



China Modern Dairy Holdings Ltd.

中國現代牧業控股有限公司

Stock Code 股份代號：1117

2022 ANNUAL RESULTS



Disclaimer

This presentation material is prepared by China Modern Dairy Holdings Ltd. (the “Company”) for your information only. All or any part of this presentation material may not be taken away, reproduced, redistributed, or retransmitted in any manner. You agree to be bound by the above condition by participating into this presentation. Any non-compliance may be against the related laws and requirements.

This presentation material does not constitute an offer to purchase or sell the related securities or forms the basis of, or be relied upon in connection with any contract, commitment or investment decision whatsoever.

This presentation material may contain forward-looking statements. These forward-looking statements are based on a number of assumptions about the future, some of which are beyond the Company’s control. The Company does not undertake any obligation to update any forward-looking statements to reflect events that occur or circumstances that arises after the date of this presentation. Potential investors should bear in mind that actual financial results may differ materially from the following forward-looking statements.

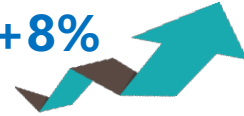
The information contained in this presentation material is not verified by any independent third party. No warranty is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information contained herein. The information contained in this presentation material should be interpreted under the prevailing circumstances. There is no update and nothing to be updated upon the presentation to reflect any significant change in the development. At no time does the Company or the related directors, management, employees, agents or advisers accept any liability for the information contained in this presentation material and accordingly accept any liability whatsoever for any loss howsoever arising from any use of this presentation material.

Deploy the whole industry chain, innovate with digital intelligence, and be a global dairy farming leader.

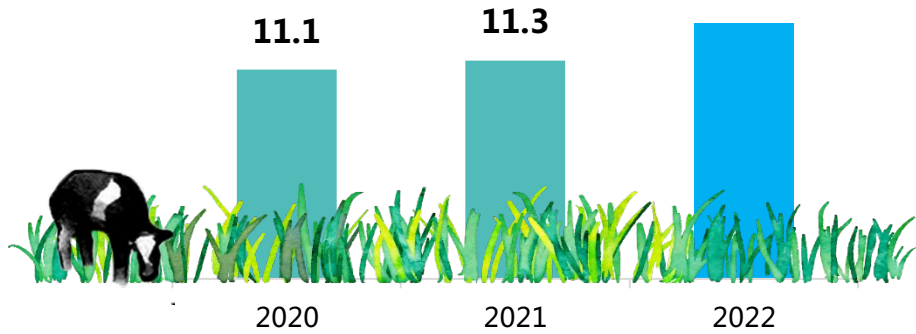


Industry-leading Unit Yield

+8%

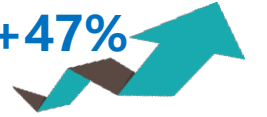


(ton/head/year)

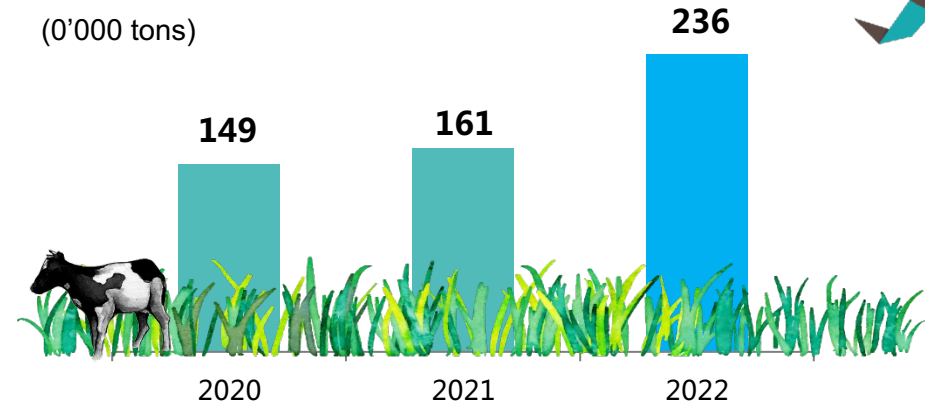


Huge Increase of Production

+47%

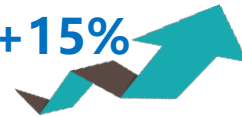


(0'000 tons)

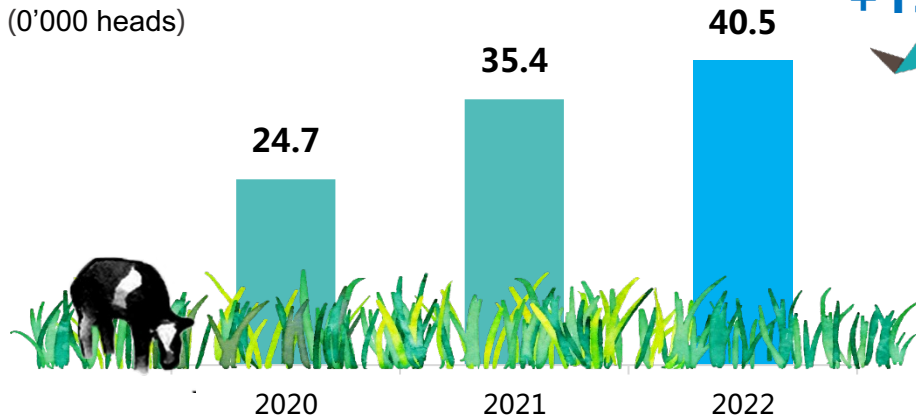


Rapid Growth of Herd Size

+15%

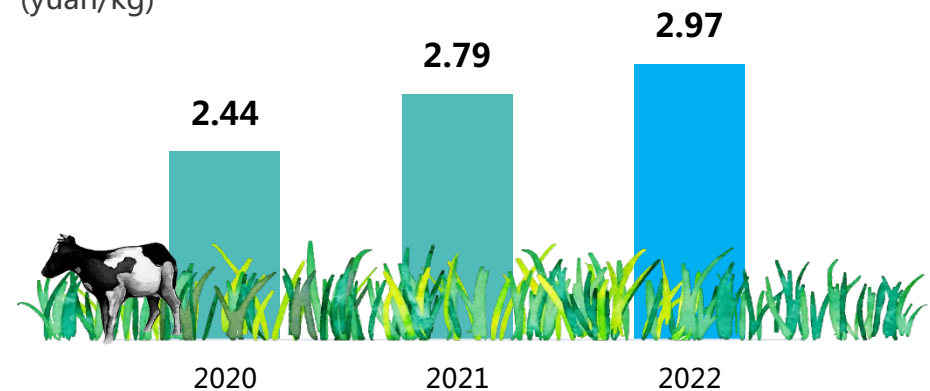


(0'000 heads)



Industry-leading Cost Control

(yuan/kg)



CONTENT

1

Financial Results

2

Business Updates

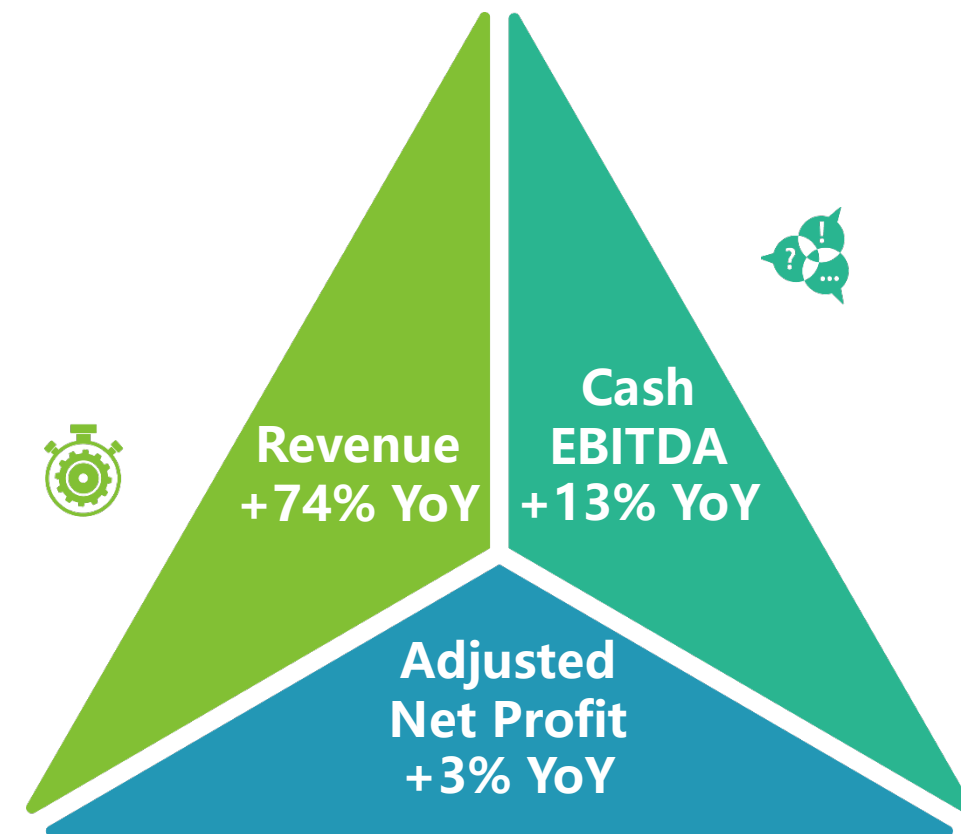
3

Industry Prospects



2022 Annual Results Review

RMB Million	2022	2021	Change
Revenue	12,295	7,078	+74%
Raw Milk	9,945	7,005	+42%
Feeds	2,350	73	+3119%
Gross Profit	3,267	2,459	+28%
Gross Profit Margin (%)	26.6	36.0	-9.4 ppt
Raw milk business	31.1	36.2	-5.1 ppt
Cash EBITDA⁽¹⁾	2,740	2,434	+13%
Cash EBITDA Margin (%)	22.3	34.4	-12.1 ppt
Net Profit	580	1,033	-44%
Adjusted Net Profit⁽²⁾	950	925	+3%
Basic EPS (RMB cents)	7.16	14.43	-50%
Adjusted Basic EPS (RMB cents)	11.72	12.92	-9%



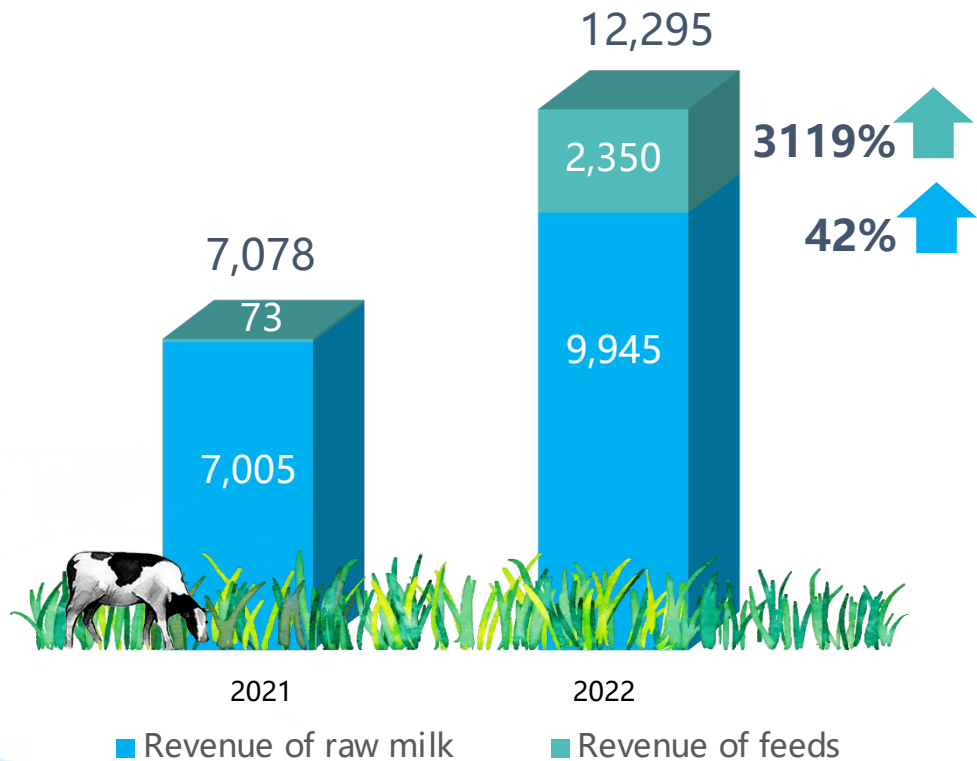
Note: (1) Cash EBITDA is defined as profit/(loss) before finance costs and tax having added back: i) depreciation for property, plant and equipment and right-of-use assets charged to profit or loss, ii) amortization, iii) impairment losses, net of reversal, iv) other gains and losses, net, v) loss arising from changes in fair value less costs to sell of dairy cows. (2) The adjusted net profit is defined as net profit after excluding the gains and losses arising from foreign exchanges and derivative financial instruments.



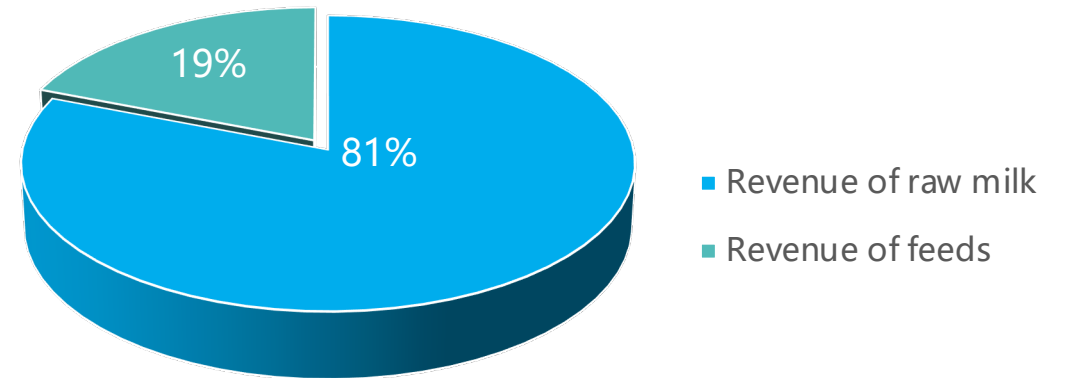
MODERN FARMING
现代牧业

Rapid Growth in Both Raw Milk Sales and Feed Business

\$ Sales by Business (RMB million)



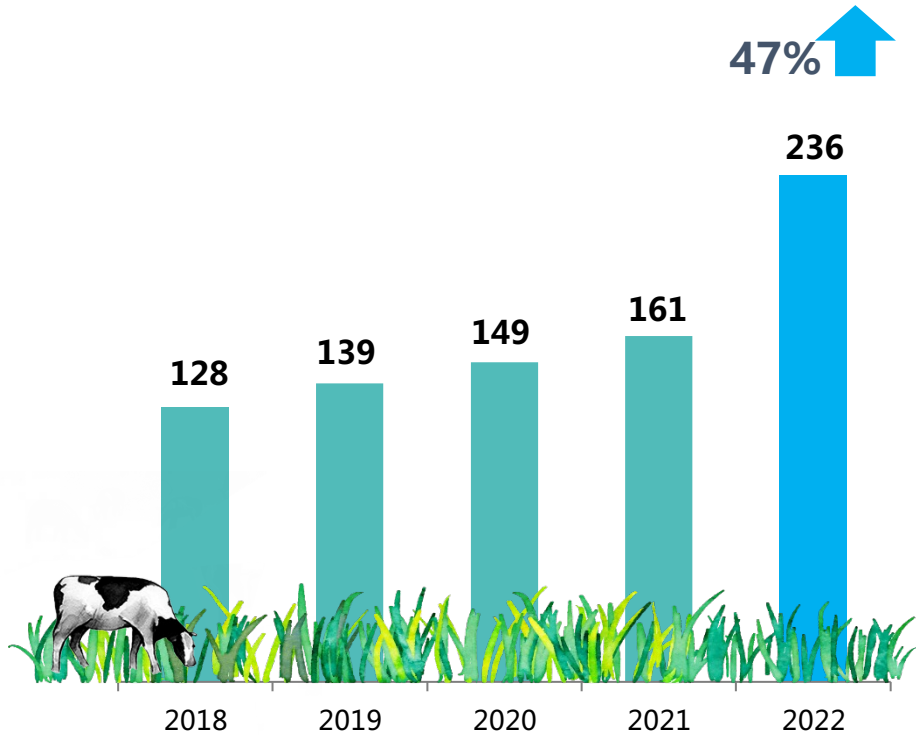
\$ Proportion of Sales Revenue



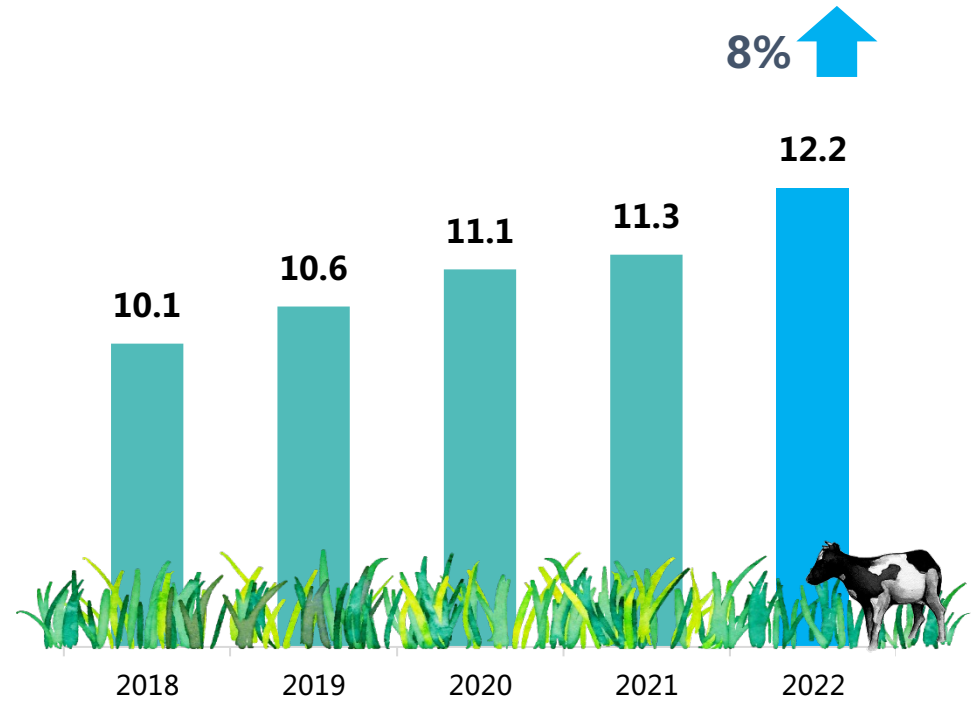
Substantial Increase of Production Volume



Production Volume (0'000 tons)

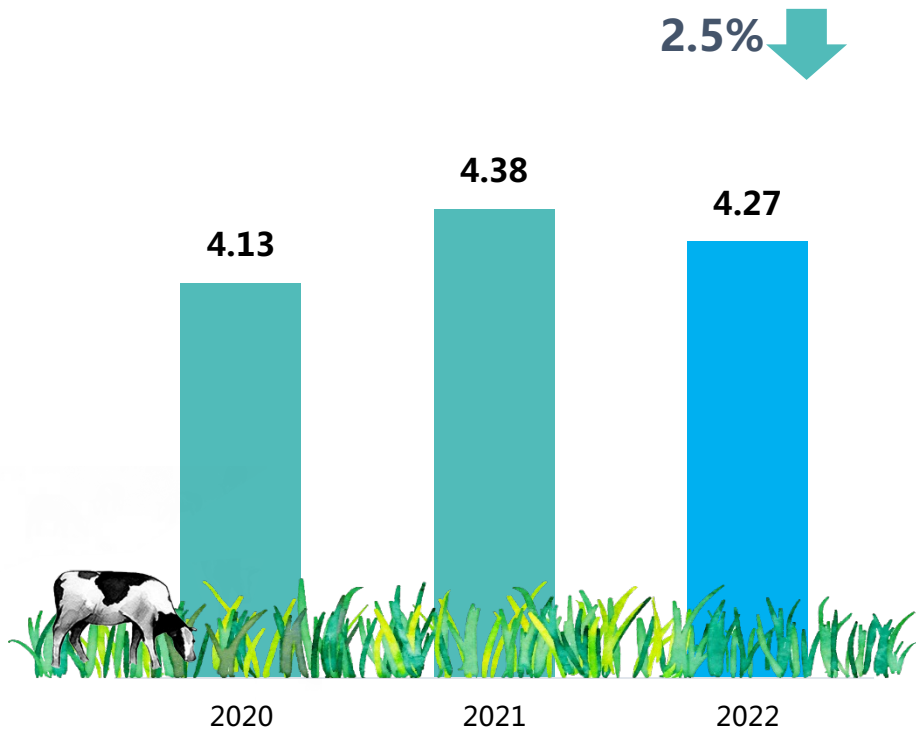


Unit Yield per Milkable Cow (tons/head/year)

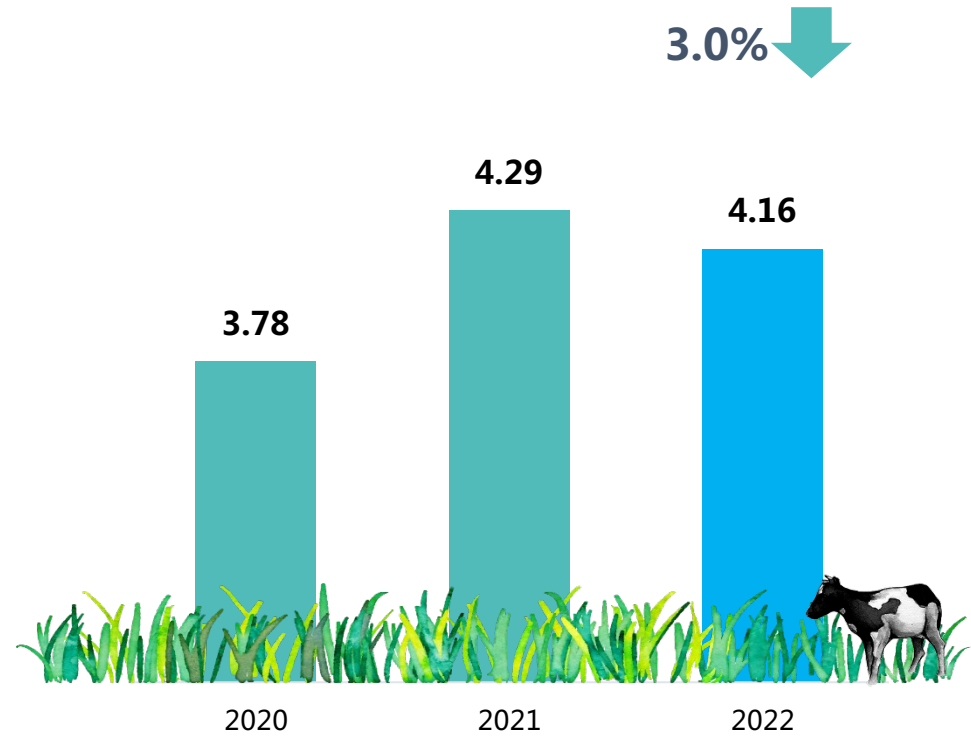


Average Selling Price (ASP) of Raw Milk

Company ASP (yuan/kg)



Market ASP (yuan/kg)

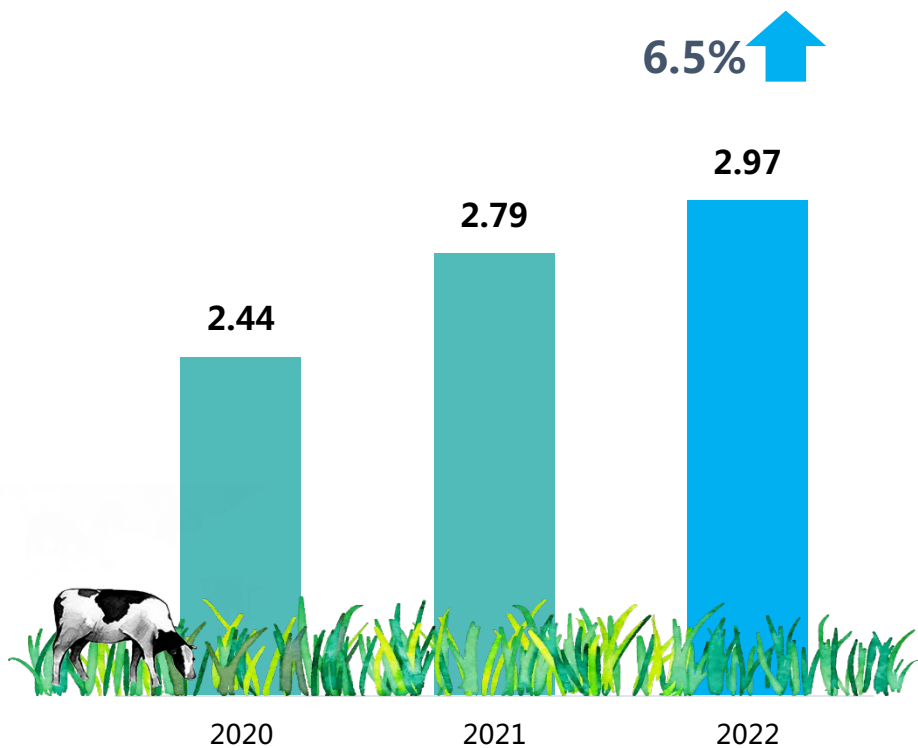


► Note: the milk price in 2021 is simulated after consolidating data from the acquired farms for the same period

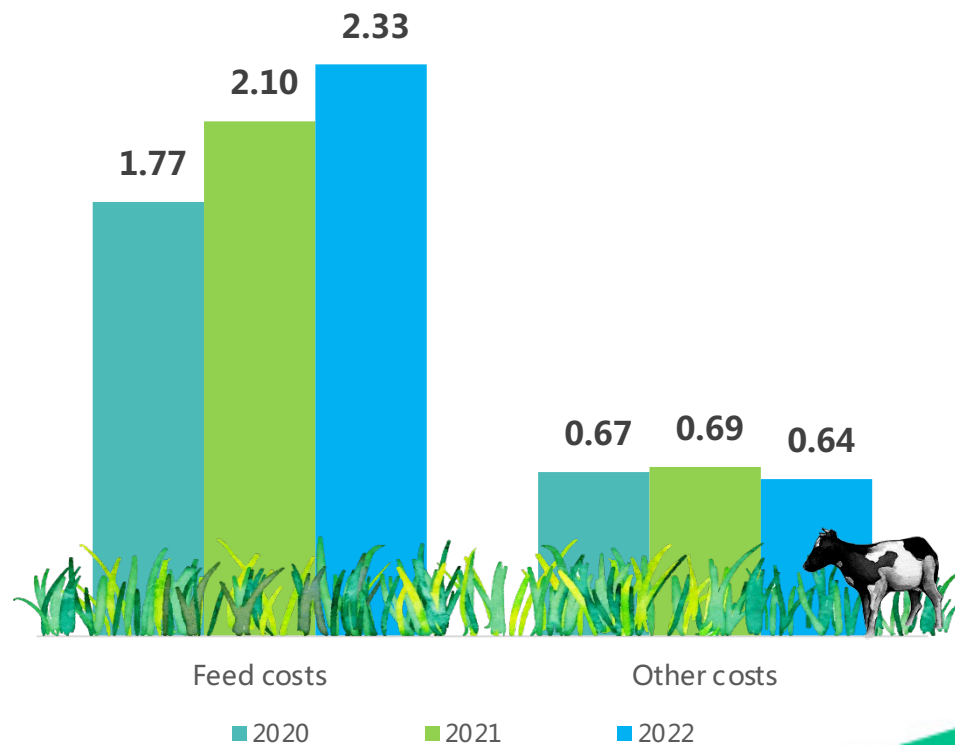
COGS per Kilogram



COGS (yuan/kg)



COGS Breakdown (%)

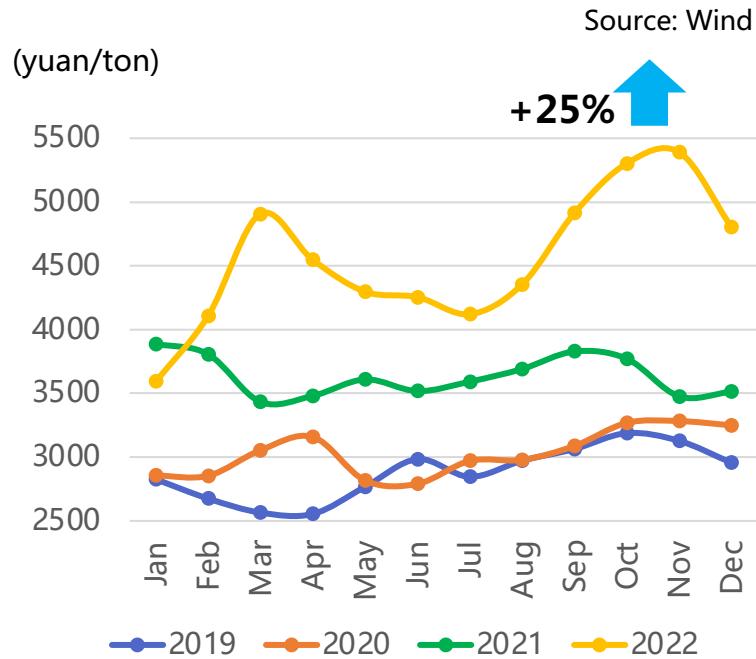


► Note: the COGS in 2021 is simulated after consolidating data from the acquired farms for the same period



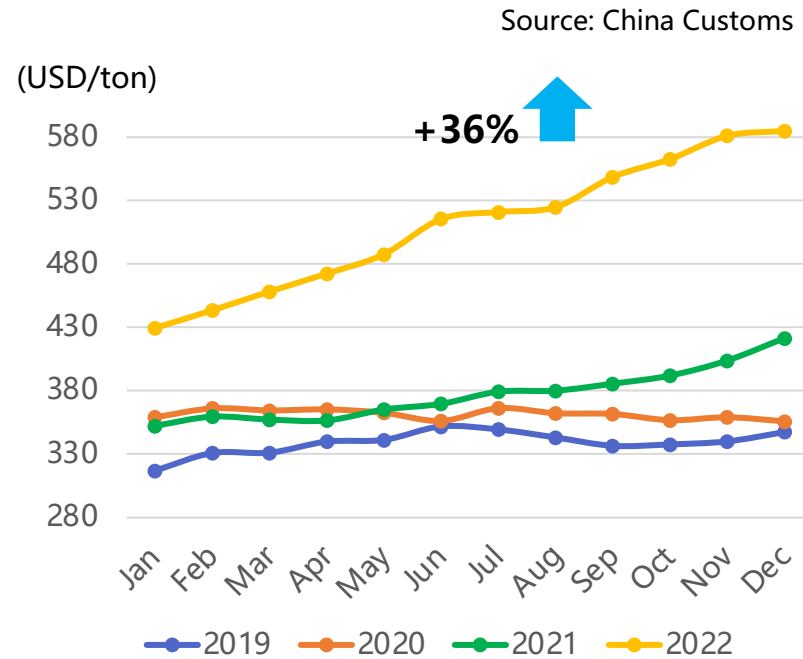
Feed Prices at Record Highs

Soybean Meals Price



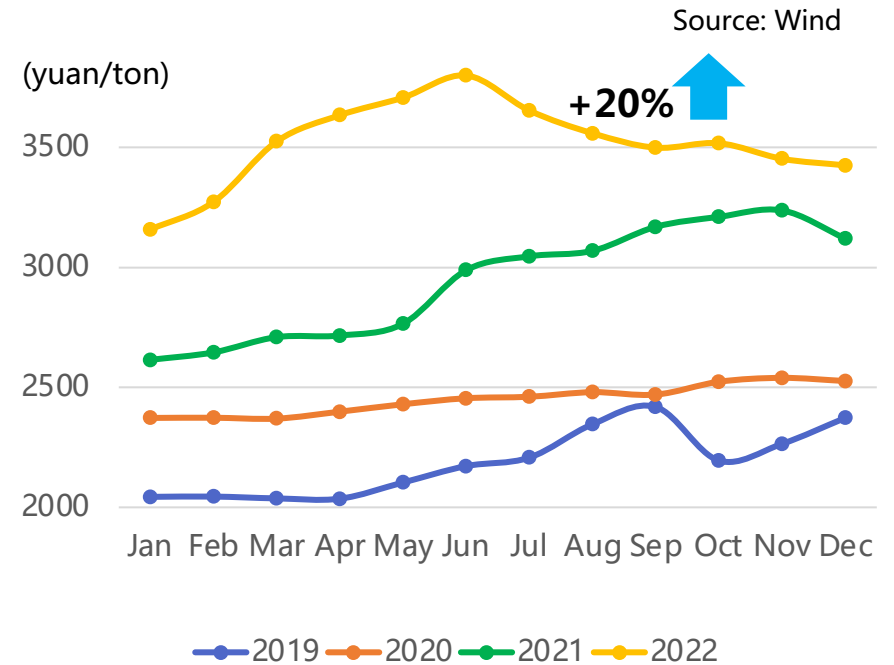
► Soybean meal prices rose by 25% YoY in 2022, with the highest YoY increase of 55% in November. Soybean meal prices have risen by 44% cumulatively over the past three years.

CIF Price of Imported Alfalfa



► Alfalfa: 2022 alfalfa grass price rose month by month, up 36% YoY for the whole year, and accumulated a 51% increase in the past three years

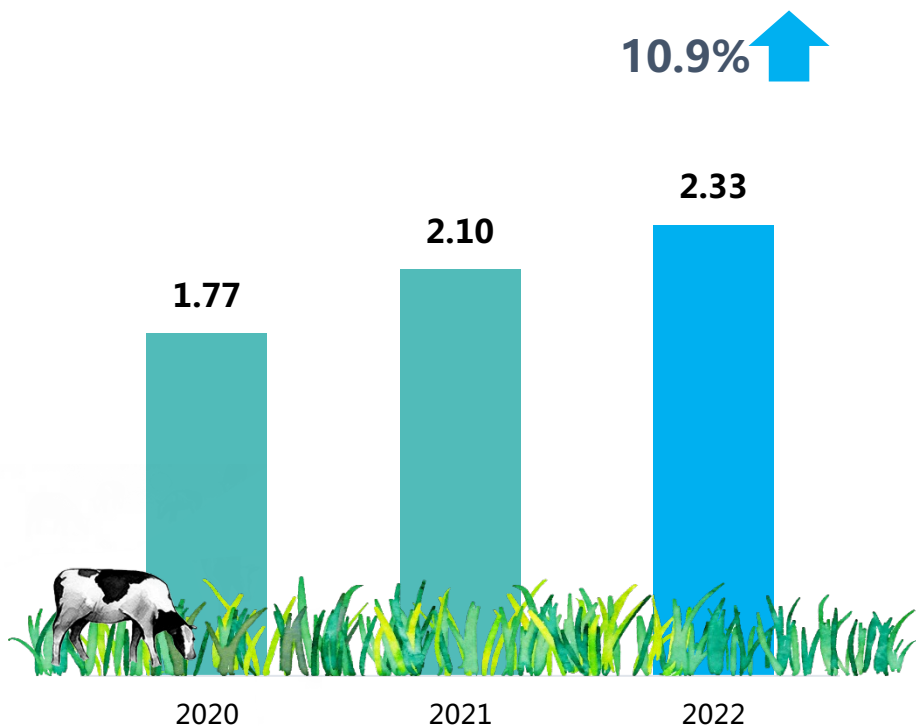
Cottonseed Price



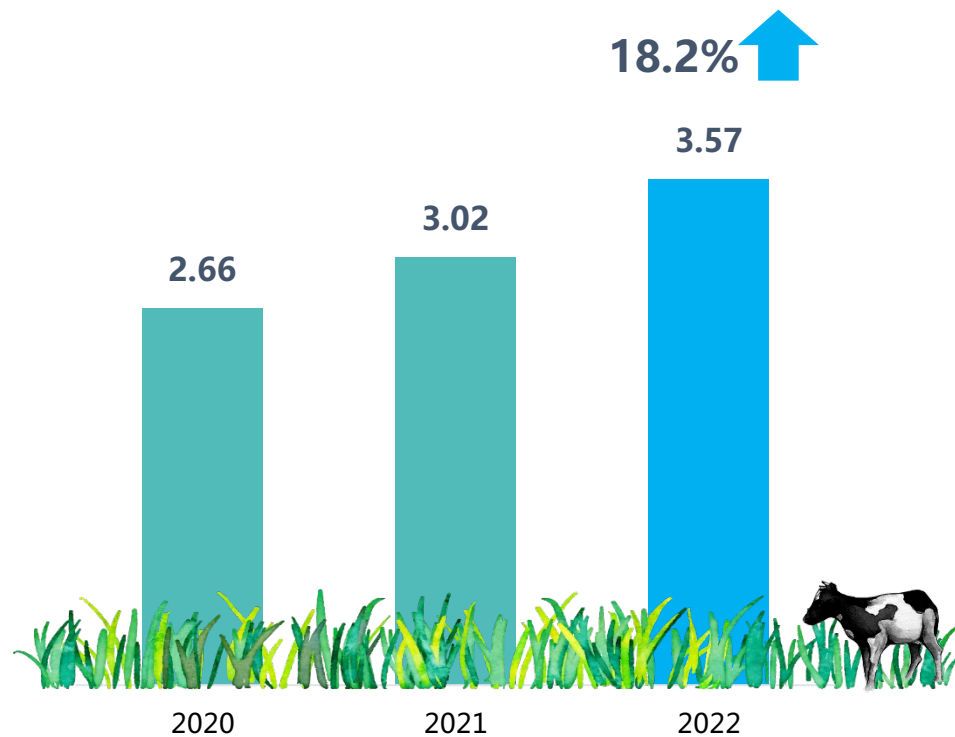
► Cottonseed: In 2022, the price of cottonseed rose by 20% YoY, and it has risen by 61% in the past three years

Feed Cost per Kilogram of Milk

Feed Cost(yuan/kg of milk)

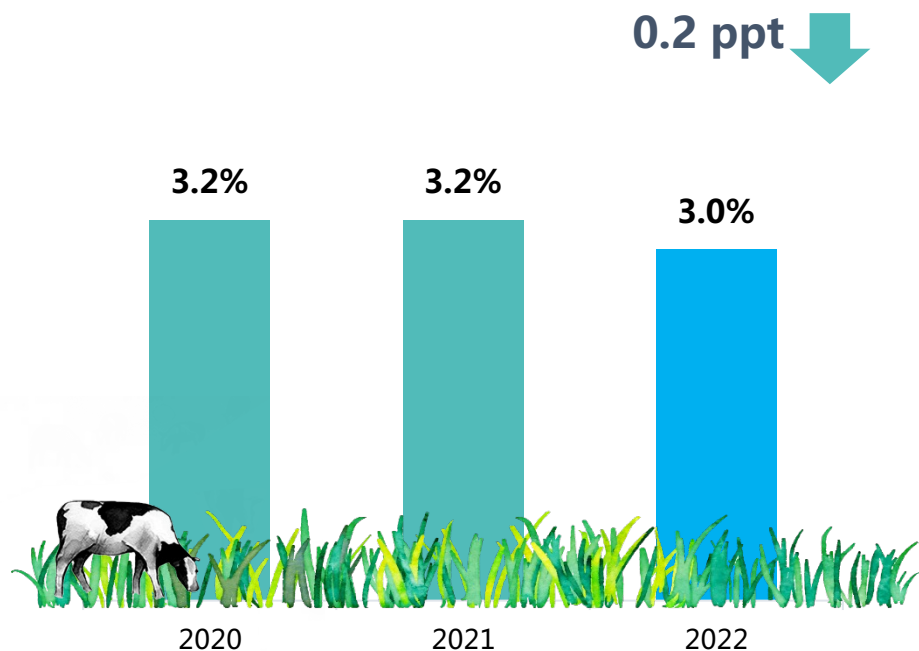


Forage Comprehensive Procurement Price(yuan/kg of feed)



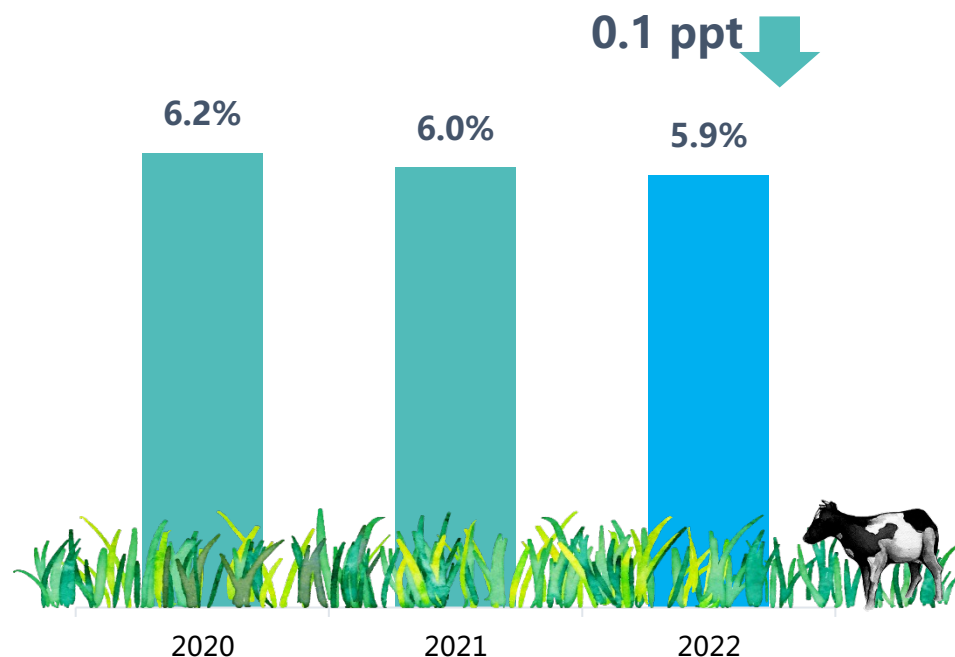
► Note: the feed cost in 2021 is simulated after consolidating data from the acquired farms for the same period

S&D Expense Ratio



- ▶ The S&D expense ratio in 2021 is simulated after consolidating data from the acquired farms for the same period
- ▶ $\text{S\&D expense ratio} = \text{S\&D expense} / \text{revenue}$

Administrative Expense Ratio



- ▶ The administrative expense ratio in 2021 is simulated after consolidating data from the acquired farms for the same period
- ▶ $\text{Administrative expense ratio} = \text{Administrative expense} / \text{revenue}$

Balance Sheet Overview

RMB Million	2022	2021	Change
Biological Assets	106.3	94.0	+13%
Fixed Assets	57.0	53.1	+7%
Total Assets	288.2	236.7	+22%
Total Liabilities	171.8	125.6	+37%
Total Equity	116.4	111.1	+5%
Net Asset Value per Share ⁽¹⁾ (RMB yuan)	1.42	1.37	+4%
Total Interest-bearing Borrowings	124.7	84.9	+47%
Net Interest-bearing Borrowings⁽²⁾	99.2	62.4	+59%
Net Interest-bearing Debt Ratio ⁽³⁾ (%)	46.0	35.9	+10.1 ppt
Debt-to-asset Ratio ⁽⁴⁾ (%)	59.6	53.1	+6.6 ppt

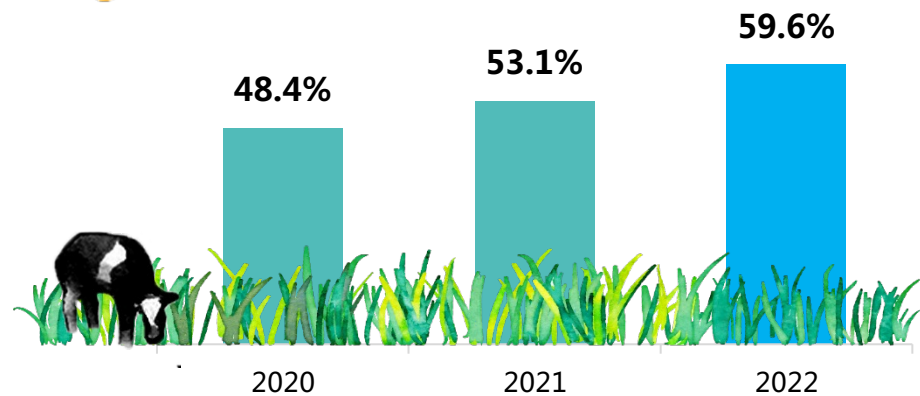
Notes:

- (1) Net Asset Value per Share = Equity Attributable to Owners of the Company/ Year-end Number of Shares Outstanding;
- (2) Net Interest-bearing Borrowings = Total Interest-bearing Borrowings - Cash and Cash Equivalents
- (3) Net Interest-bearing Debt Ratio = Net Interest-bearing Borrowings / (Net Interest-bearing Borrowings + Equity)
- (4) Debt-to-asset Ratio = Total Liabilities/Total Assets

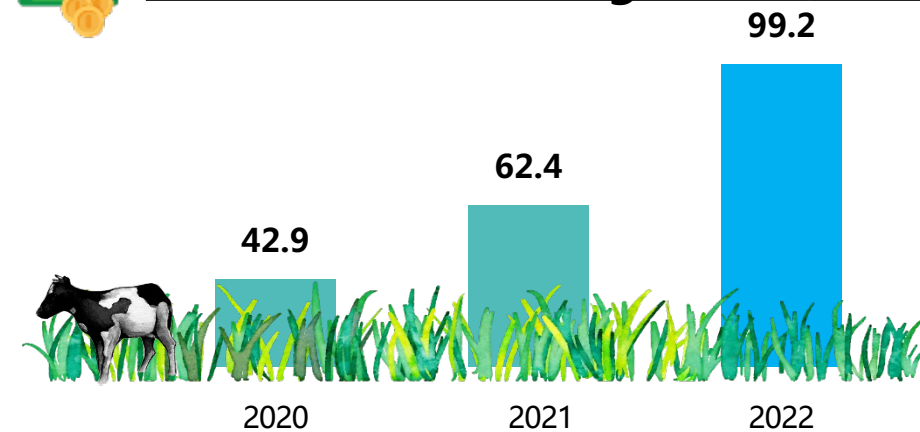


Financial Leverage

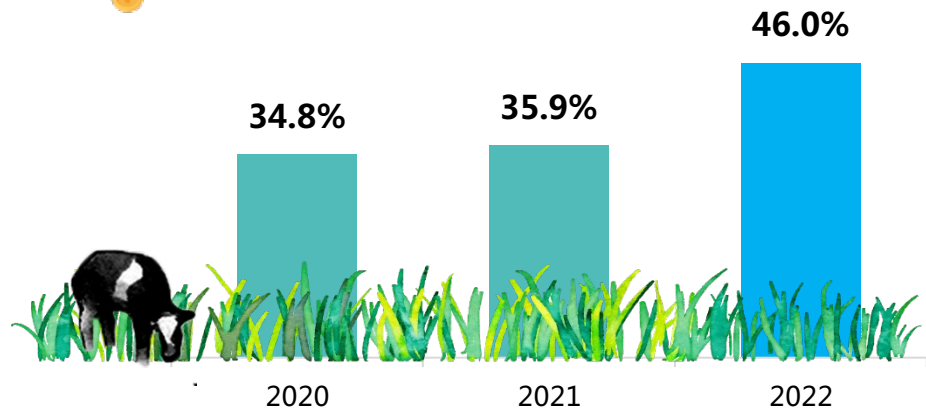
 **Debt-to-asset Ratio (%)**



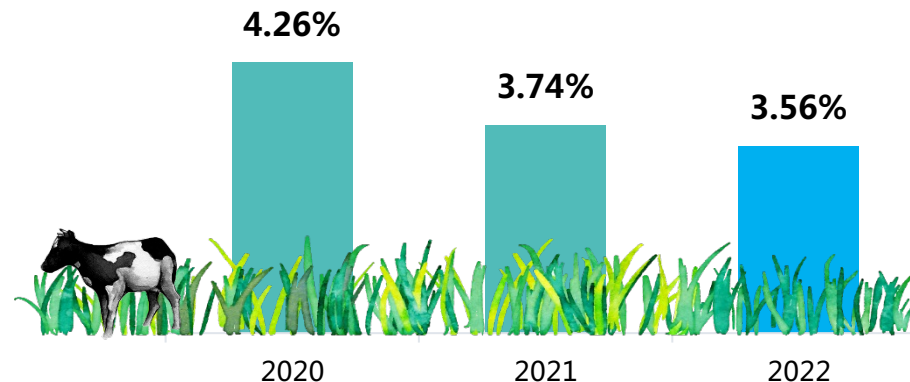
 **Net Interest-bearing Debts (00 million yuan)**



 **Net Interest-bearing Debt Ratio (%)**



 **Finance Rate (%)**



CONTENT

1

Financial Results

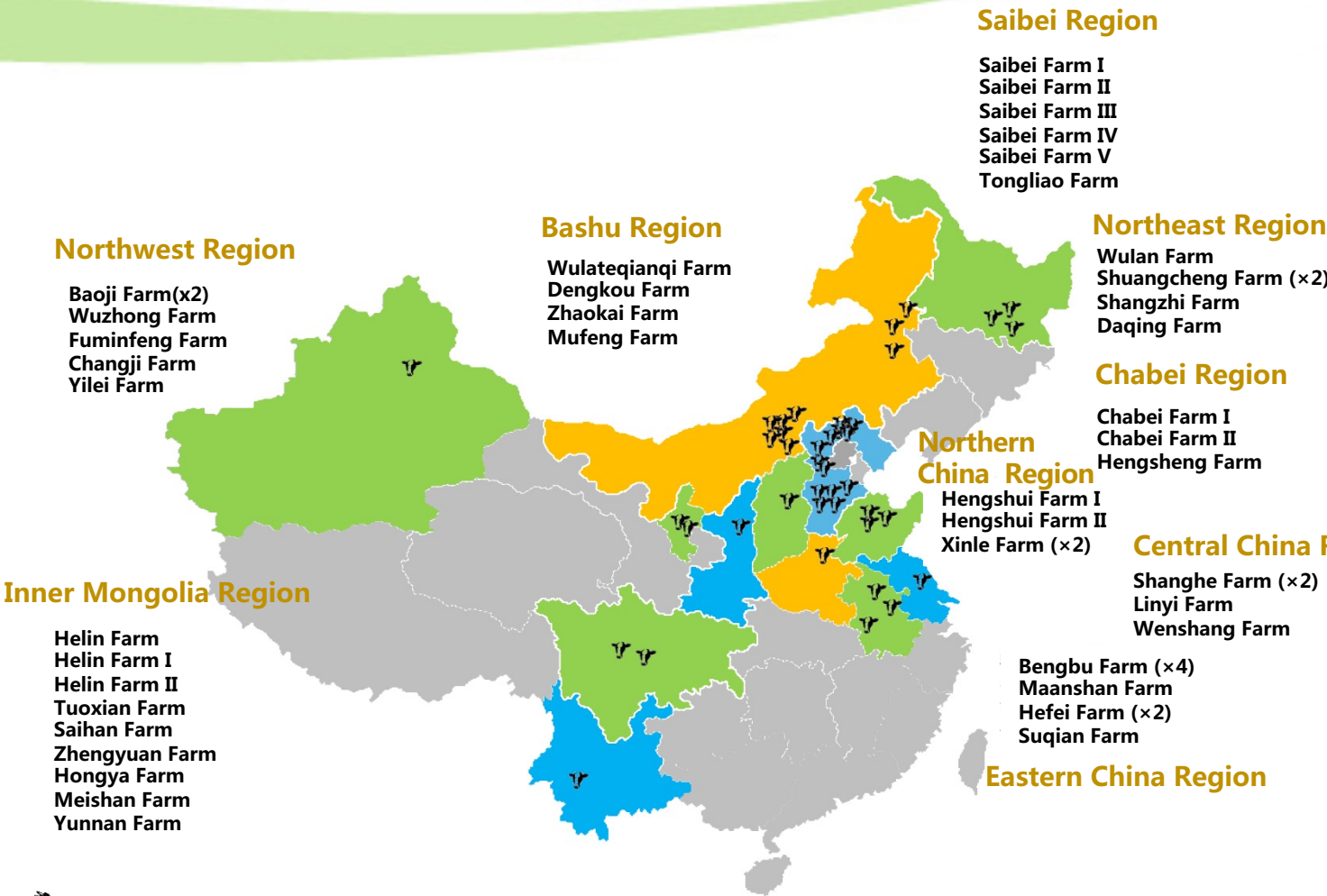
2

Business Updates

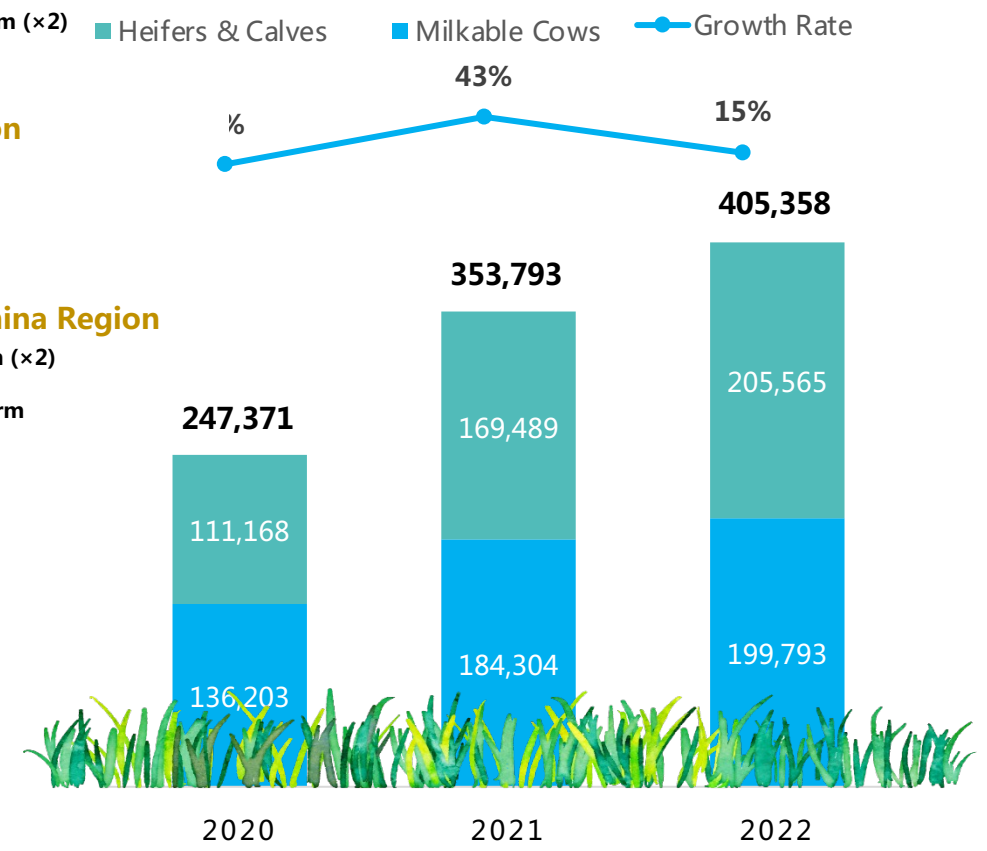
3

Industry Prospects

Farm Map and Herd Size



Herd Size & Growth Rate



As of 31 December 2022, the Group had invested and established 41 dairy farming companies in PRC, and the herd size reached 400 thousand heads, covering 14 provinces and autonomous regions.

Whole Industry Chain Addresses Cyclical Risks

Through 4 Diversification

Operation Diversification
Customer diversification
Product diversification
Service diversification

Cope with cycles and
withstand risks
Expand, enhance quality and
lower cost

Modern Liangyuan Science and Technology

Integrate production and sales
Catch up with Jingyou trading
sector in one year

Aiyangniu

Global Dairy Ecological
Sharing Platform
Profitability reaches a new
level

Modern Prataculture

Its own forage grass brand was
successfully launched
The resource integration ability
has been greatly improved

Modern Feed

Established its own feed brand
Only half a year after its
establishment, it achieved a
breakthrough in sales

Mengyuan Breeding

Established a breeding
company with
Shouong
The construction of the
core breeding farm has
achieved initial results

Modern Beef Cattle

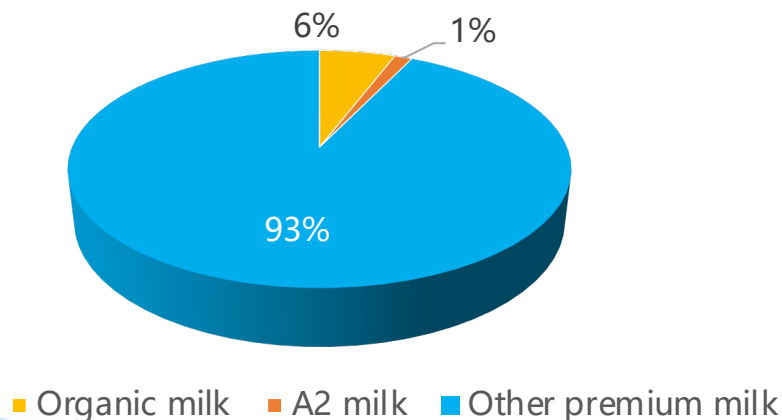
Innovative operating
leased model
The scale of farming is
further expanded

Raw Milk Business| Develop Specialty Milk Vigorously

□ Develop specialty milk vigorously:

Organic milk: Focusing on two major deserts, organic milk resources are located in Dengkou and Qianqi. Organic milk production will be increased, and it is expected that daily sales will reach 400 tons by the end of 2023 ;

A2 milk: Mainly located at Shanghe Farm. It is expected that daily sales will be nearly 45 tons in 2023.



□ Diversified operation mode:

Implement diversified strategies for ranch operation mode, efficiently integrate industry resources, effectively output advanced management experience of the company, and at the same time improve high-quality employment of rural labor force to help rural revitalization.



Feed Business| Create a Whole Industry Chain Ecosystem

Modern Feed Modern Liangyuan

JV Feed Company established by COFCO and CMD mainly produces and sells high-quality feed.

Modern Liangyuan's main business is bulk raw material trading, including Tianjin and Hainan Liangyuan

Other merchants

Regional layout

Direct procurement from the source

Expand for credit line



Haykingdom Modern Prataculture

Haykingdom: Control the source, ensure quality and price, and sell alfalfa grass.

Modern Prataculture: from forage land to farm, standardize forage processing, and create a brand

COFCO

Strengthen cooperation with COFCO in all categories

Directly purchases from COFCO to reduce intermediate price differences

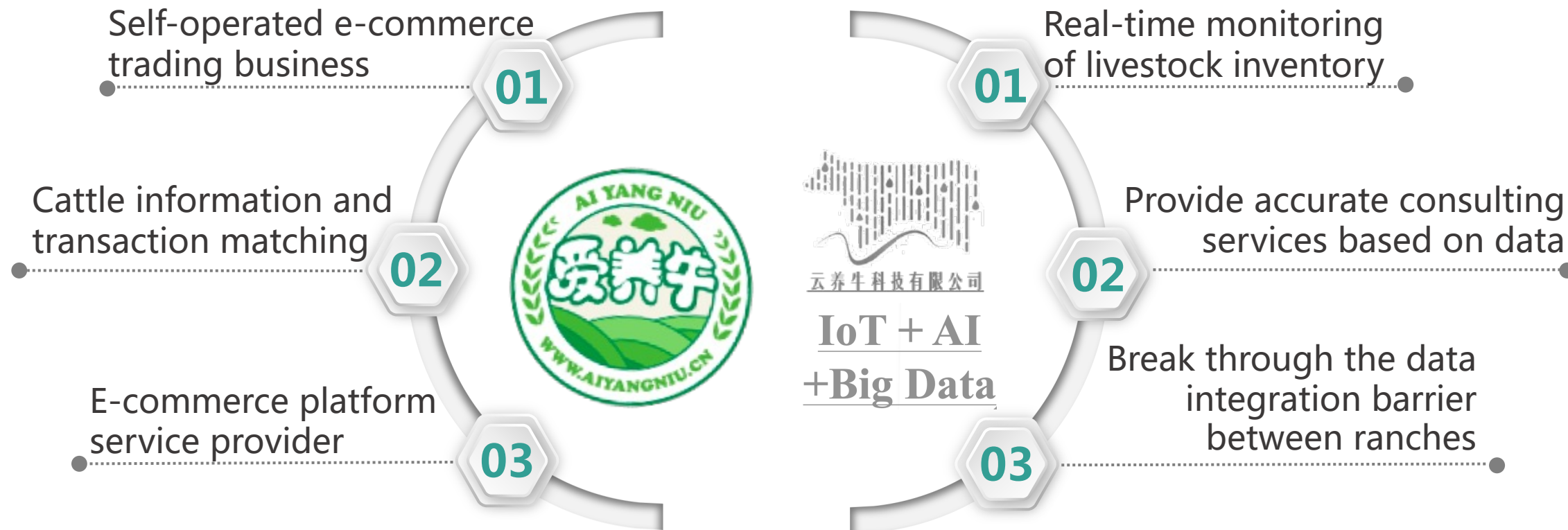
1 2022 Modern Liangyuan sales revenue: 1.8 billion+.

2 Profit recorded in 2022: 46 million+

3 Control local forage resources, improve quality and reduce costs

4 Share resources and exchange quantity for price

Digital platform | Transparent Procurement of Farm Supplies

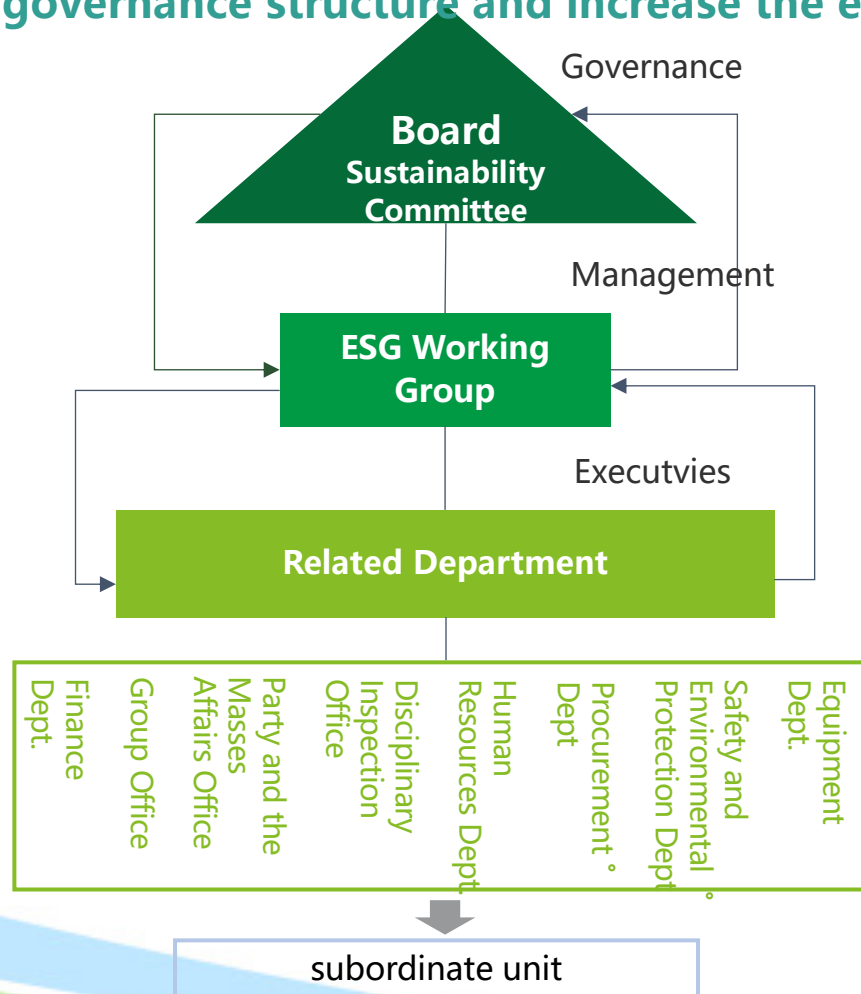


The accumulated transaction volume of the Aiyangniu platform has reached **32.5 billion**, serving more than **1,000** farms and **1.7 million** dairy cows

The acquisition of Aiyangniu was completed in June 2022, contributing revenue of more than **500 million** and net profit of more than **15 million** to this group

ESG committees promote corporate responsibility

Modern Dairy established an ESG committee in 2022 to integrate ESG factors into the corporate governance structure and increase the emphasis on and execution of ESG work.



As the ultimate responsible person for ESG projects, the board of directors formulates the "Five-Year Strategic Plan" and "Double Carbon Strategy" ESG policies and corresponding measures; continuously identifies and monitors ESG risks and opportunities; regularly supervises ESG-related work

Under the authorization of the board of directors, the company has established an ESG working group. The members of the group involve multiple relevant departments and subsidiaries to support the ESG-related decisions made by the board of directors, and are responsible for coordinating various departments to carry out daily ESG work, such as data collection, information Submission and other information disclosure, follow-up of ESG project progress and other work, implementation status, timely supervision and correction of deviation action supervision.

According to the arrangement of the ESG working group, all departments implement ESG-related projects and provide ESG-related data; they regularly report the progress of ESG projects and give timely feedback on problems that arise during the implementation process.

High-profile ESG Performance

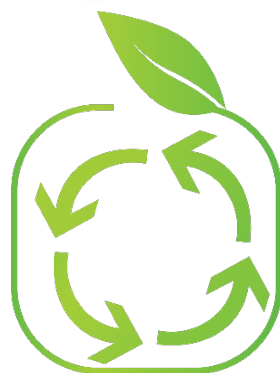
For the first time filling out the CDP climate questionnaire, it was rated B- in 2022 better than the global industry average



Won the Best ESG Award from II magazine for the first time Received industry recognition for governance level



Ranked first among Chinese companies in the FAIRR Protein Production Index Rose to 24th place as the most improved performer



2023 S&P CSA's total score increased by 71% 64% higher than the industry average score

Excellent case of UNGC "Corporate Climate Target Setting, Action and Global Collaboration towards a Net-zero Future"



Reduces carbon emissions by more than 40% in the links of manure management and energy utilization compared with traditional systems



More Responsible CMD

Base year 2021 unit carbon emissions: 0.91 kg CO₂e/kg FPCM
Significantly lower than the industry average level

Progress of 2022: unit carbon emissions: 0.90 kg CO₂e/kg FPCM

Phase 1

Strive for excellence and build a low-carbon model for dairy farming

2025

Based on the year 2021, the group's carbon emission intensity will be reduced by **7%** by 2025

Phase 2

Pursue excellence and promote green and sustainable development

2030

Based on the year 2021, the group's carbon emission intensity will be reduced by **15%** by 2030

Phase 3

Dare to take responsibility and lead the industry in reducing emissions and innovation

2035

Based on the year 2021, the group's carbon emission intensity will be reduced by **15%** by 2035



CONTENT

1

Financial Results

2

Business Updates

3

Industry Prospects

Dairy Industry Revitalization Promotion in the State level



2022 Feb

The State Council issued the "14th Five-Year Plan for Promoting Agricultural and Rural Modernization": **Strengthening the construction of milk source bases and optimizing the structure of dairy products**

2022 Feb

According to the "14th Five-Year Plan for Improving the Competitiveness of the Dairy Industry" issued by the Ministry of Agriculture and Rural Affairs, by 2025 **the national milk production will reach about 41 million tons and the proportion of large-scale breeding with more than 100 cows will reach about 75%**

2022 Apr

The biggest change in "Chinese Residents' Dietary Guidelines (2022)" is that **the recommended amount of milk and dairy products has been greatly increased from 300 grams per day to 300-500 grams per day. The importance of dairy products has been further affirmed.**

2023 Feb

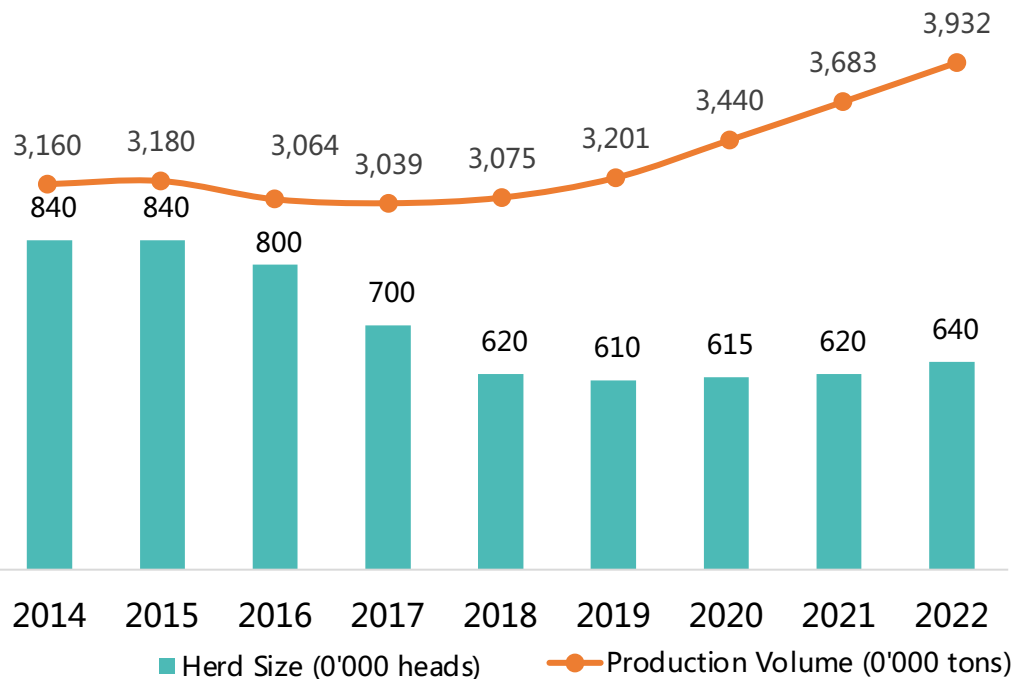
The Central No. 1 Document "Opinions of the Central Committee of the Communist Party of China and the State Council on Doing a Good Job in Key Tasks for Comprehensive Rural Revitalization in 2023" was released. The document pointed out that it is necessary to **deepen the implementation of the action of reducing the amount of soybean meal used for feed and promoting green development of agriculture.**

International and Domestic Dairy Industry Analysis



Domestic Raw Milk Production

Source: National Bureau of Statistics, USDA

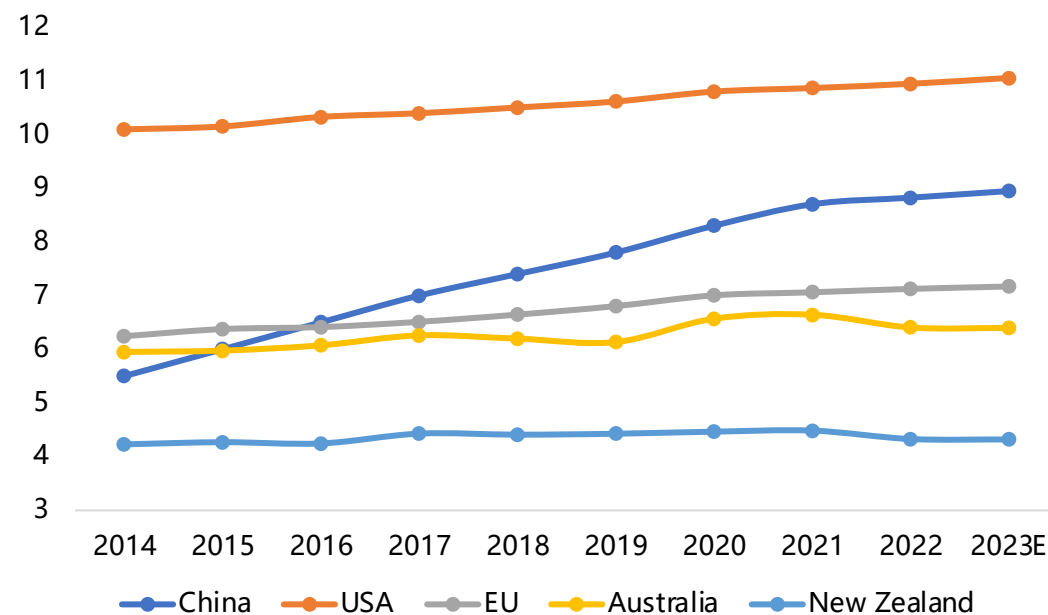


- ▶ In 2022, the herd size and output increased simultaneously. The raw milk output increased by 6.8% compared with 2021. The CAGR of output in the past three years was 7%.



Global Dairy Cow Yield

Source: National Bureau of Statistics, USDA

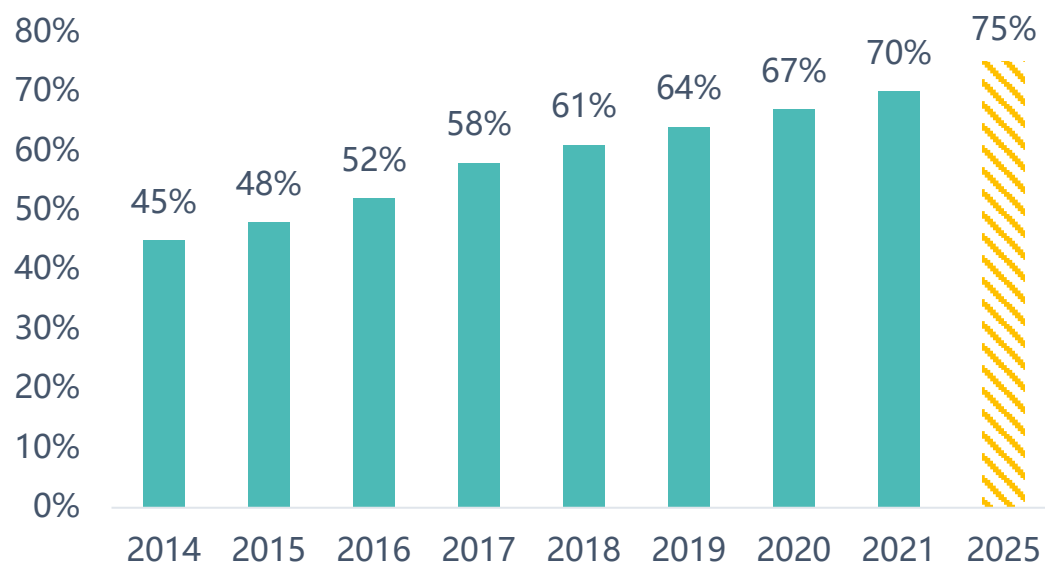


- ▶ China's cow yield has been increasing year by year, and the yield level in the United States is world-leading.

International and Domestic Dairy Industry Analysis

Proportion of Scaled Farms in China

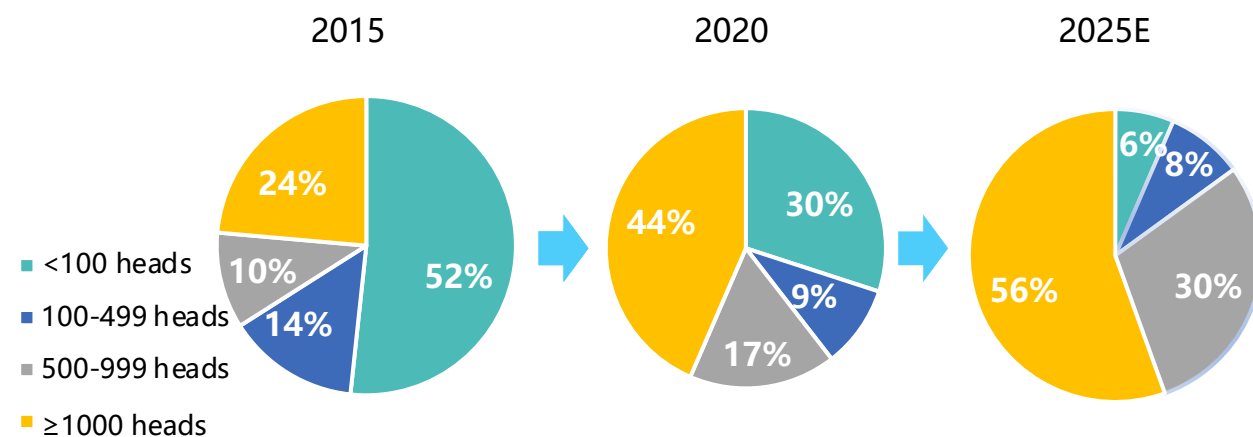
Source: National Bureau of Statistics, frost & Sullivan



- ▶ The Ministry of Agriculture and Rural Affairs issued "14th Five-Year Plan for Dairy Industry Competitiveness Enhancement", which pointed out that by 2025, the proportion of large-scale breeding with more than 100 heads will reach about 75%"

Proportion of Thousand-head Farms Has Been Increasing

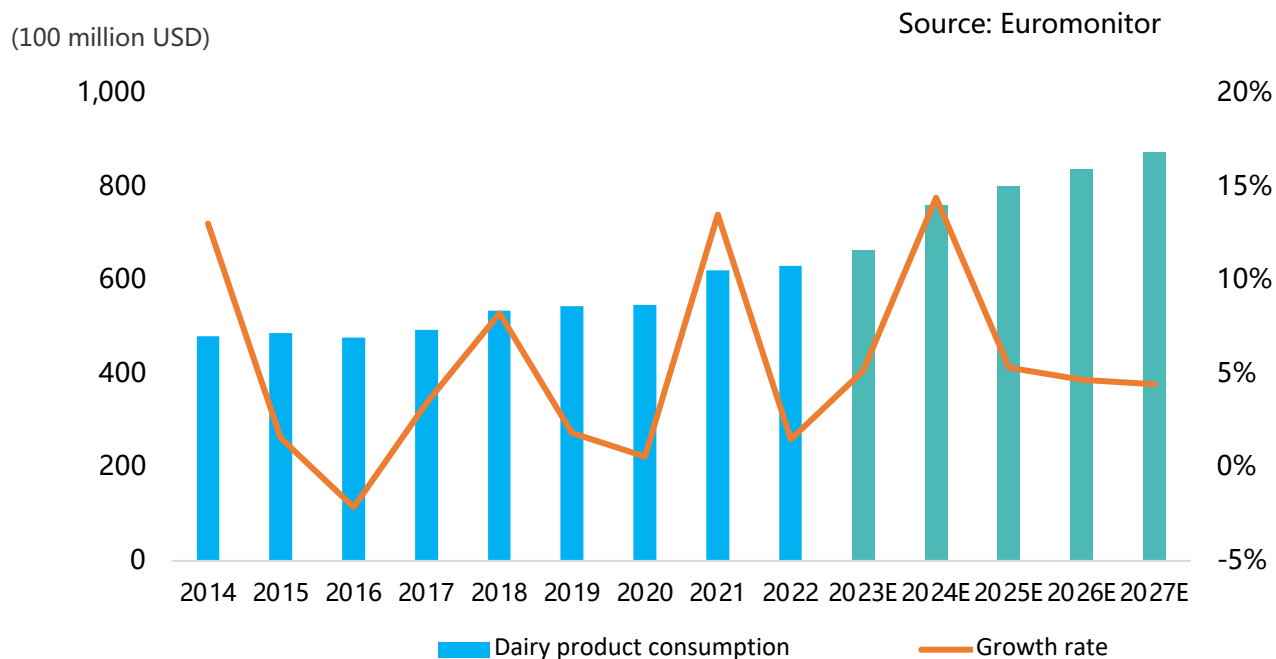
Source: National Bureau of Statistics, frost & Sullivan



- ▶ The percentage of ranches with more than a thousand heads of cows is gradually increasing and is expected to account for 56% of the total number of cows in China in 2025

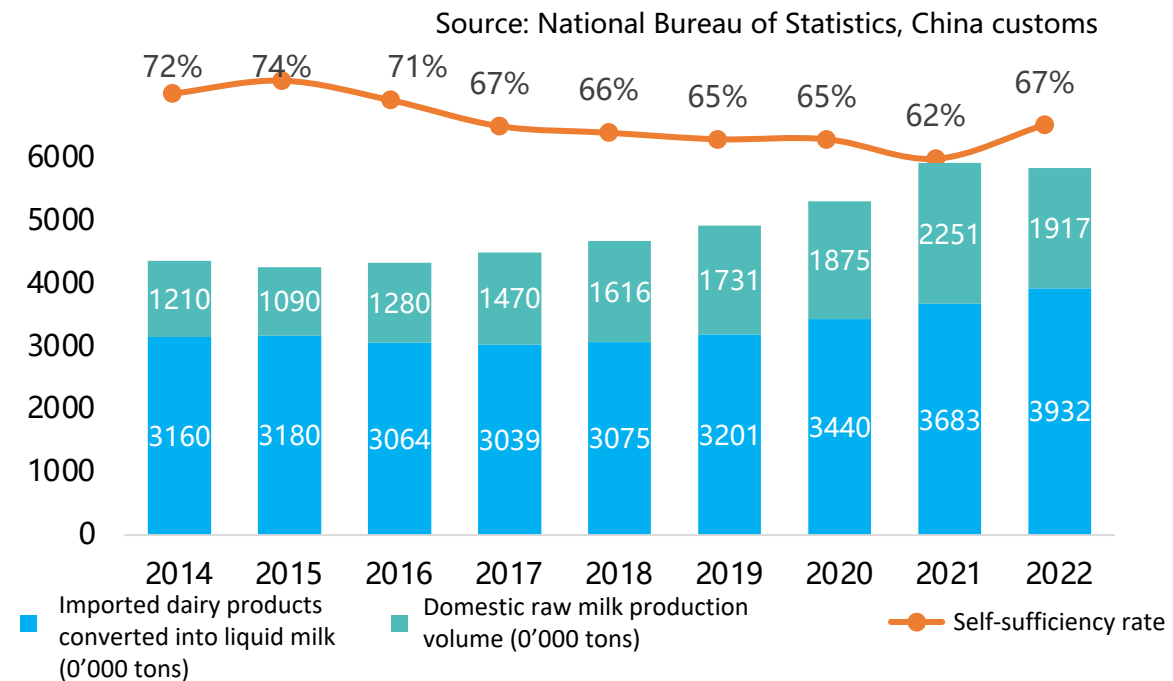
International and Domestic Dairy Industry Analysis

\$ Domestic Dairy Consumption and Growth Rate



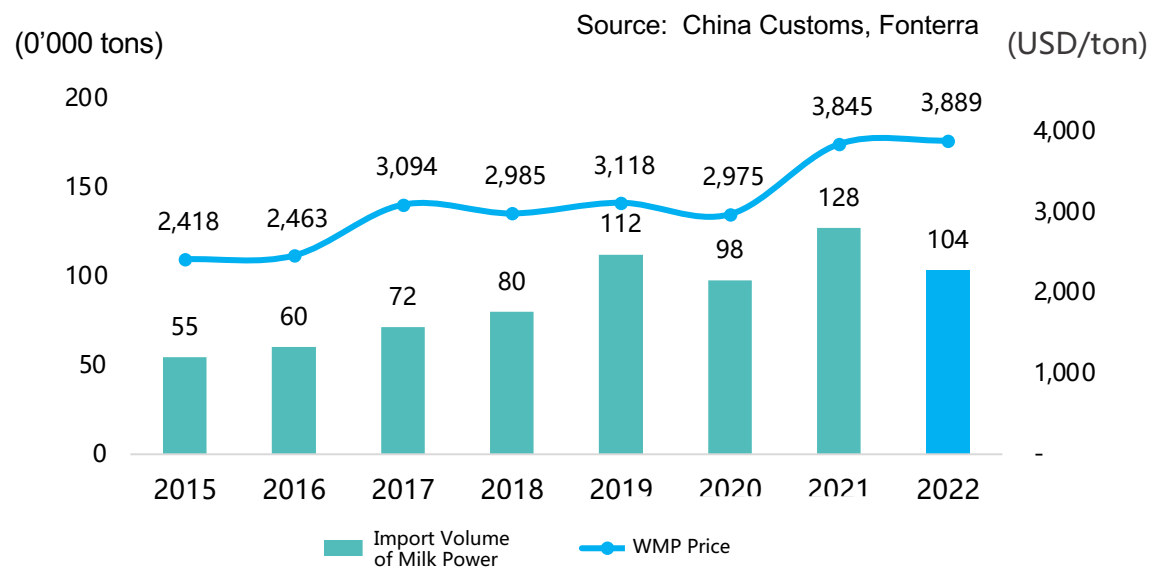
- ▶ Domestic dairy products are expected to maintain a growth rate of over 5% in the next five years. Euromonitor predicts that the growth rate of dairy product consumption will accelerate from 2023, reaching 14% in 2024

Domestic Raw Milk Sufficiency Rate



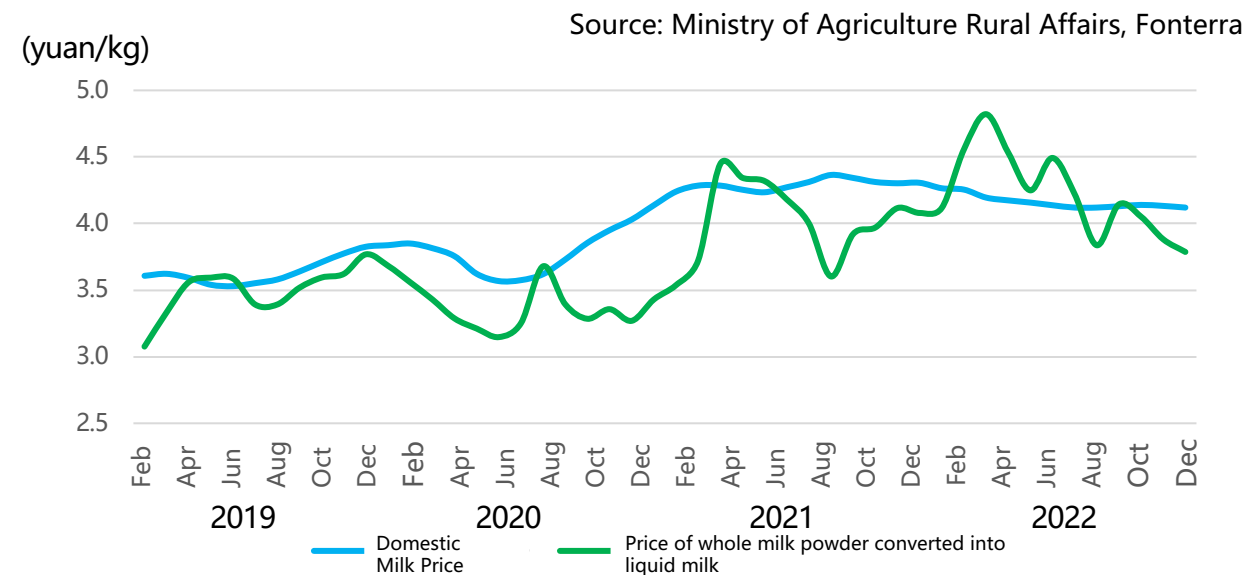
- ▶ China's self-sufficiency rate in the dairy industry has been below the national target of maintaining over 70% by 2020. However, the self-sufficiency rate of milk sources achieved its first rebound since 2016, reaching 67%.

\$ Import Volume of Milk Power and WMP Price



- ▶ Based on strong production growth and slow processing demand, China's powder import volume fell by 19% YoY in 2022. Chinese traders' confidence in returning to the market is based on the rapid recovery of demand after the relaxation of epidemic prevention and control policies.

\$ The Price Trend of Domestic Raw Milk and Milk Power Converted into Liquid Milk



- ▶ Affected by the Ukrainian crisis and the slowdown in global trade activities, especially the sharp decline in China's import demand, the price of imported milk powder reached its peak in March and began to fall. The price remains at a historically high level throughout the year.
- ▶ After August, the price of milk powder converted into liquid milk is lower than the domestic raw milk price

THANK YOU

