



MODERN FARMING
现代牧业

2024 Interim Results





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Two Rises: Unit yields and production of raw milk rose to record high



Two Declines: YoY decline of cost of sales and financing



One Growth: Gross profit margin rose against the trend

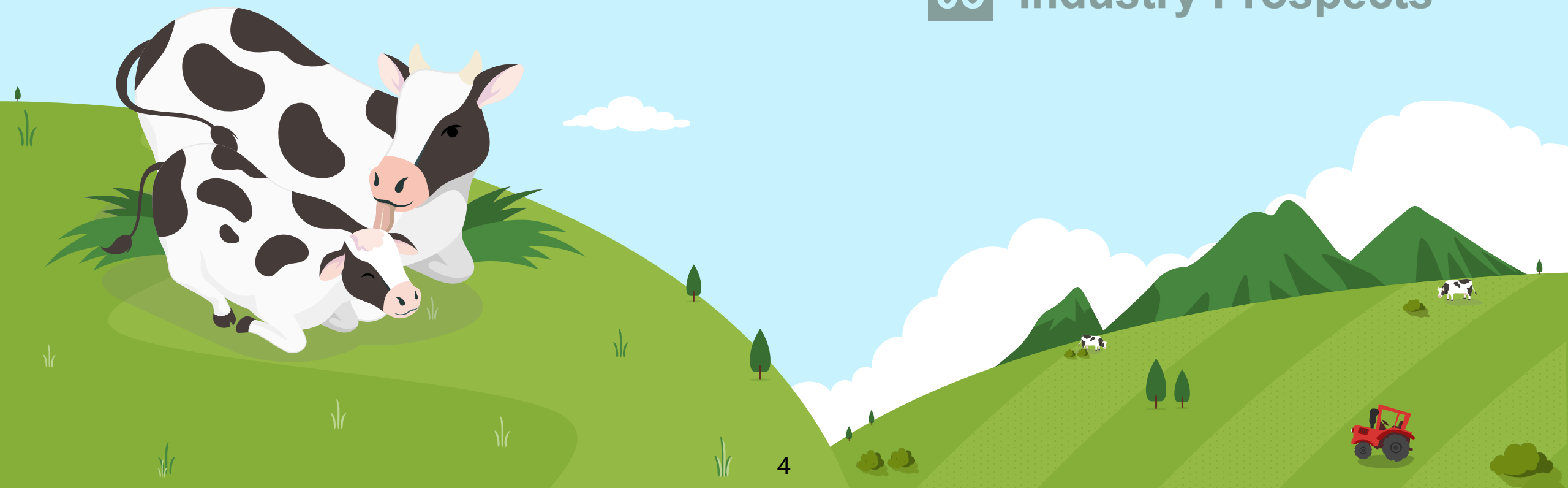


One Increase: YoY increase of Cash EBITDA



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- 02 Business Updates
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2024 Interim Results Reviews



RMB Million	2024H1	2023H1	Change
Revenues	6,418	6,633	-3.2%
raw milk sales	5,112	5,044	+1.3%
integrated dairy farming solutions	1,306	1,589	-17.8%
Gross Profit	1,678	1,521	+10.3%
Gross Profit Margin (%)	26.1	22.9	+3.2 ppt
raw milk sales (%)	30.3	28.3	+2.0 ppt
Cash EBITDA⁽¹⁾	1,515	1,271	+19.2%
Cash EBITDA Margin (%)	23.6	19.2	+4.4 ppt
Net Profit	-207	218	N/A
Earnings per Share (Basic) (RMB cents)	-2.91	2.66	N/A
Net Cash from Operating Activities	398	2,183	-81.8%
Free Cash Flow⁽²⁾	-1,093	897	N/A



EBITDA
+19.2% YoY



Gross Profit Margin
of Raw Milk Business
+2.0 ppt



Gross Profit
+10.3% YoY

Note:

(1) Cash EBITDA is defined as earnings before finance costs and tax having added back: i) depreciation and amortisation charged to profit and loss; ii) other gains and losses, net; iii) impairment losses under expected credit loss model, net of reversal; and iv) loss arising from changes in fair value less costs to sell of dairy cows.

(2) Free cash flow is defined as net cash from operations less net cash outflow from investing activities.

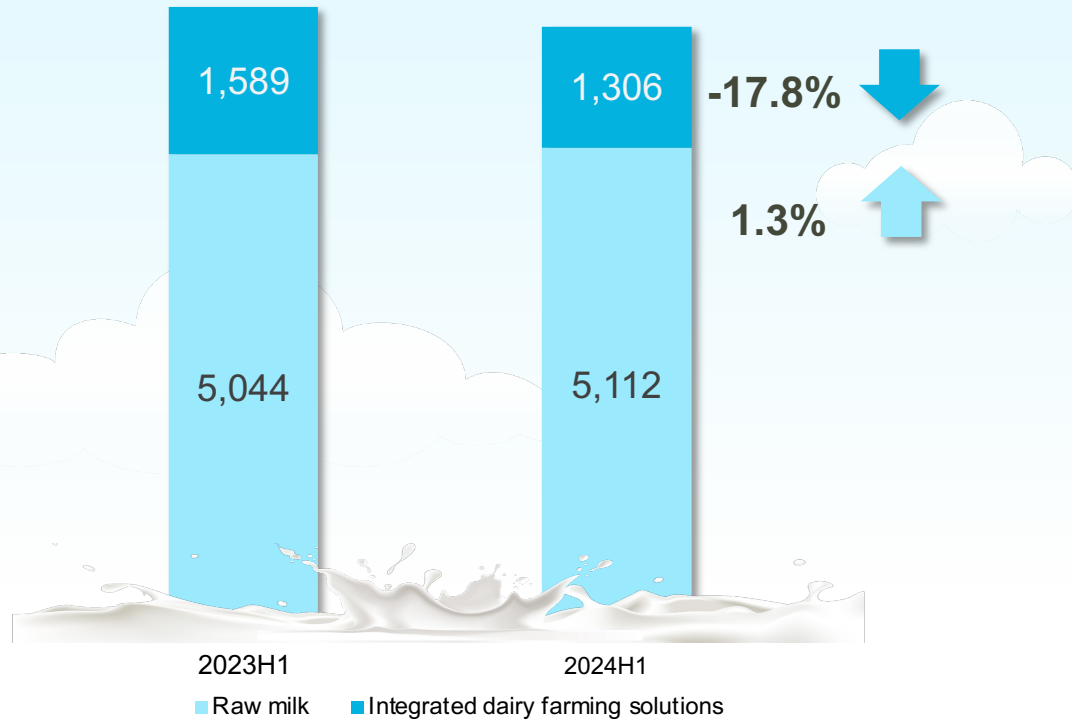


Raw Milk Business Grew against Industry Trend

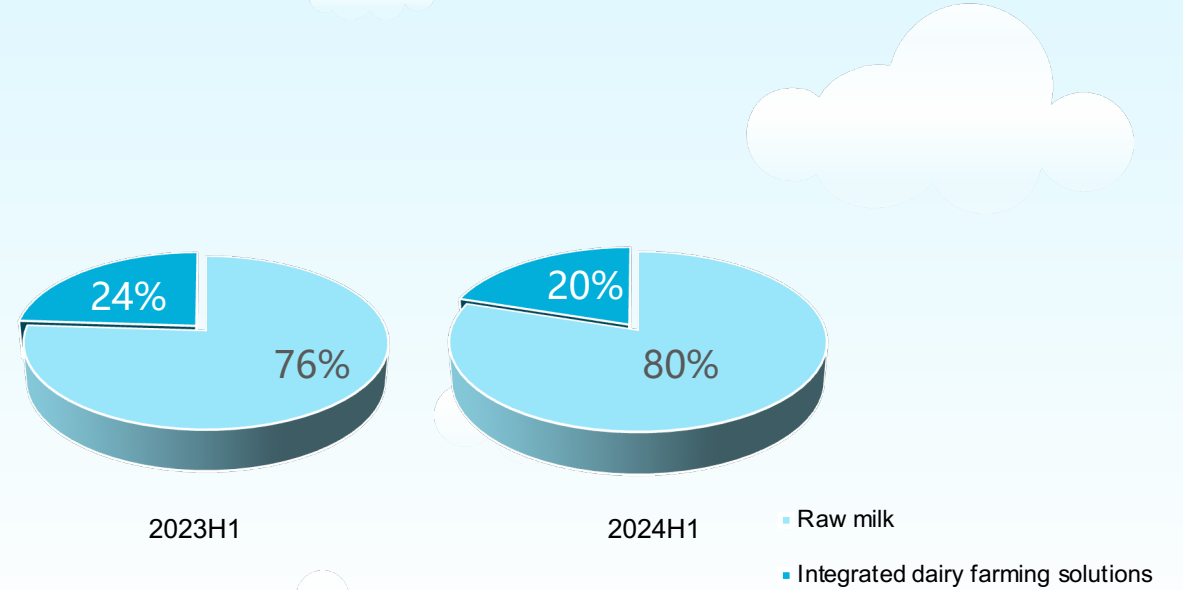


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Sales revenue by segment (RMB Million)



Percentage of sales of the two businesses



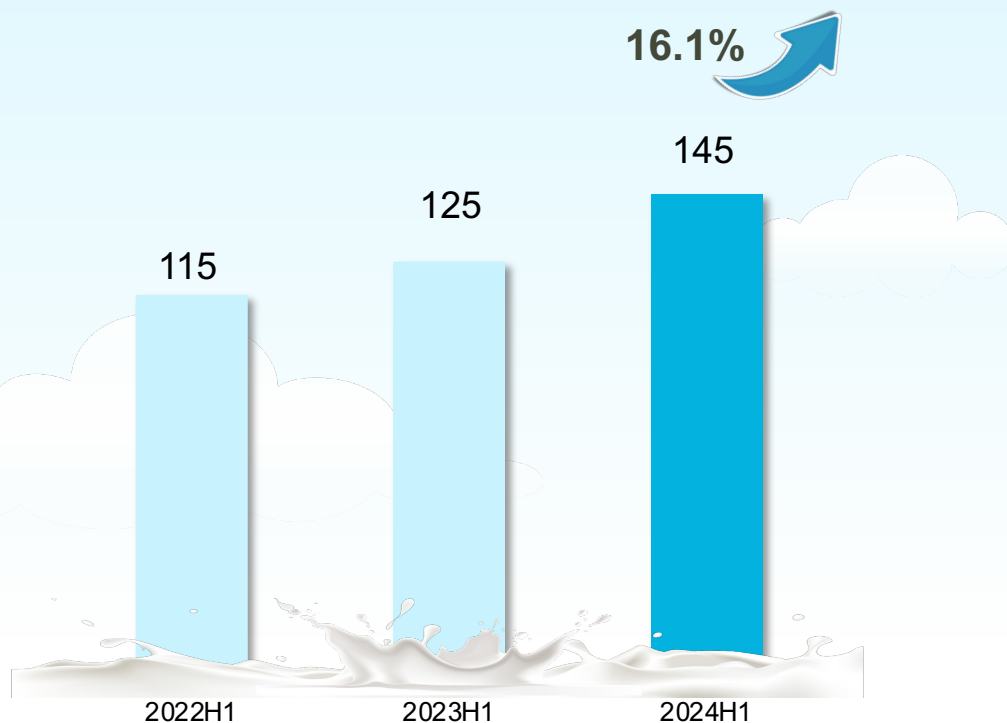


Increase of Total Milk Production and Annual per Milkable Cow

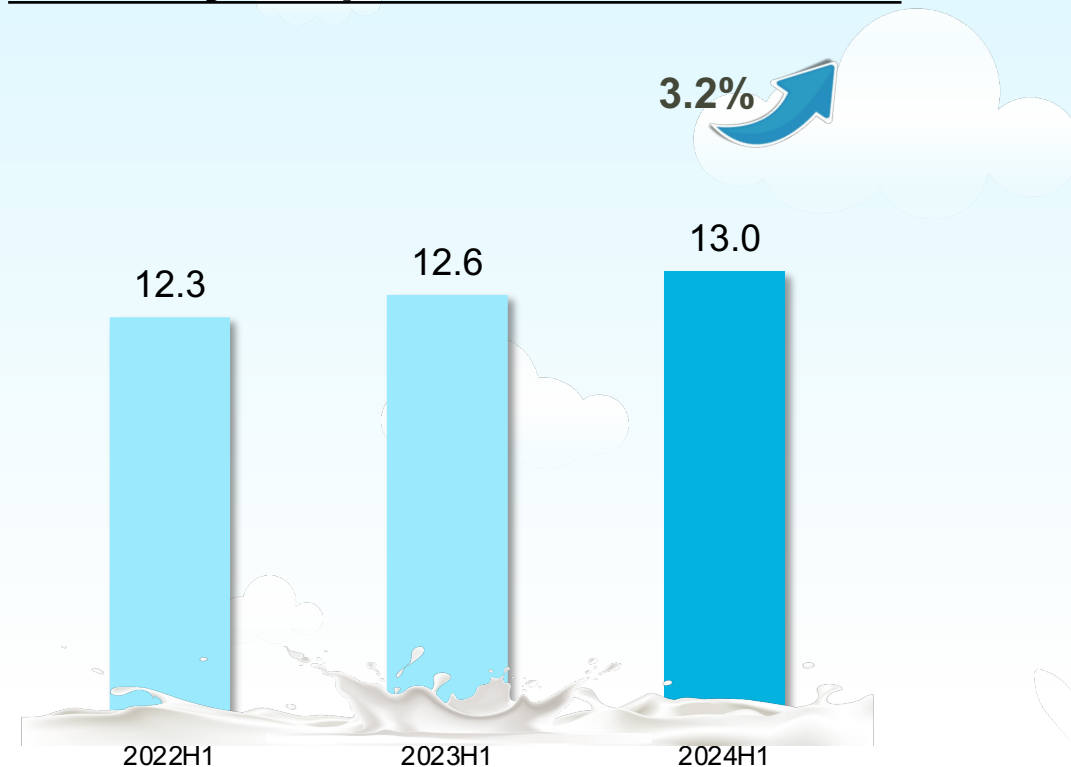


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Annual milk production (0'000 tons)



Annual yield per milkable cow (tons)



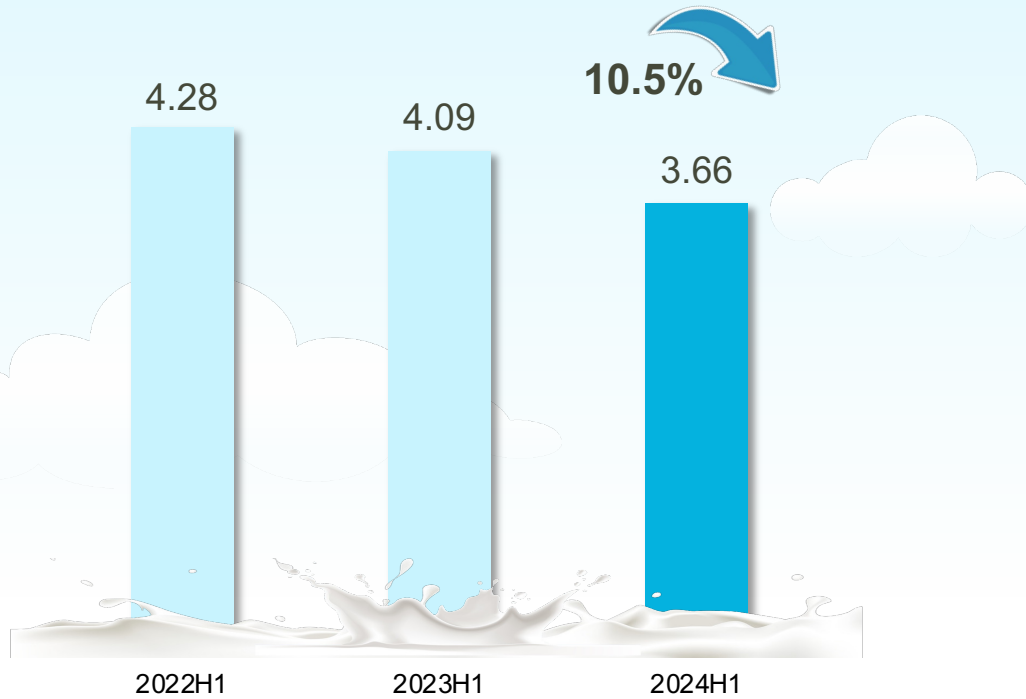


Milk Prices Outperform Market

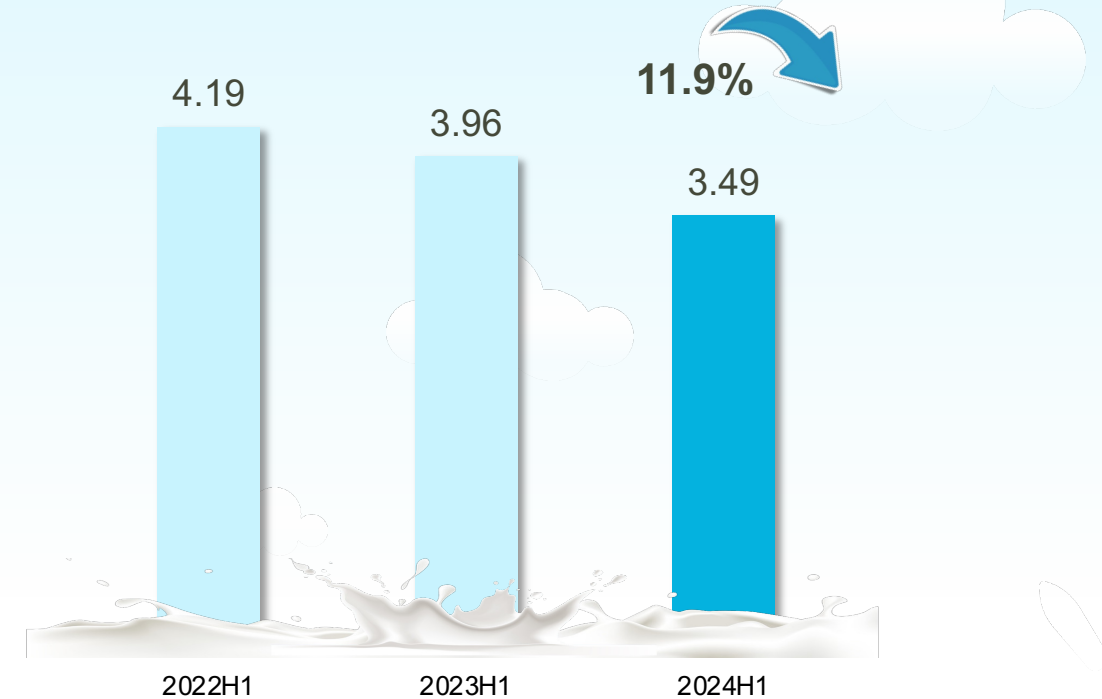


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ASP of raw milk – Modern Dairy
(RMB yuan/kg)



ASP of raw milk – Domestic Market
(RMB yuan/kg)



► Data source: Ministry of Agriculture and Rural Affairs

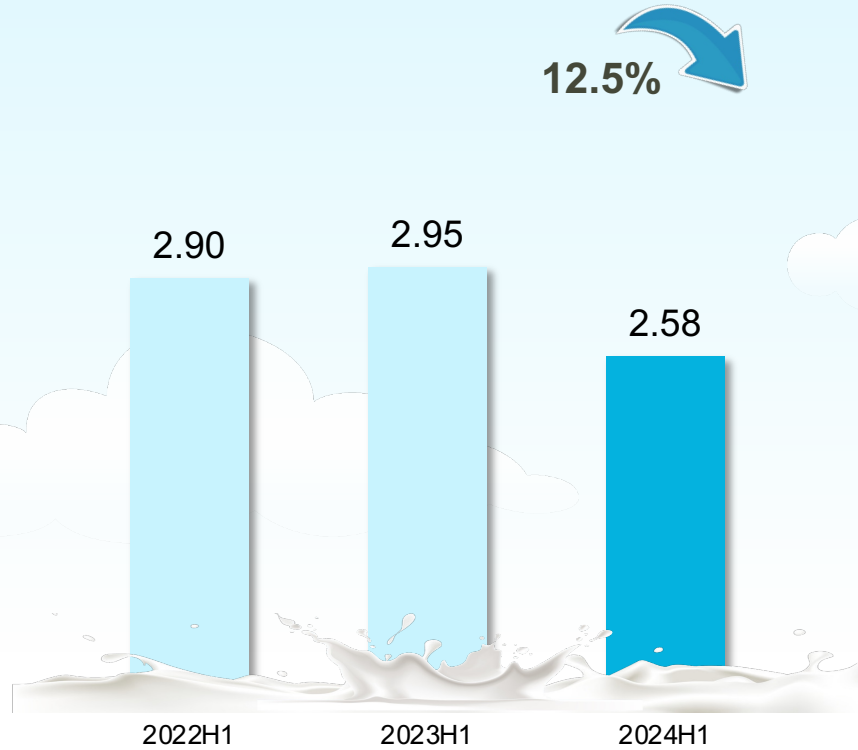


Significant Improvement in COGS per Kilogram

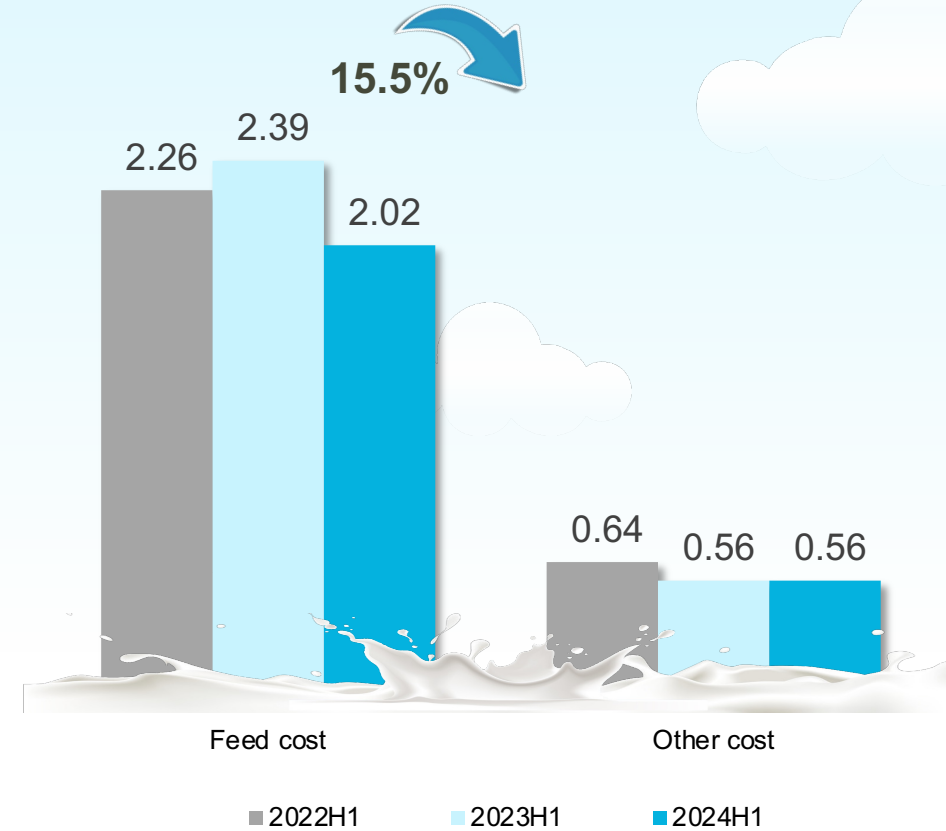


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COGS (RMB yuan/kg)



COGS Breakdown (RMB yuan/kg)

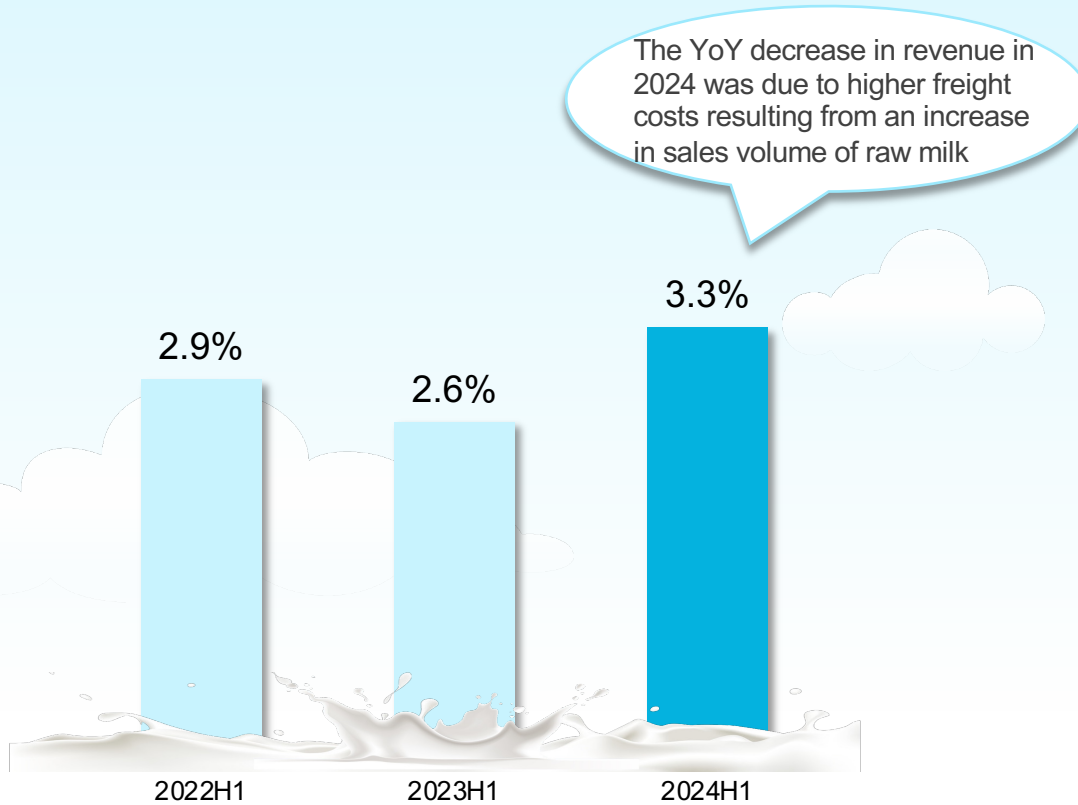




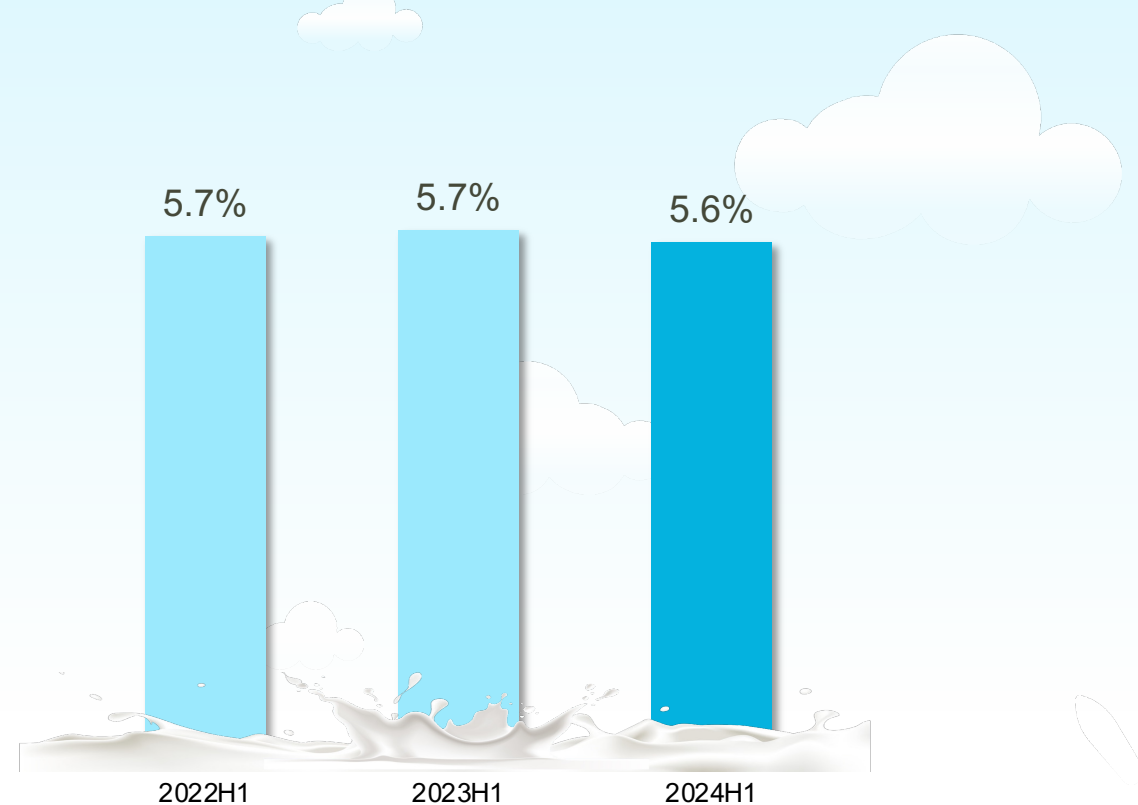
Selling and Administrative Expenses Ratio



Selling expense ratio



Administrative expense ratio

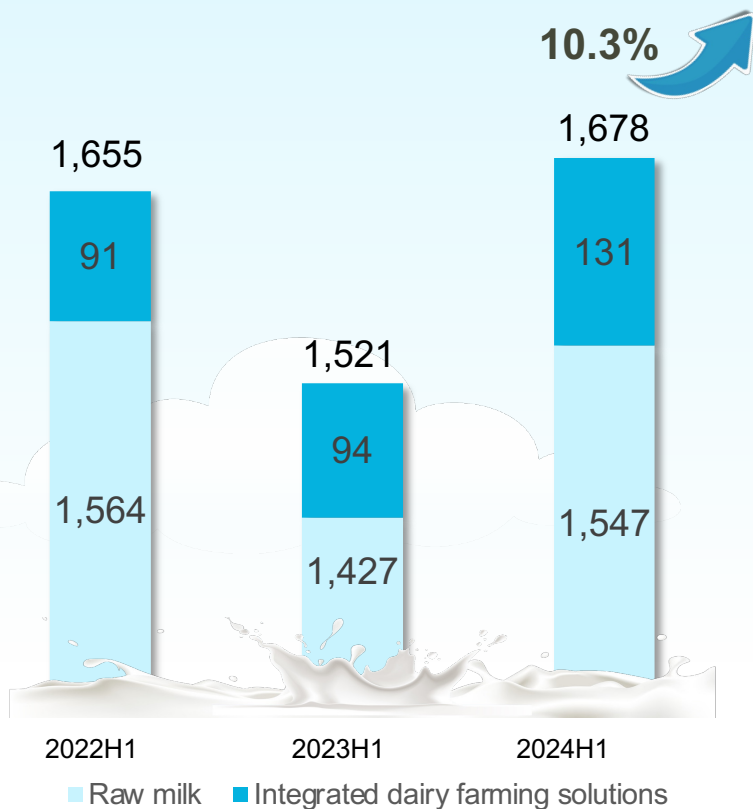


► Selling expense ratio = selling and distribution costs/sales revenue

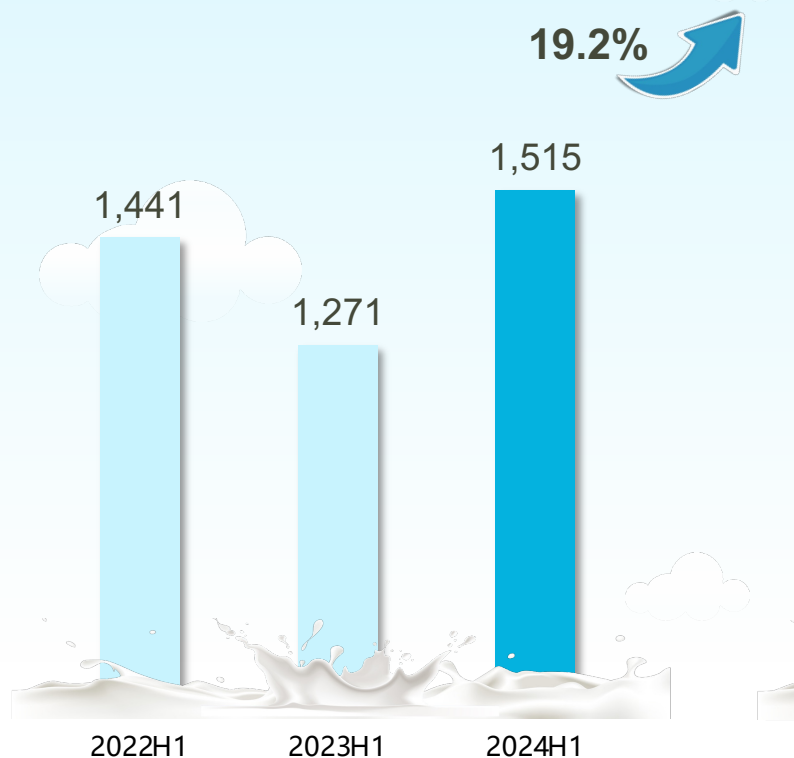
► Administrative expense ratio = administrative expenses/sales revenue

Cash EBITDA Grew Against the Trend

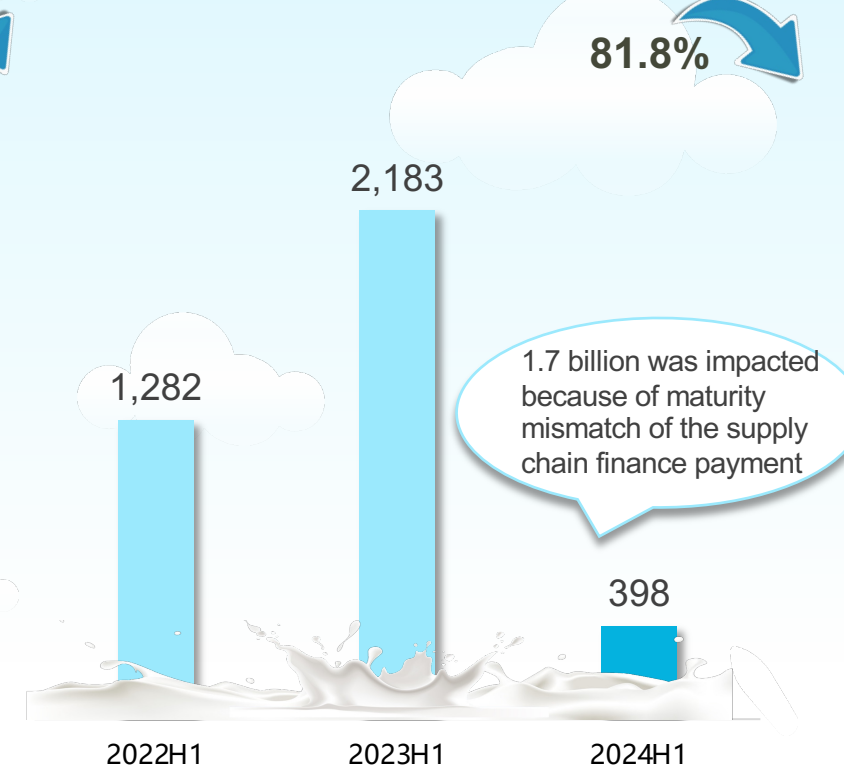
Gross profit (RMB Million)



Cash EBITDA (RMB Million)



Operating cash flow (RMB Million)





Balance Sheet Overview



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RMB 100Million	2024H1	2023	Change
Biological Assets	119.5	119.3	+0.2%
Fixed Assets	63.3	62.6	+1.0%
Total Assets	322.1	313.9	+2.6%
Total Liabilities	202.1	195.5	+3.3%
Total Equity	120.0	118.4	+1.3%
Net Asset Value per Share⁽¹⁾ (RMB yuan)	1.35	1.42	-4.9%
Total Interest-bearing Borrowings	138.4	115.0	+20.3%
Net Interest-bearing Borrowings⁽²⁾	95.3	88.1	+8.1%
Net Interest-bearing Debt Ratio ⁽³⁾ (%)	44.3	42.7	+1.6 ppt
Deb-to-asset Ratio ⁽⁴⁾ (%)	62.7	62.3	+0.4 ppt

Notes:

(1) Net Asset Value per Share = Equity Attributable to Owners of the Company/Year-end Number of Shares Outstanding;

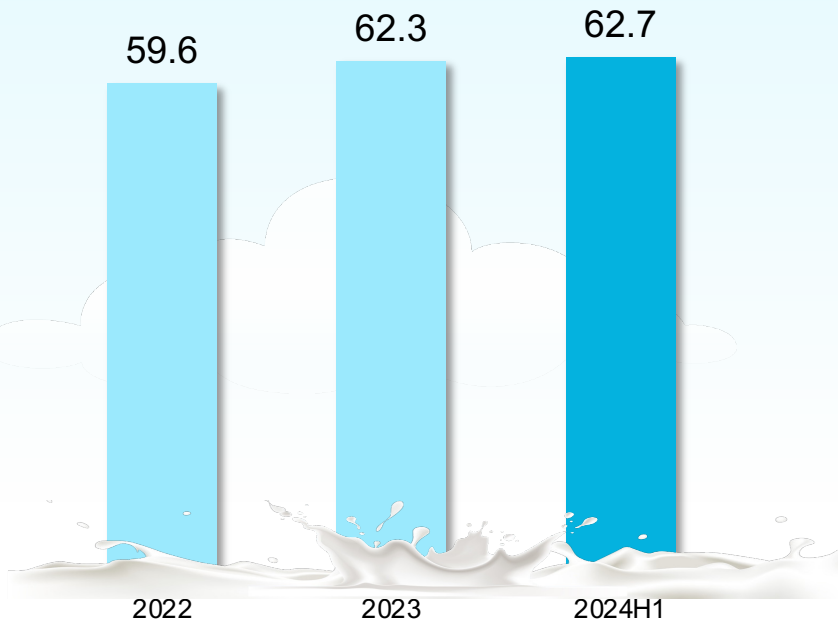
(3) Net Interest-bearing Debt Ratio = Net Interest-bearing Borrowings/(Net Interest-bearing Borrowings + Equity);

(2) Net Interest-bearing Borrowings = Interest-bearing borrowings - cash and deposit assets;

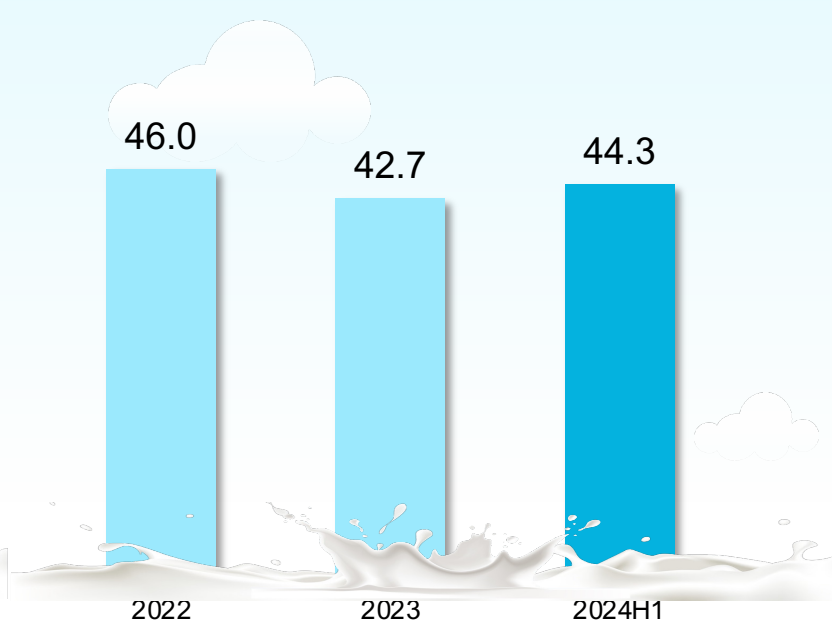
(4) Debt-to-asset Ratio = Total Liabilities/Total Assets.

Financial Leverage Remains Stable

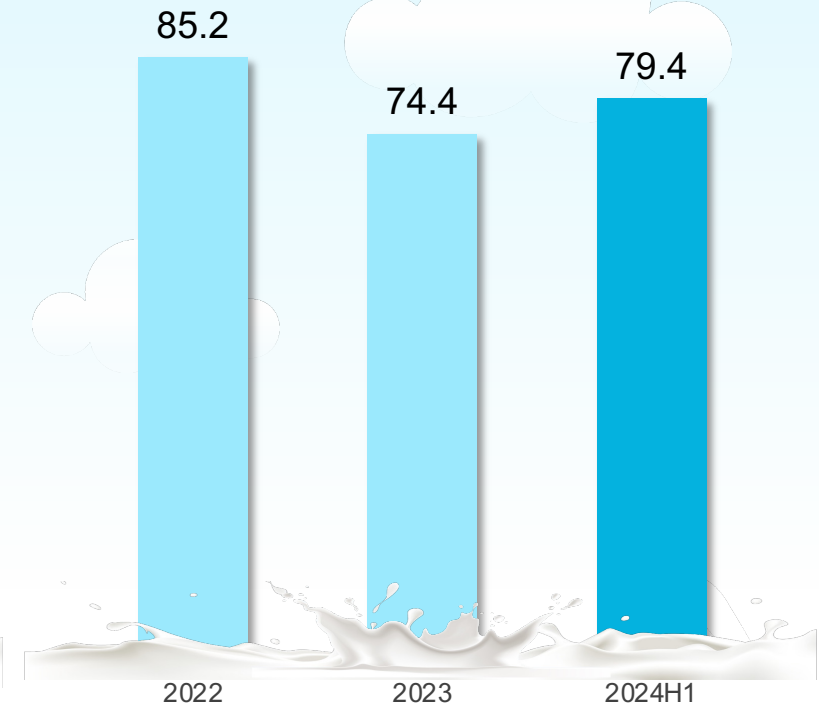
Debt-to-asset Ratio (%)



Net Interest-bearing Debt Ratio (%)



Net Gearing Ratio (%)



► Net leverage ratio = net interest-bearing debt/shareholders' equity



Interest-bearing Debt: Controlling Scale and Optimising Structure



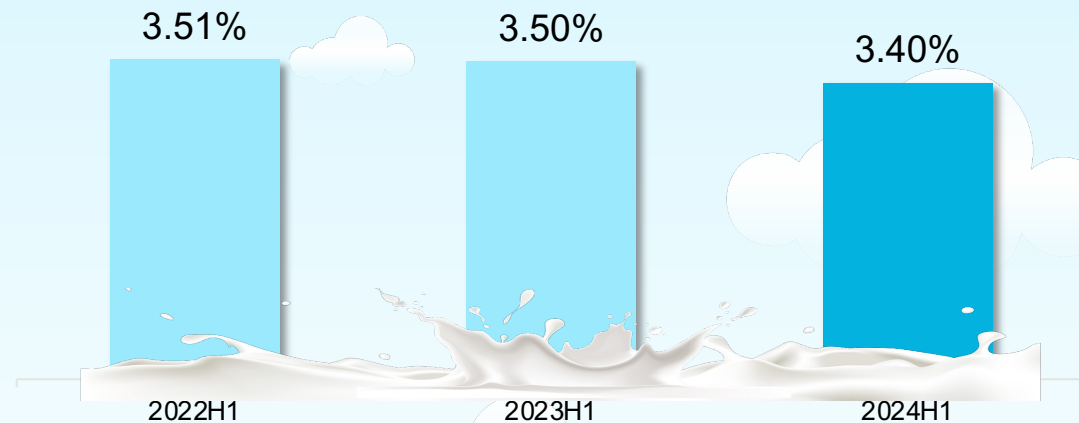
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Net Interest-bearing Debts

(RMB 100Million)

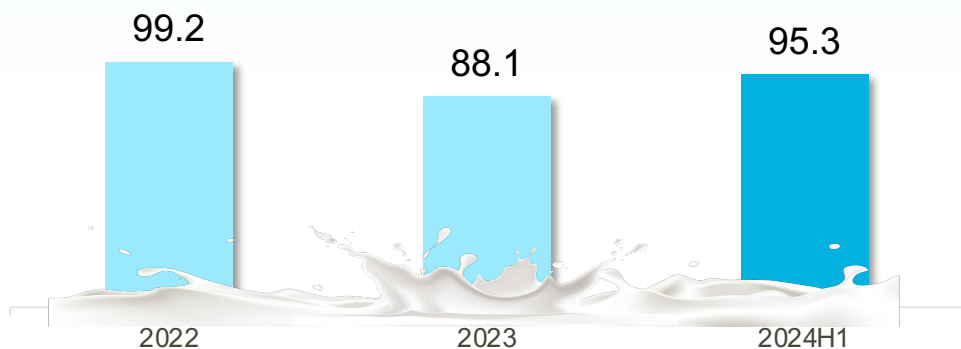


Finance rate

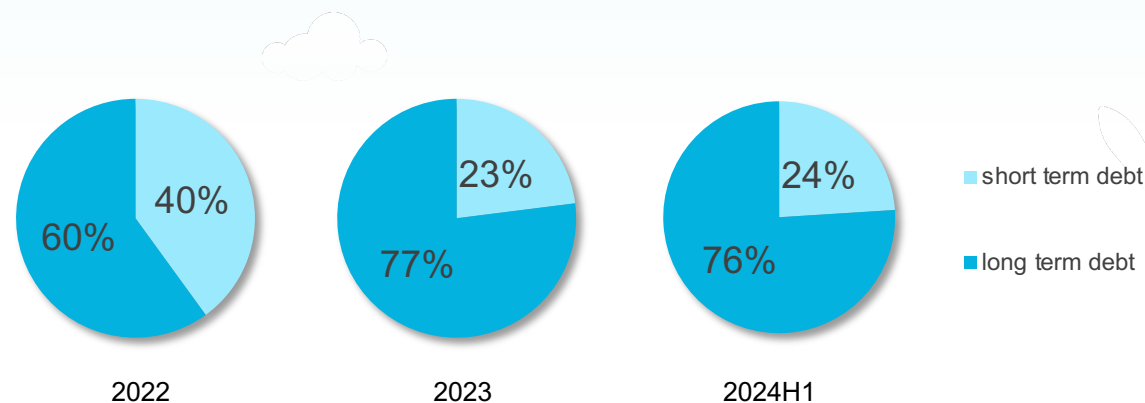


Net interest-bearing debt structure

(RMB 100Million)

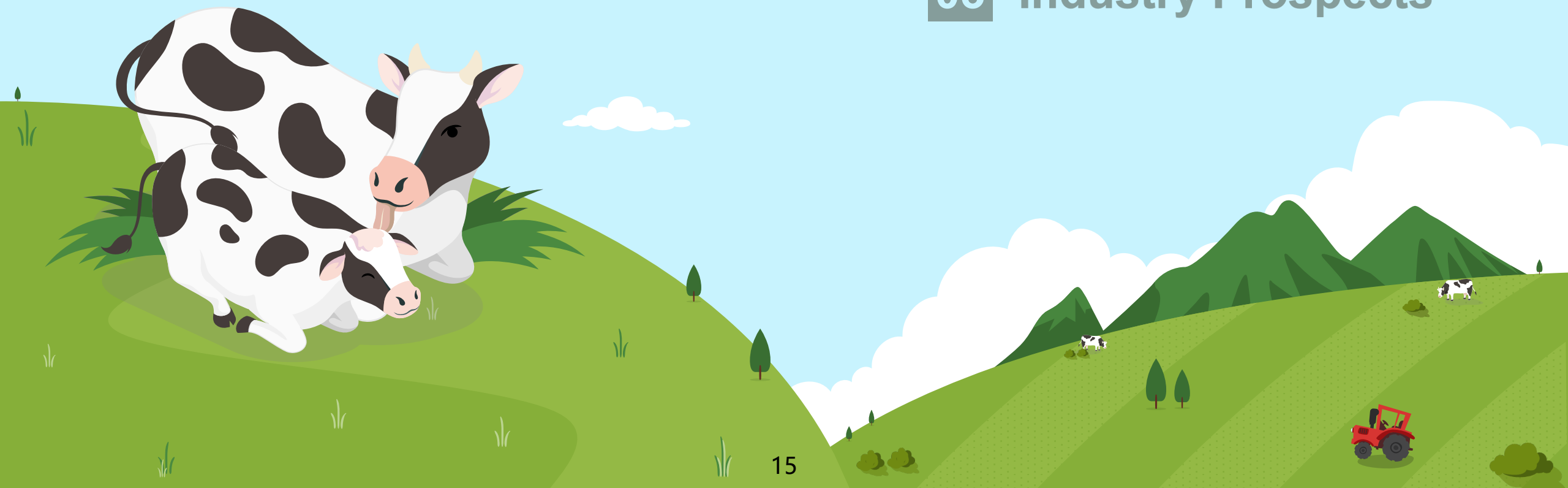


Interest-bearing debt structure

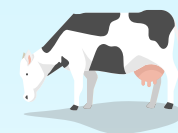




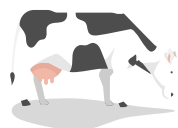
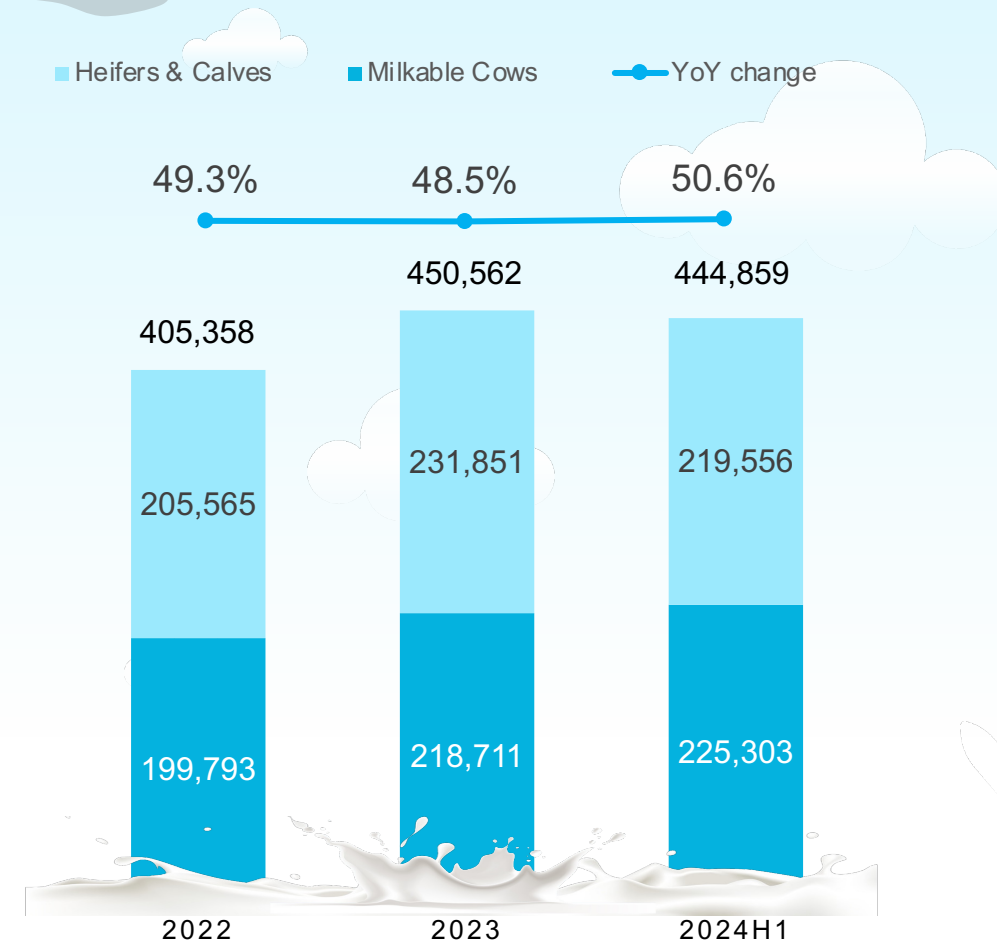
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Farm and Herd Sizes Remain Stable



Herd Size & Growth Rate



As of 30 June 2024, the Group had invested and established 42 dairy farming companies in PRC (based on the legal entity perspective), and the herd size reached nearly 450 thousand heads, covering 13 provinces and autonomous regions.

Feeds and forages

Feeds processing

Main products include feed ingredients, feed additives, premixes, imported forages, etc

We have **5 production** plants in China, including **1 feed mill** and **4 tablet plants**

Covering the whole range of domestic raw milk production areas such as Northwest, North China and East China

Modern Dairy and COFCO jointly constructed and operated **3 feed mills**

Forage trade

3 processing and production bases across the west coast of the US

Produces customised medium to high-quality alfalfa

Global customer reach, exporting over **200,000 tonnes** of forage annually

Forage planting

Crops grown include corn silage, alfalfa grass, oat grass and various types of straw.

Established **four planting bases** with a land area of **66,000 mu** and an annual output of **30,000 tonnes** of high-quality forage grass

Co-operating with a third party company to carry out saline land improvement, involving **15,000 mu** of land

Cooperating with growers and controlling a land area of more than **1 million mu**

Breeding

Self-developed “Modern No. 1” Genomic Liquid Phase Chip

Build national-level core breeding farms for dairy cow

Participated in the genetic improvement project of millions of cows in the Ningxia Hui Autonomous Region

Sold approximately **360,000 units** of high-quality frozen semen in the first half of 2024

Intelligent digital platform

In the first half of the year, the transaction volume of the Aiyangniu platform reached **RMB17.4 billion**

The intelligent system of Yunyangniu has covered **457 farms** and **1.57 million cows**



Selected Customers and Expanded High-Margin Products



Focus on 3 major business: feeds and forages, digital intelligence, and breeding;
Gross profit margin improved by 4.1 percentage points in the first half of 2024

Feeds and forages

Doing organic

5 organic silage planting trials to lead the way in demonstration

Focus on innovative categories

Clear product positioning and establish technical team

Actively attracting investment

Steady progress of 8 major investment projects

Intelligent digital platform

Improvement of financial functions

Develop supply chain financial tools to assist customers in financing

Expand platform membership

Supplier membership and expand platform services

Transform profit sources

Develop new products to increase gross profit margin

Breeding

Establishment of Independent Selection System for Breeding Bulls

Jointly with Sunlon to carry out independent selection and breeding of breeding bulls and realise resource sharing

Expand external market business

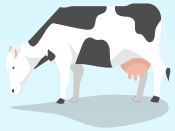
Increase the coverage of Mengniu milk sourcing farms to expand customers outside the Group

Genetic improvement project of millions of cow

Inferior gene blocking programme to sort out worthless individuals



Effective Cost Control



In the first half of 2024, the Group's cost control efforts maintained an industry-leading level. The company optimized feed formulas to reduce costs, increased single yield to spread out costs, and strengthened management to uncover savings. Consequently, the COGS decreased by RMB 0.37/kg YoY.

Empowered Procurement for Cost Reduction

4 Measure of Procurement

Large-Scale Procurement

Removing Intermediaries

Collaborating with COFCO

Optimizing Feed Formulas

Improved operational efficiency

6 Key Lean Initiatives

Drug Costs

Material Costs

Equipment Maintenance

Biogas Fertilizer Management

Utilities (Water, Electricity, Gas)

Administrative Expenses

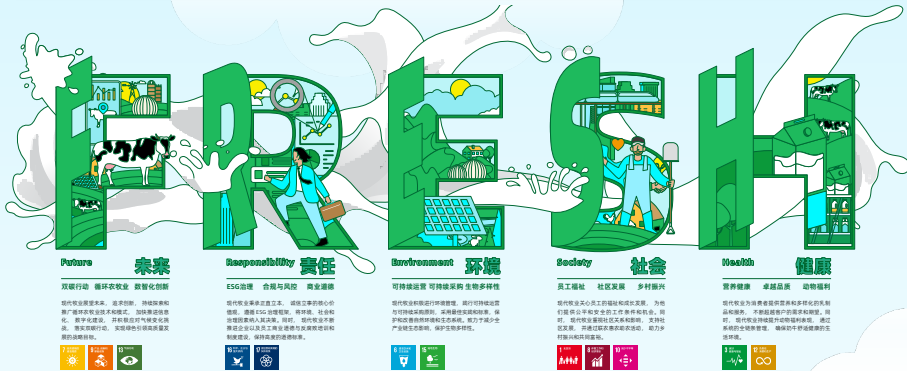


Sustainable Development Performance Shines



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FRESH Sustainable Development



Sustainable Development Highlights

MSCI Graded Modern Dairy's rating to BBB, marking a significant three-level jump within a year.

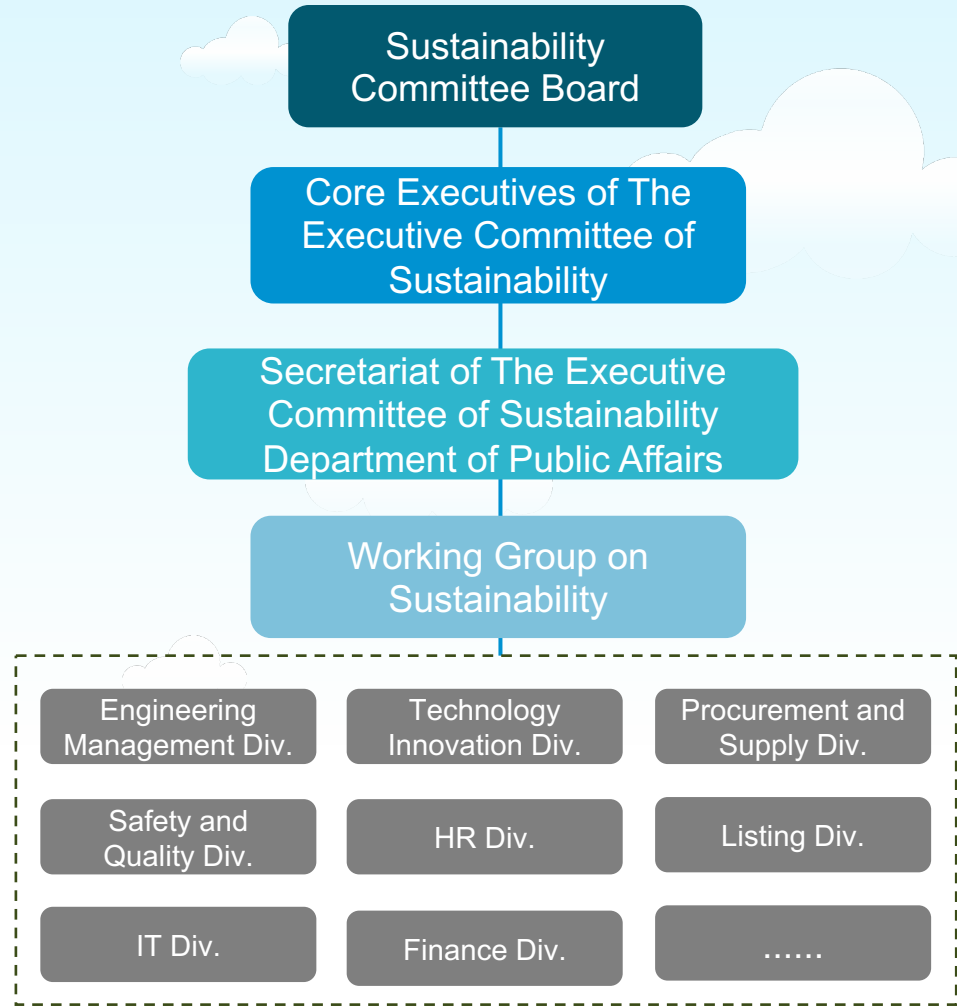
S&P Global ESG score in the S&P Global CSA surpassed 89% of global peers.

S&P Global Included in the "S&P Global Sustainability Yearbook (China Edition) 2024".

中粮国际 COFCO INTL Collaborated with COFCO to import the First 50,000 tons of zero-deforestation soybeans, significantly advanced the green transformation of the value chain.

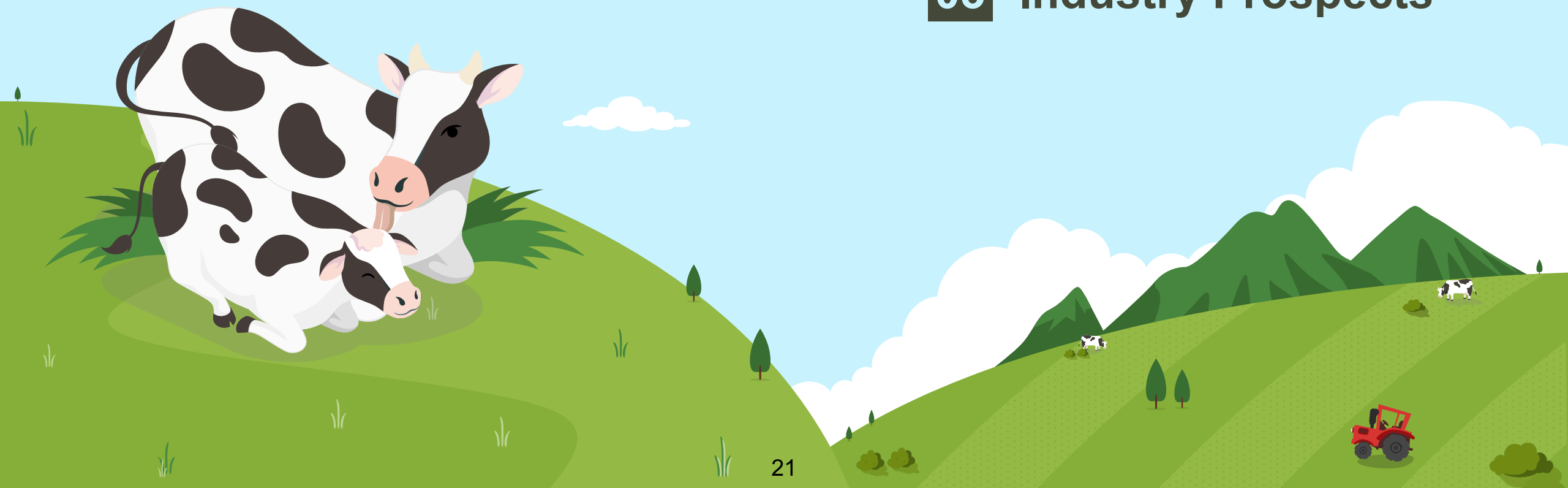
现代牧业 Recognized as the first "Low-Carbon Ranch Innovation Demonstration Base". Officially released the first "China Dairy Industry Low-Carbon White Paper" in the China's animal husbandry.

Detailed Sustainability Management Structure



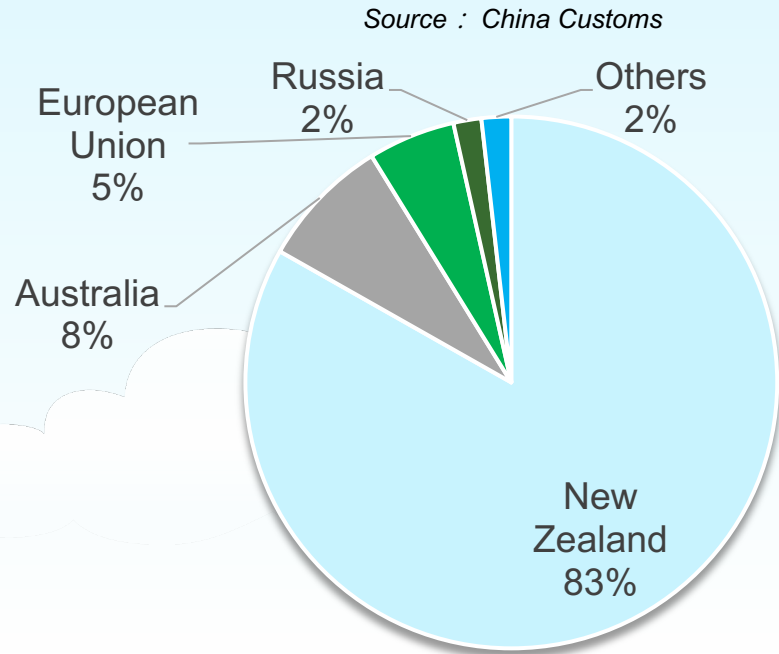


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International Raw Milk Production

Proportion of milk powder exported to China by various countries in 2024H1

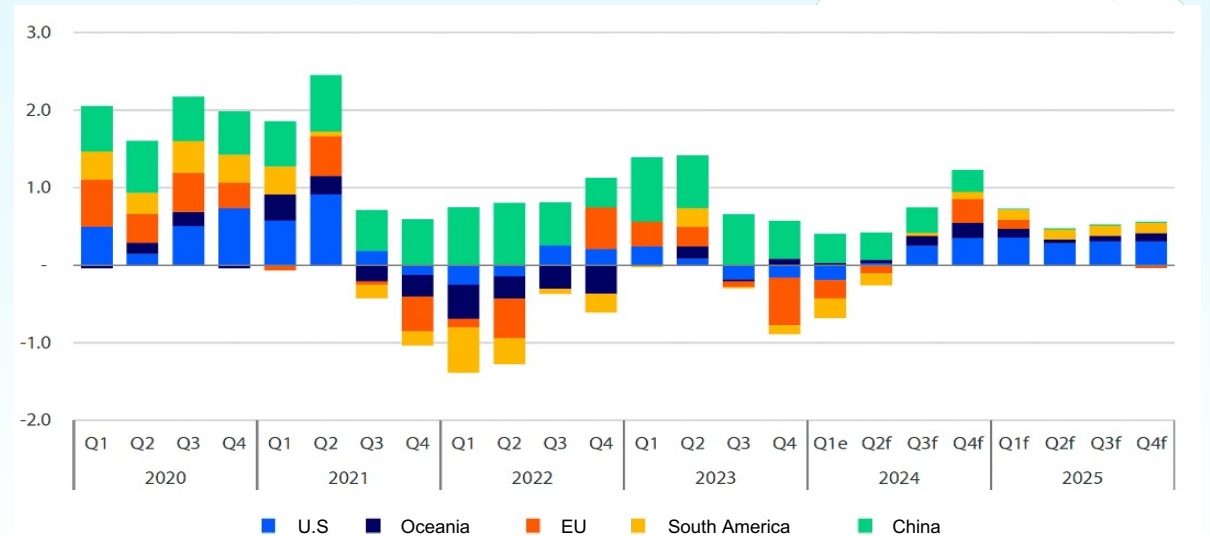


- ▶ In the first half of 2024, China's main source of milk powder was New Zealand, followed by the European Union (EU), Australia, and Russia.

Forecast growth rate of dairy production in the top 7 exporting countries and China (%)

At the unit of 1 million tons of liquid milk

Source: Rabobank



- ▶ Rabobank forecasted that the downward trend in international raw milk production in 2023 will continue through mid-2024, with growth in the top seven dairy-exporting countries projected at only 0.1%. Weak global demand and increased domestic Chinese milk production are limiting imports and restraining global dairy price growth, reducing incentives for major producers to increase output.

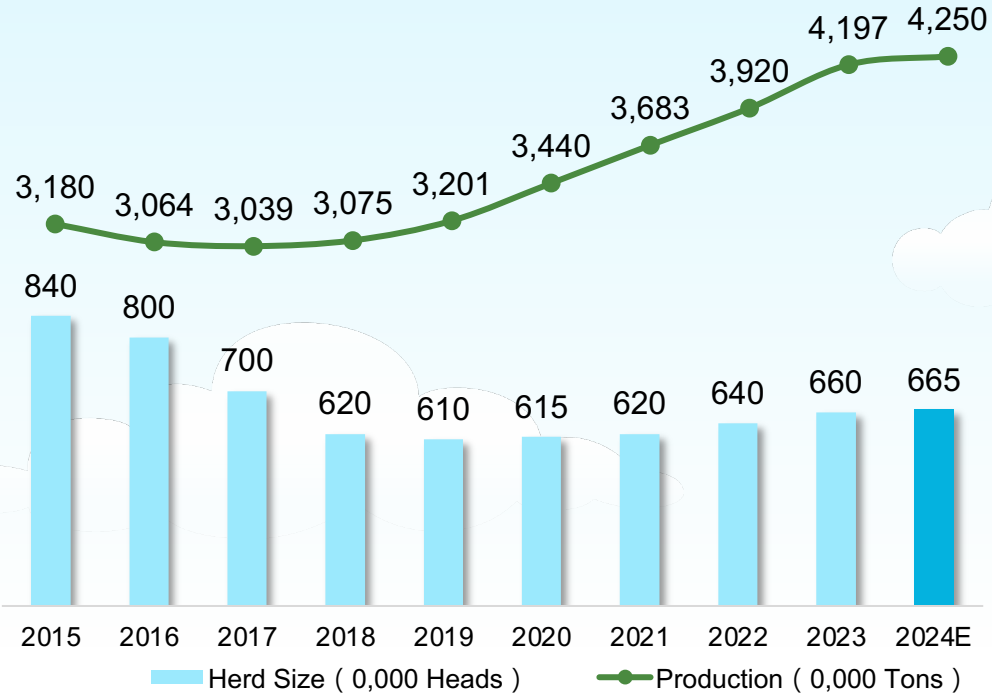


Domestic Raw Milk Production and Cost



Domestic Herd Size and Raw Milk Production

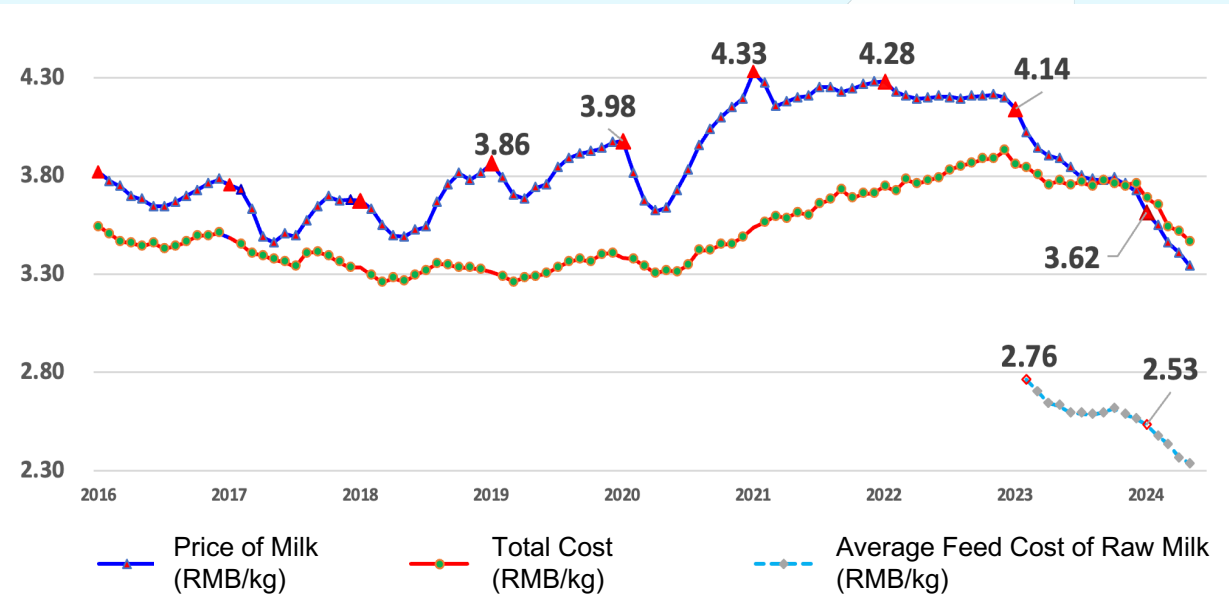
Source: USDA



- ▶ During the period from 2020 to 2023, the compound annual growth rate of domestic raw milk production was 7%. The USDA forecasted that raw milk production in 2024 will increase by 1.3% compared to 2023, while Rabobank predicted an increase of 3.2% yoy, indicating a slowdown in growth.

CARS – Dairy Monitored Milk Price and Costs (RMB/kg)

Source: CARS – Dairy



- ▶ CARS – Dairy indicated that the severity of this adjustment cycle exceeds that of 2016-2017, with industry losses affecting more than 80% of entities, and milk prices have fallen below the total cost of dairy farming.

School Milk Program



“School Milk Program” has gained widespread recognition. According to statistics, the Program has now benefited 31 provinces (municipalities), 660 cities, and more than 70,000 schools, reaching 30 million primary and secondary school students.

No.1 Central Document

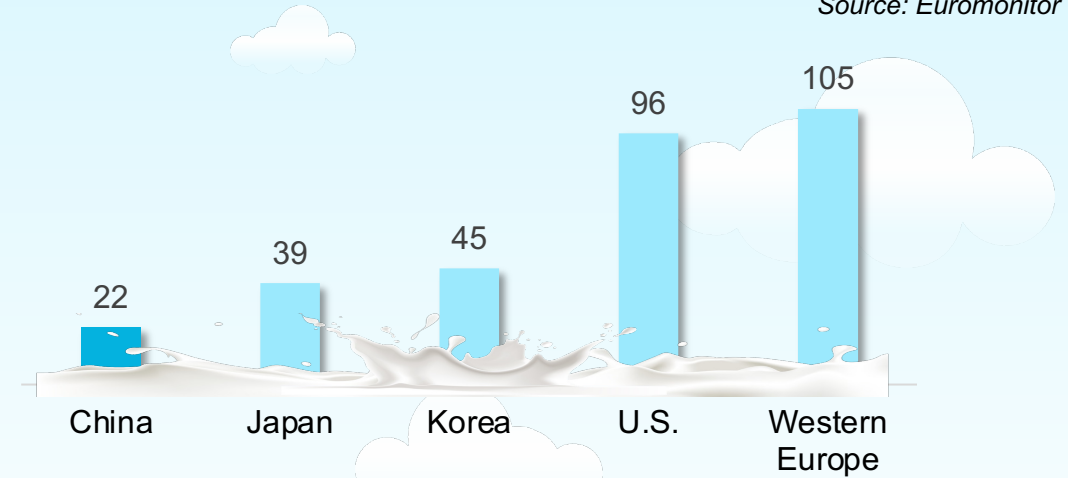
“Opinions on Learning and Applying the Experience of the 'Thousand Villages Demonstration and Ten Thousand Villages Renovation' Project to Effectively Promote the Comprehensive Revitalization of Rural Areas” is the No.1 Central Document that stressed 'improving liquid milk standards, standardizing reconstituted milk labelling, and promoting fresh milk consumption'.

Cultivating New Growth Points

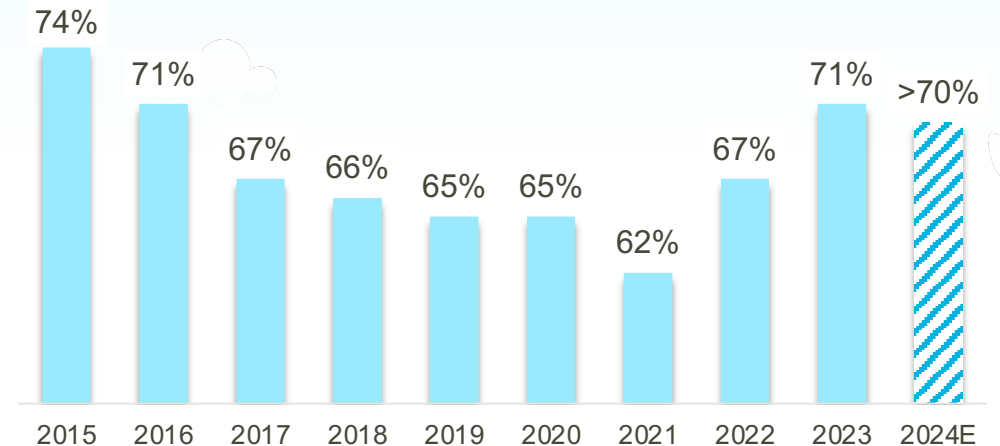
“The Measures on Creating New Consumption Scenarios and Cultivating New Growth Points in Consumption” included measures to promote the formulation of industry standards and encouraging the production of fresh milk. Additionally, it proposed measures to cultivate new growth points in consumption for infants, young children, and the elderly.

Global per capita Dairy Consumption (kg)

Source: Euromonitor



Self-sufficiency rate of domestic raw milk (%)



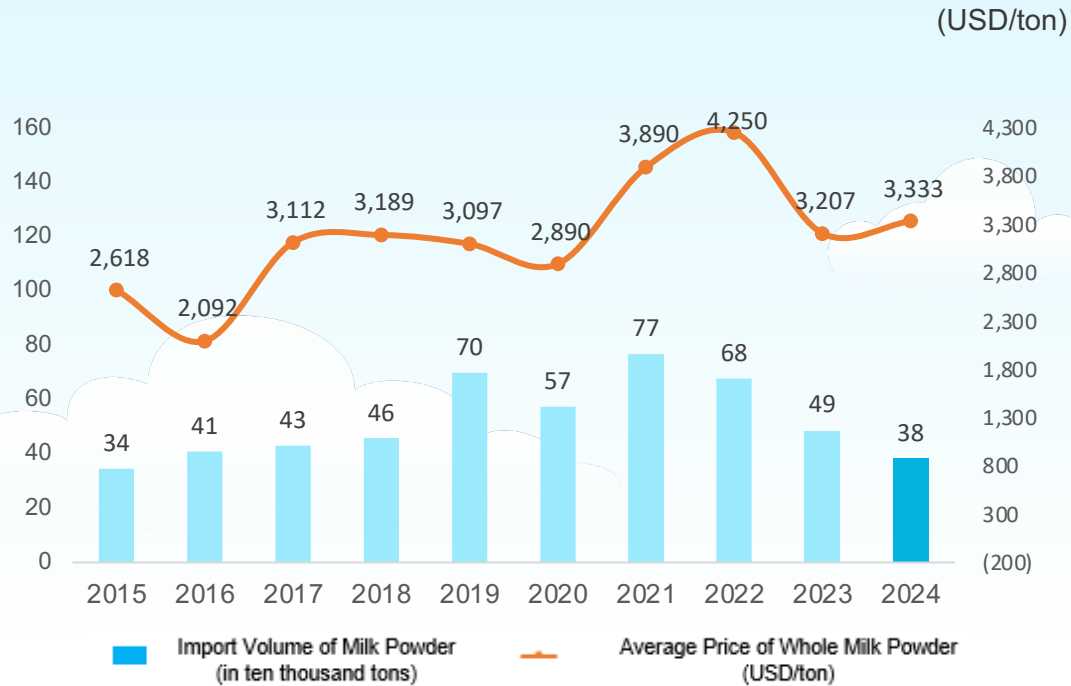


The Trend of Milk Price



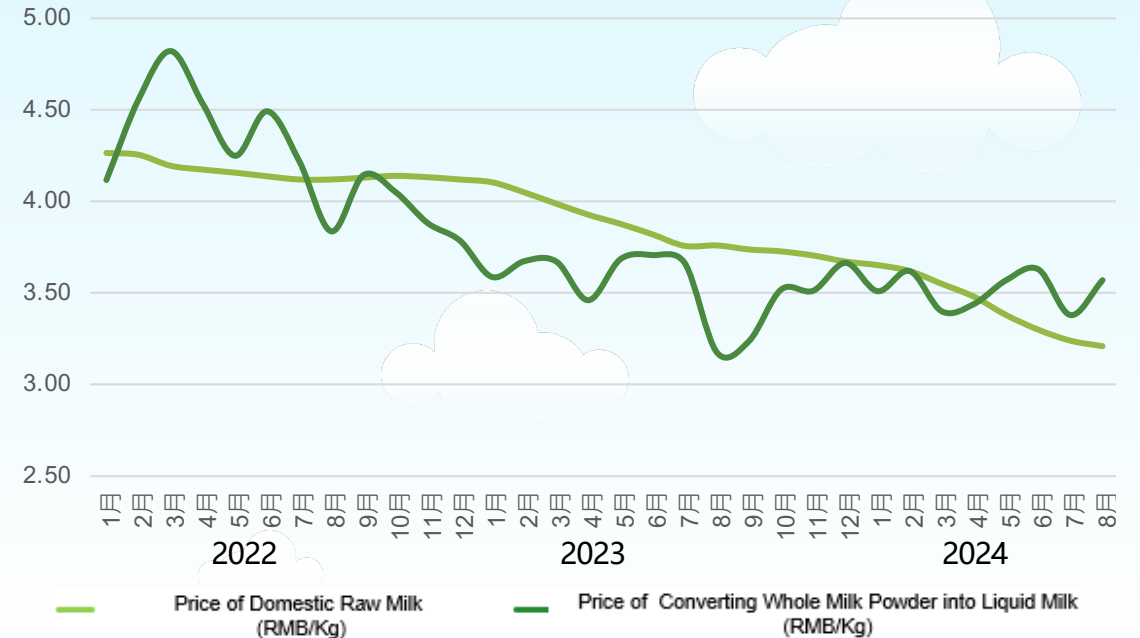
Import Volume of China's Milk Powder (in ten thousand tons) and Price (USD/ton)

Source: China Customs , Fonterra



Prices of domestic raw milk and converting milk powder into liquid milk (in RMB/kg)

Source: the Ministry of Agriculture and Rural Affairs ,Fonterra



► Due to robust growth of domestic raw milk production and sluggish demand of processing, imports in 2024 are expected to decline by 22% YoY, marking the third consecutive year of significant reductions in dairy imports.

► Global dairy commodity prices bottomed out in the third quarter of 2023. In the second quarter of 2024, the price of converting milk powder into liquid milk was higher than the price of domestic raw milk.



Thank You

