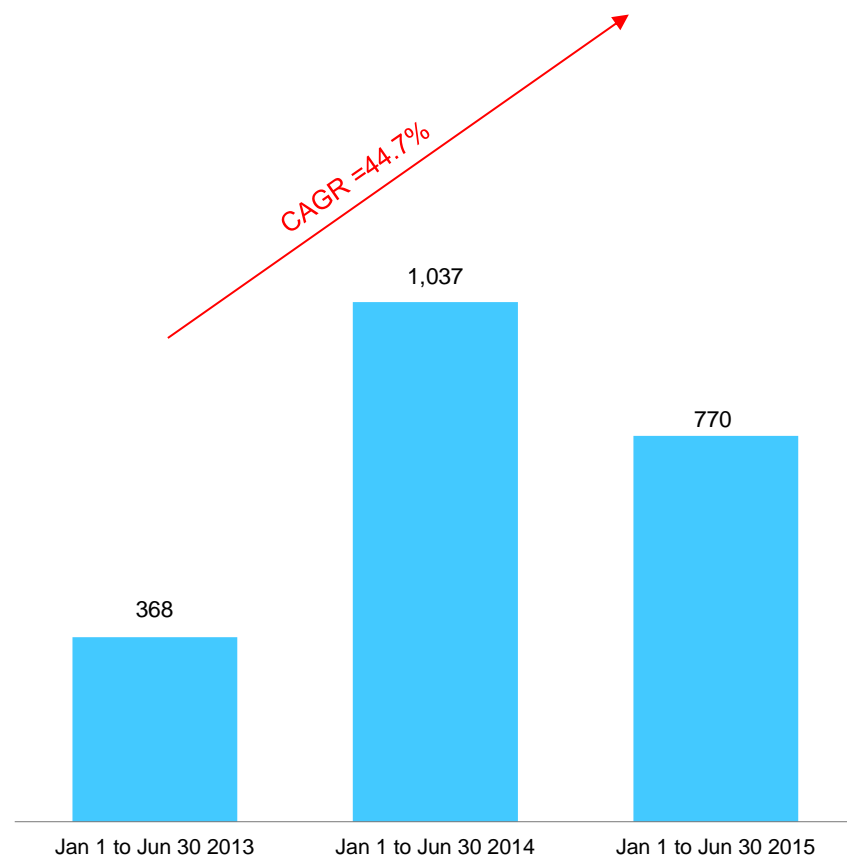
(2) Including pledged bank balances.



Asset Utilization Rate

Operating Cash Flows Generated from Operating Activities

(RMB million)



Turnover Days

Items	From Jan to Jun 2015	From Jan to Jun 2014
Inventories	52	61
Trade Receivable	60	38
Trade Payable	75	77

- ▶ With the increase in both revenues and contribution ratio of liquid milk products, the company gave the customers certain trade days, which made trade receivable days increased; the credit period to custom of raw milk was 30 days.

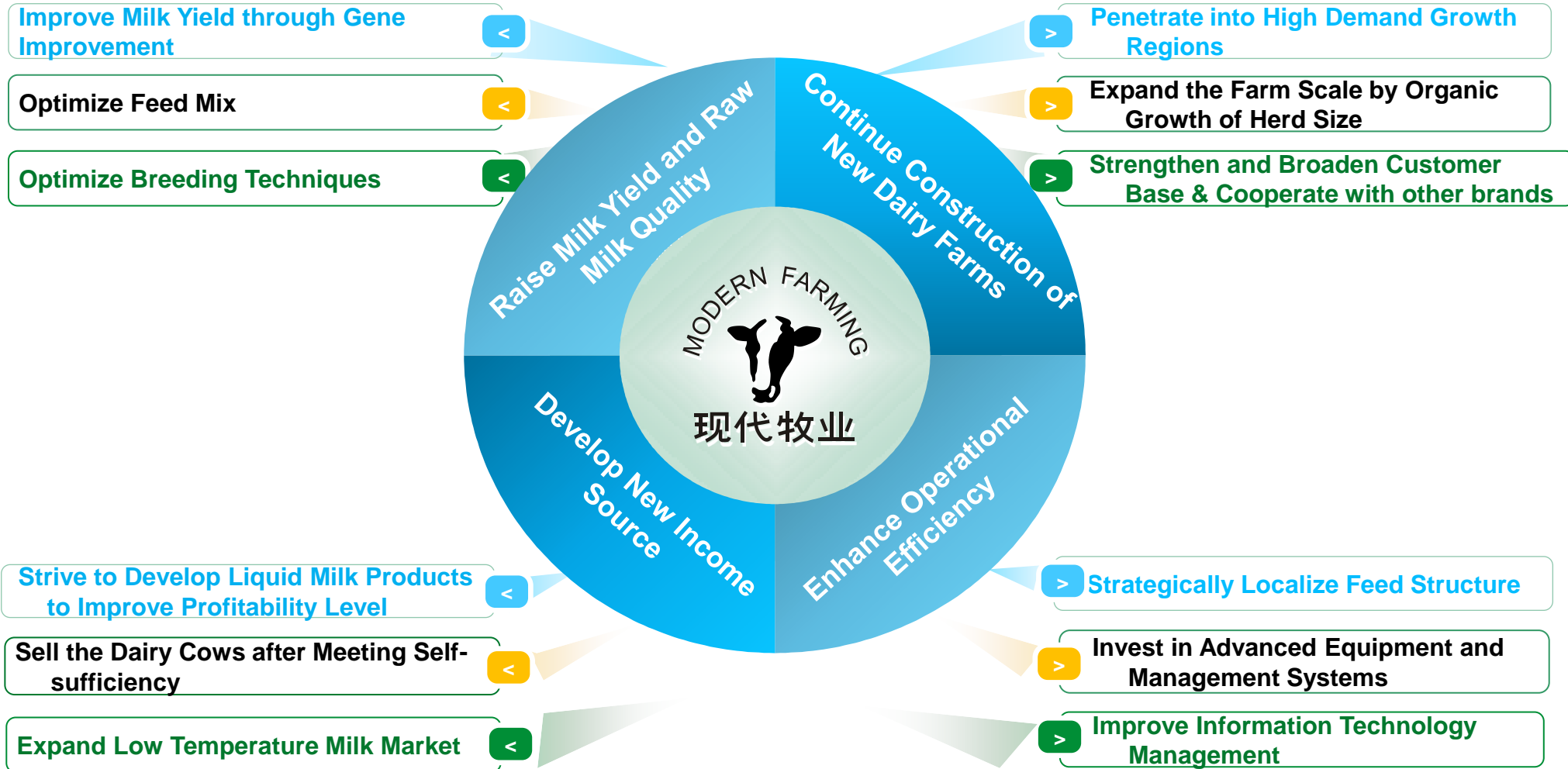


Business Outlook



Company Future Strategy for Growth

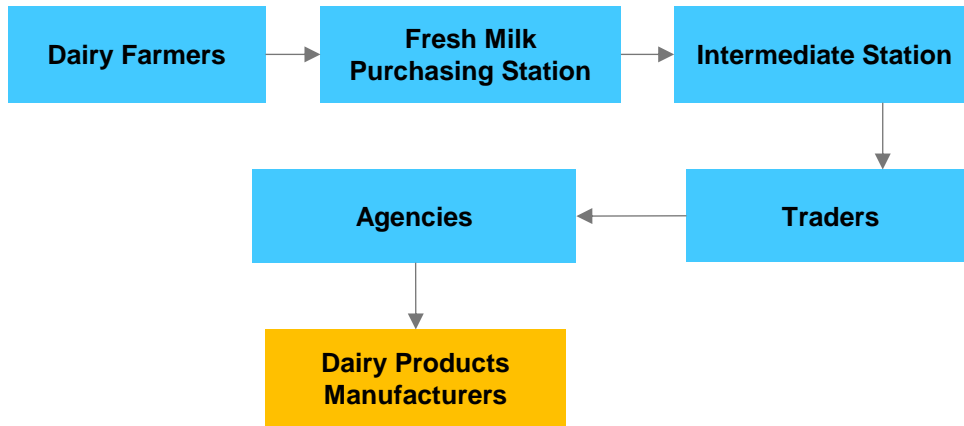
China Modern Dairy Aims to Be Recognized as the Best Dairy Farm Brand for Raw Milk in China



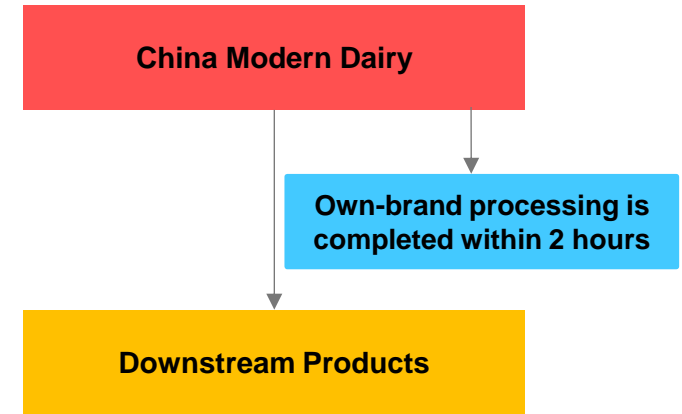
Large-scale Farms Possess Significant Competitive Edges

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

Individual Farms Operation Model

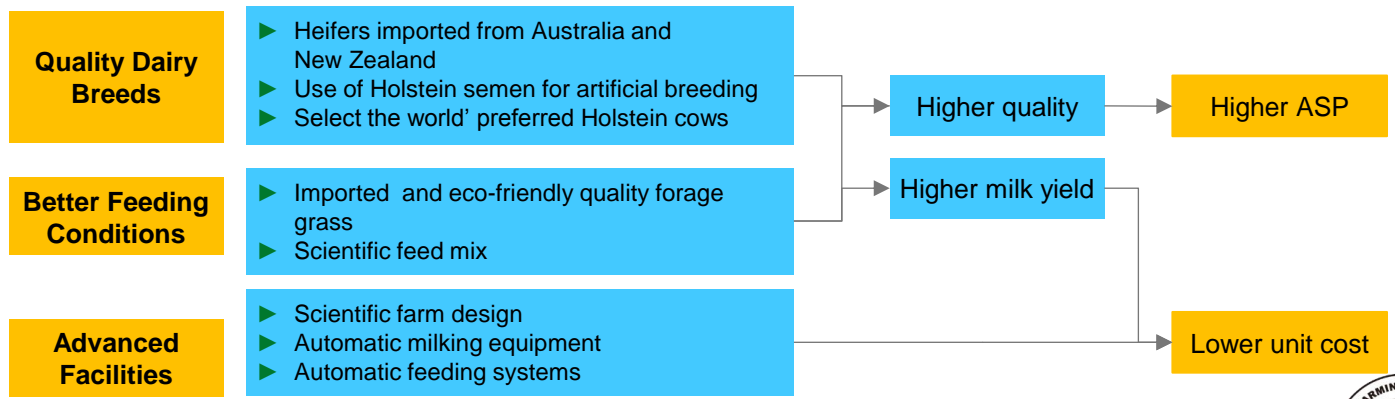


Large-scale Farm Operation Model



VS.

Competitive Edges of Large-scale Farms



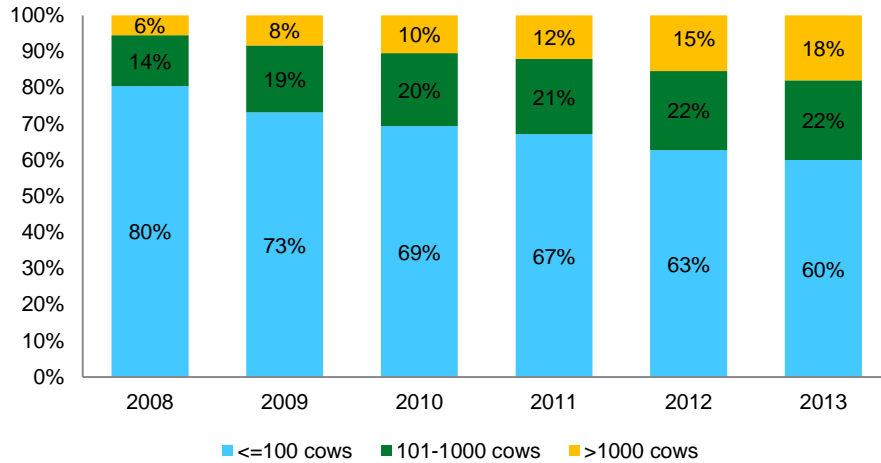


Industry Overview

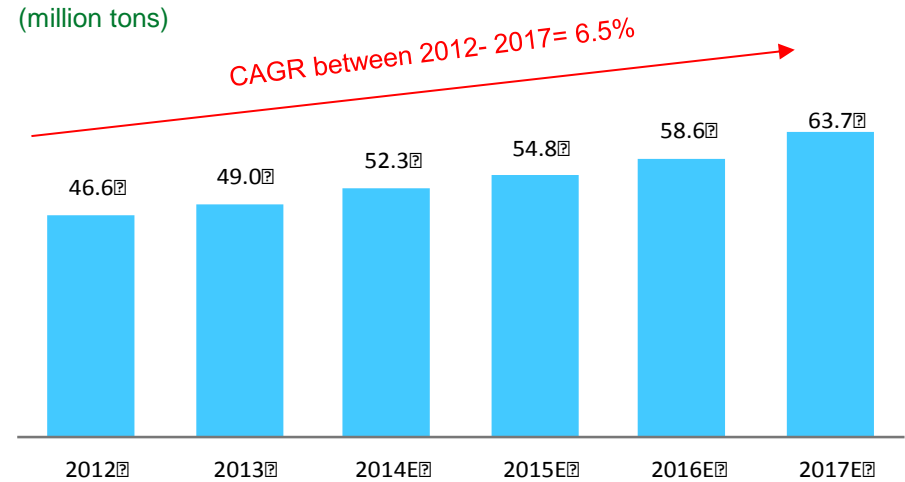


Benefit from the Growing Demand for Raw Milk and Consolidation Trends of Dairy Industry

Consolidation Trends of Dairy Industry

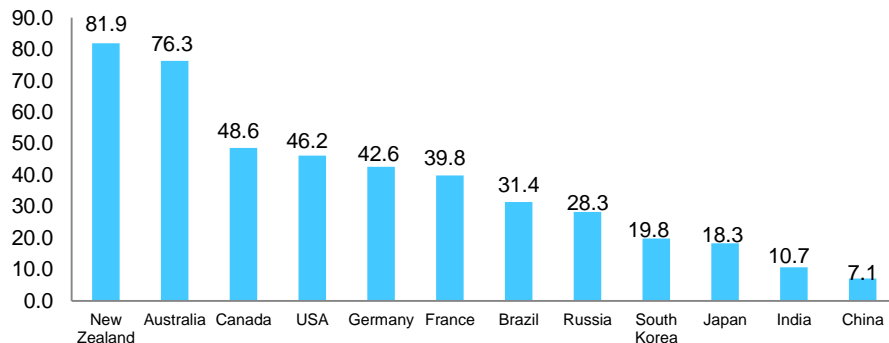


Growing Demand for Raw Milk in China



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

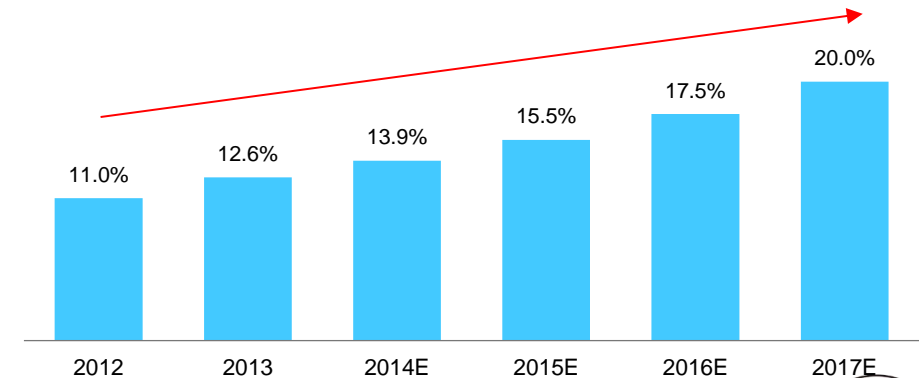
Per Capita Liquid Milk Consumption, 2013 (kg/ person)



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

Especially Premium Raw Milk

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





Thank you!

