



MODERN FARMING
现代牧业

2023 ANNUAL RESULTS



Disclaimer



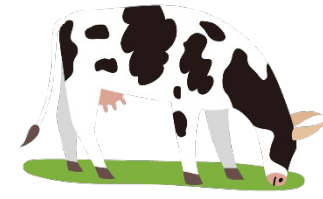
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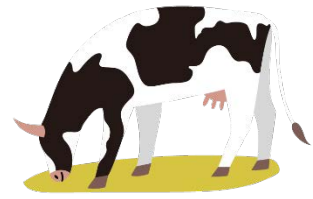
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Business Highlights



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



Two Declines: YoY decline of costs and financial leverage



Two Increases: Substantial increase in operating cash flow and free cash inflow



One Optimization: Optimized debt structure with higher proportion of long-term debt

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Financial Results



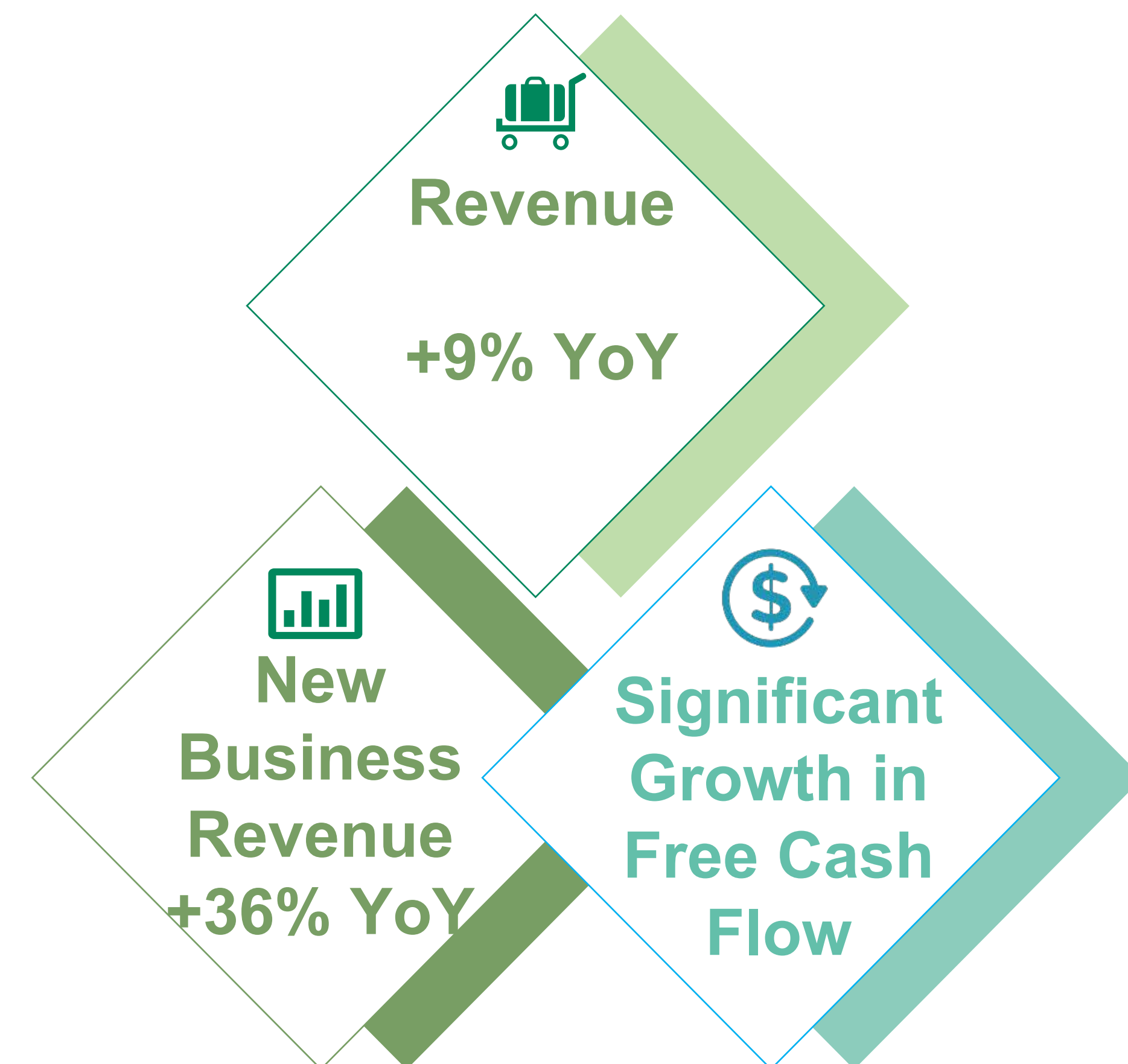
Business Updates



Industry Prospects

2023 Annual Results Review

RMB Million	2023	2022	Change
Revenue	13,458	12,295	+9%
raw milk sales	10,264	9,945	+3%
new business	3,195	2,350	+36%
Gross Profit	3,128	3,267	-4%
Gross Profit Margin (%)	23.2	26.6	-3.4 ppt
raw milk sales (%)	28.4	31.1	-2.7 ppt
Cash EBITDA⁽¹⁾	2,496	2,740	-9%
Cash EBITDA Margin (%)	18.5	22.3	-3.8 ppt
Net Profit	185	580	-68%
Earnings per Share (Basic) (RMB cents)	2.23	7.16	-69%
Free Cash Flow⁽²⁾	1,568	-2,414	N/A



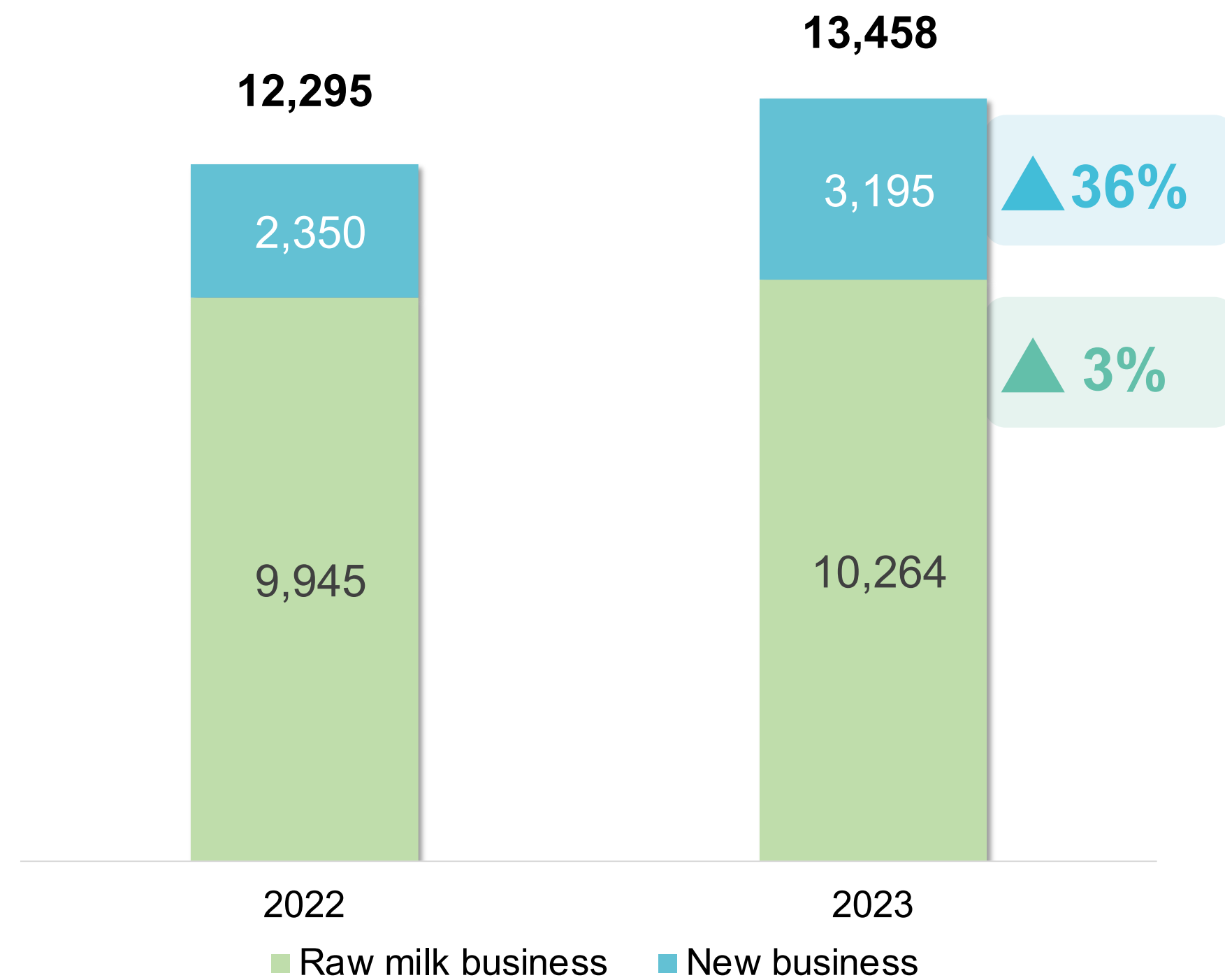
Note:

(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.

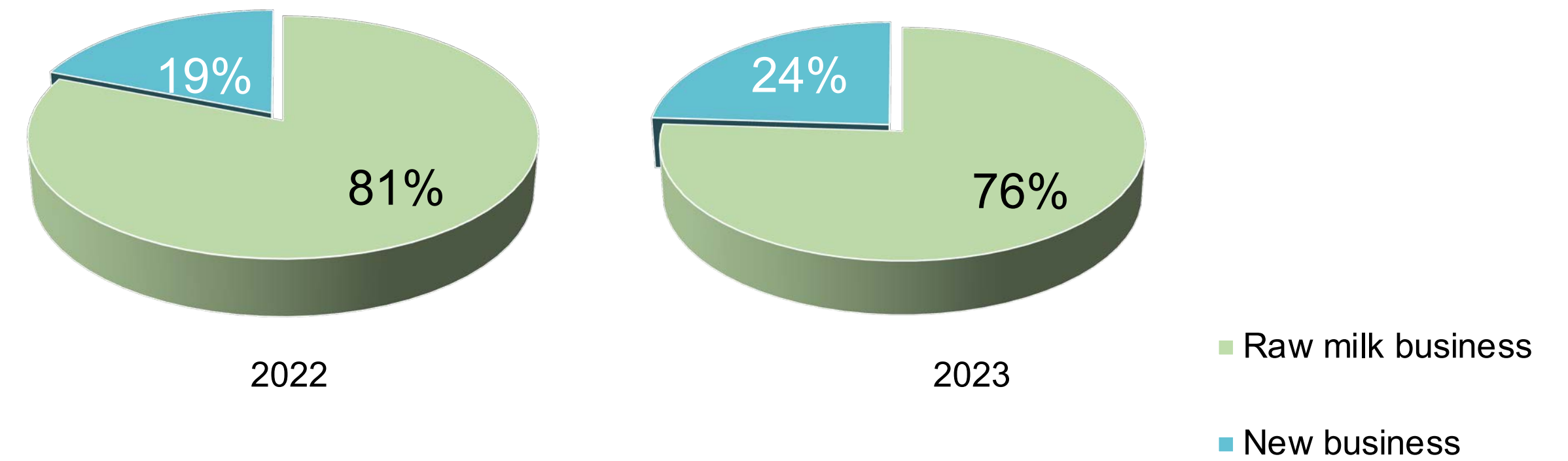
(2) Free cash flow is defined as net cash from operations less net cash outflow from investing activities.

Steady Growth in Raw Milk Sales and New Businesses

 Sales revenue by segment (RMB Million)

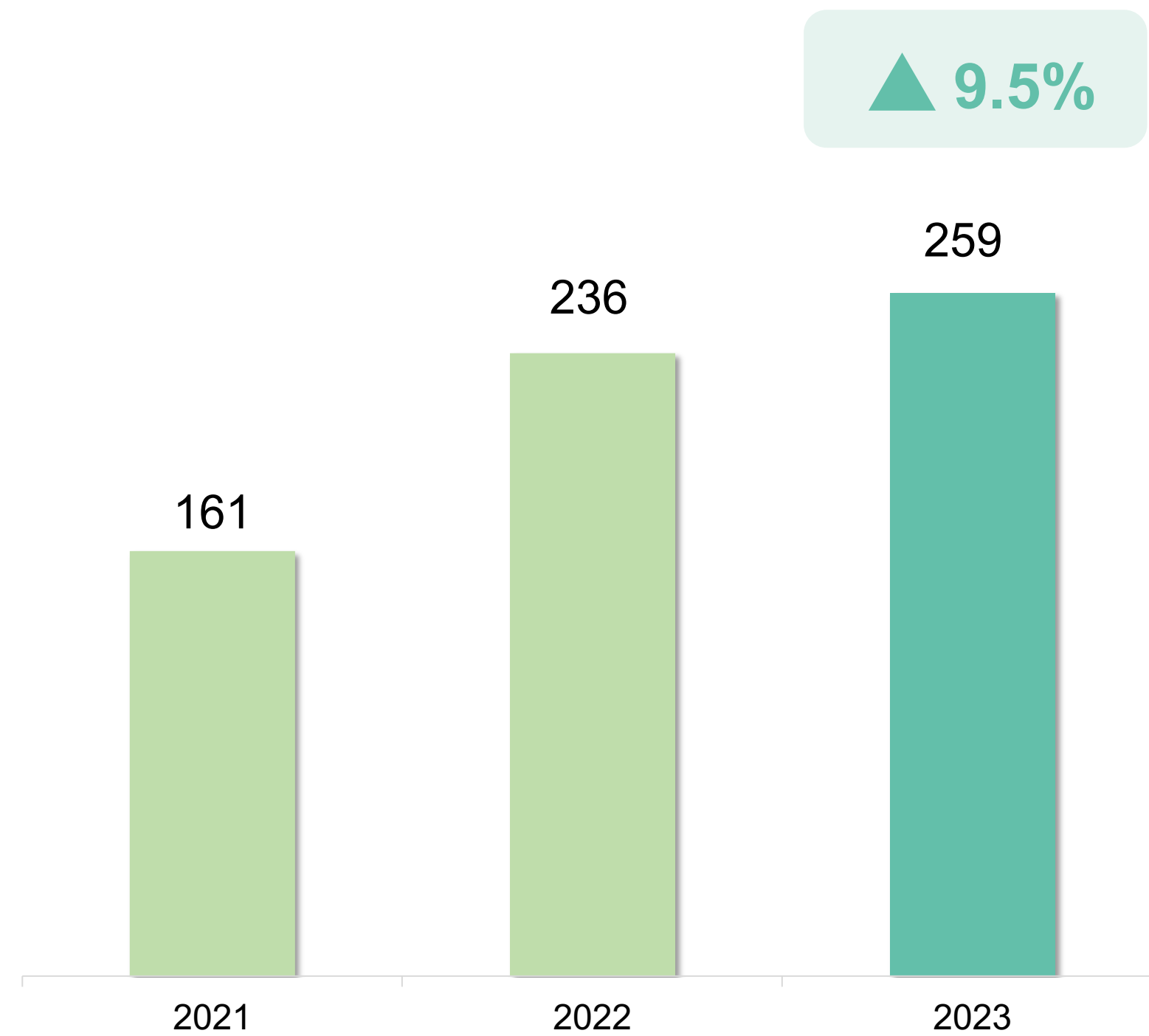


 Growing proportion of new business revenue

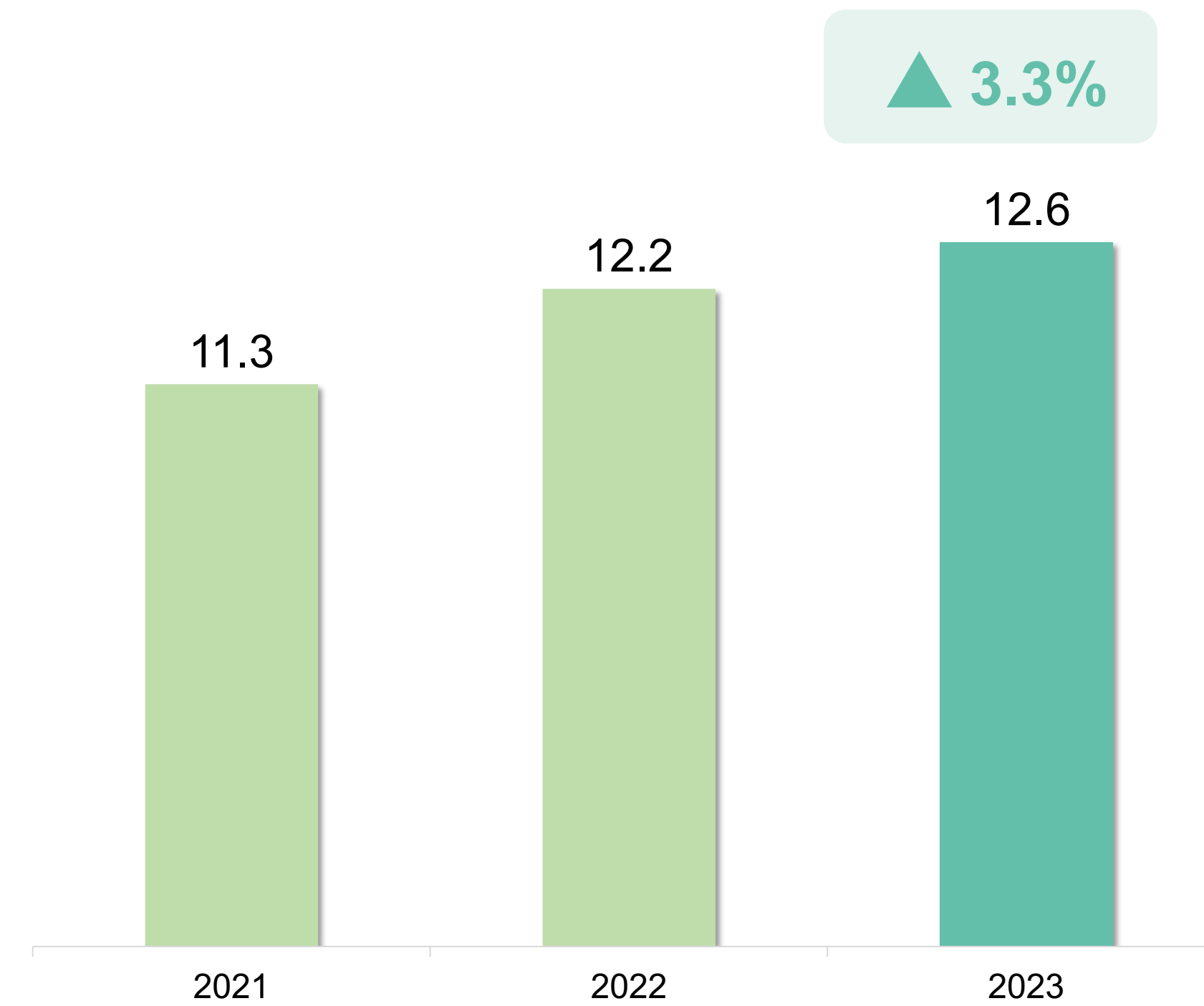


Continued Growth in Raw Milk Production

 Annual milk production (0'000 tons)

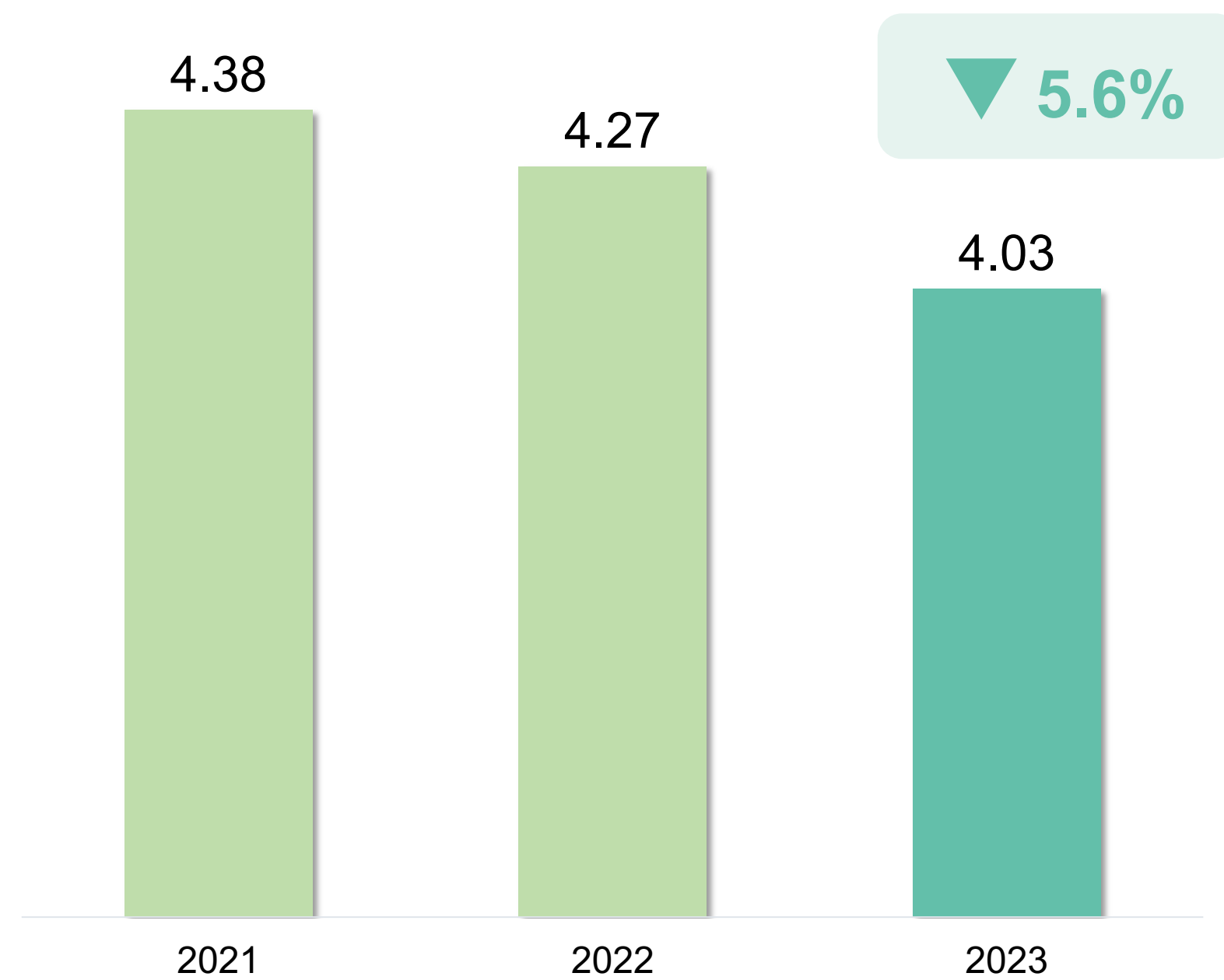


 Annual yield per milkable cow (tons)

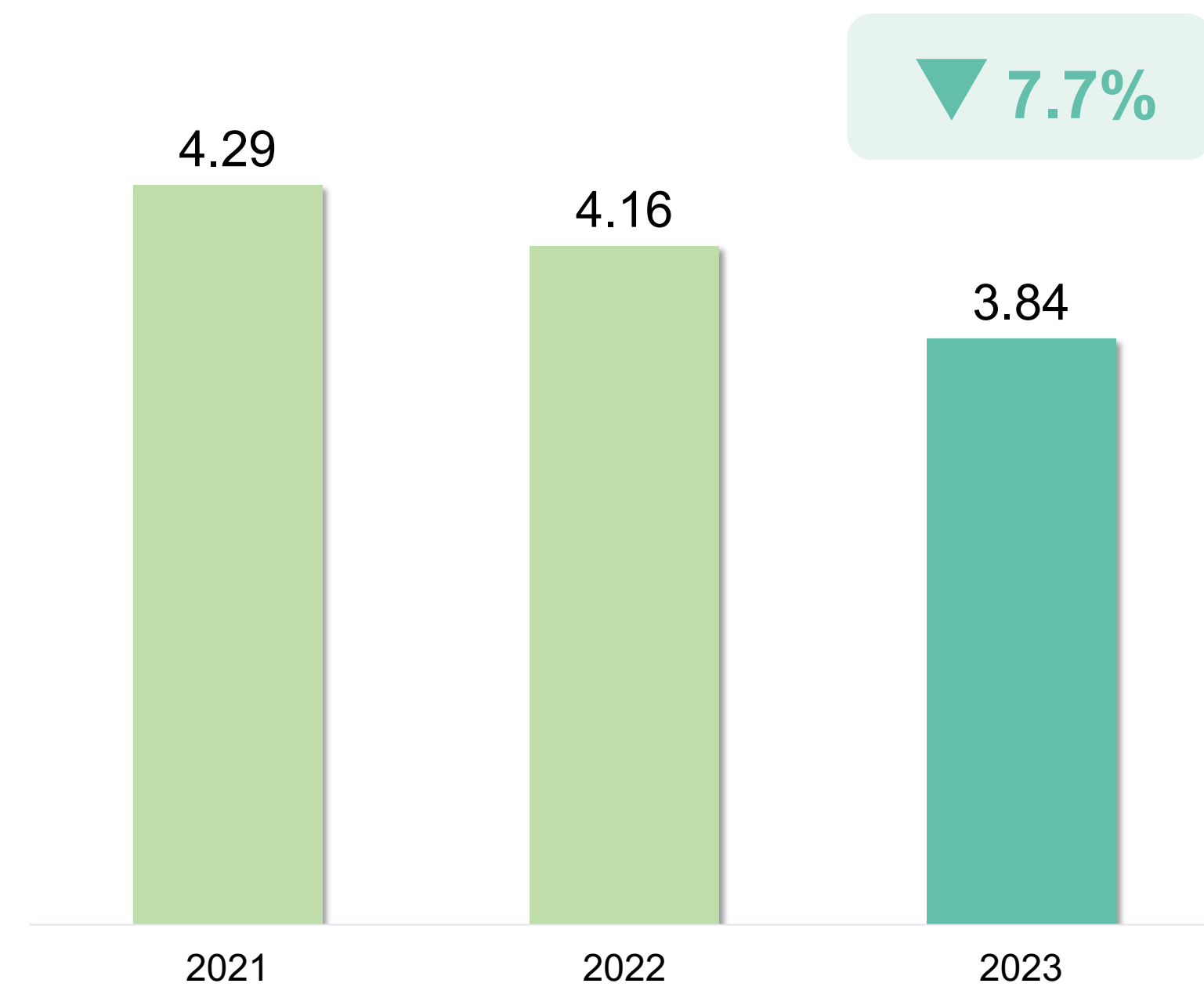


Average Selling Price (ASP) of Raw Milk

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



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

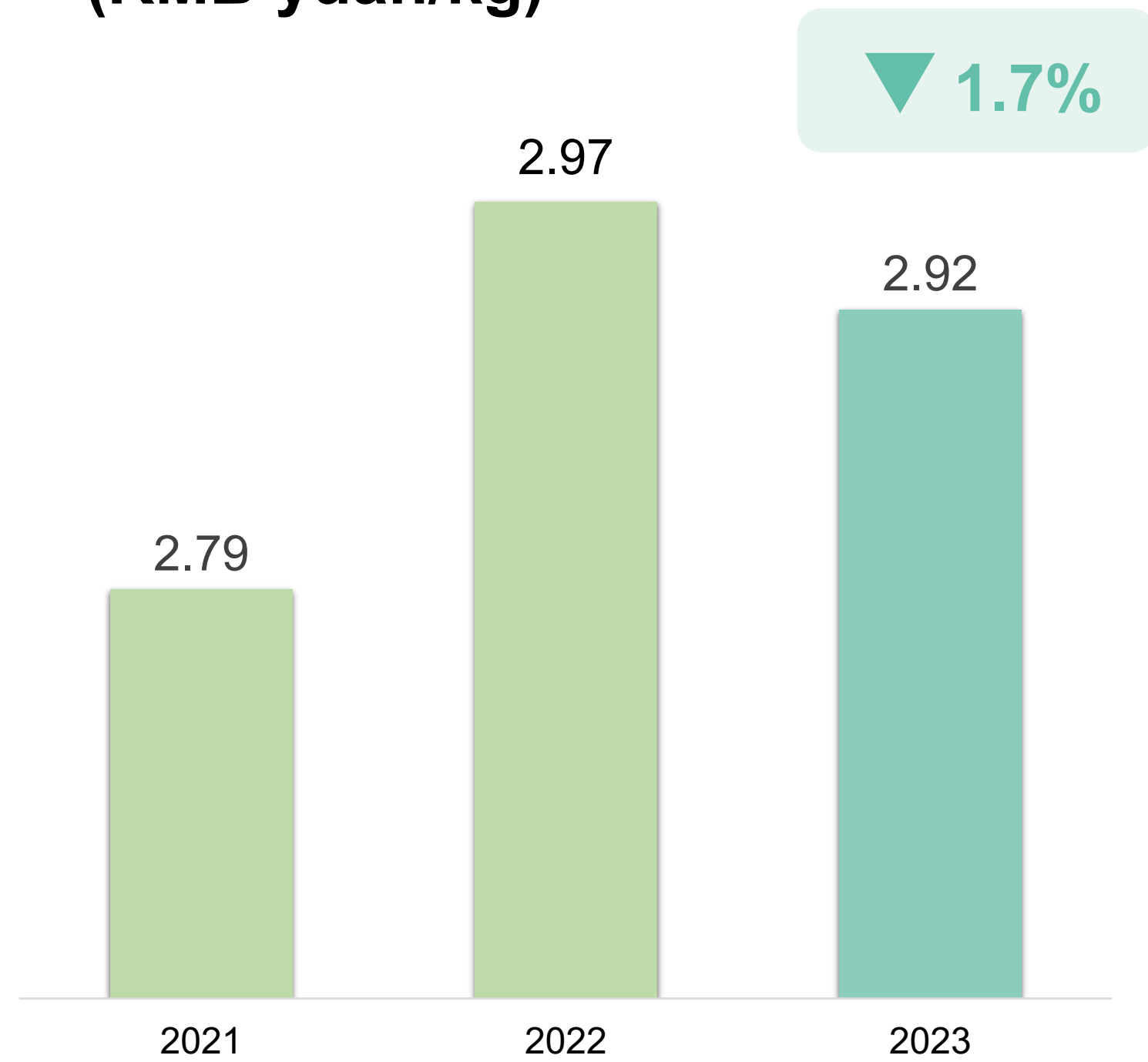


► Note: the milk price in 2021 is simulated after consolidating data from the acquired ranches for the same period

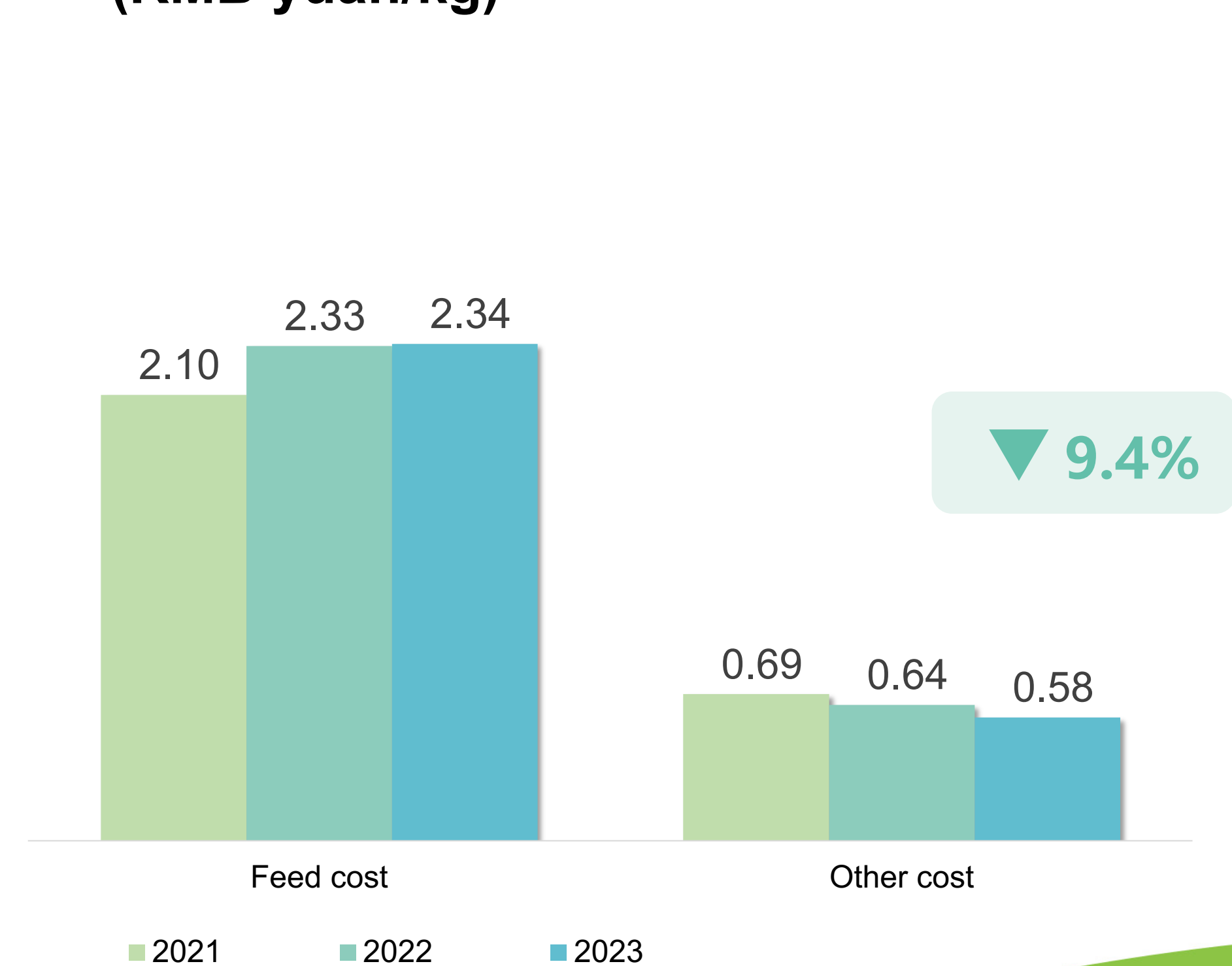
► Data source: Ministry of Agriculture and Rural Affairs

COGS per Kilogram

 **COGS**
(RMB yuan/kg)



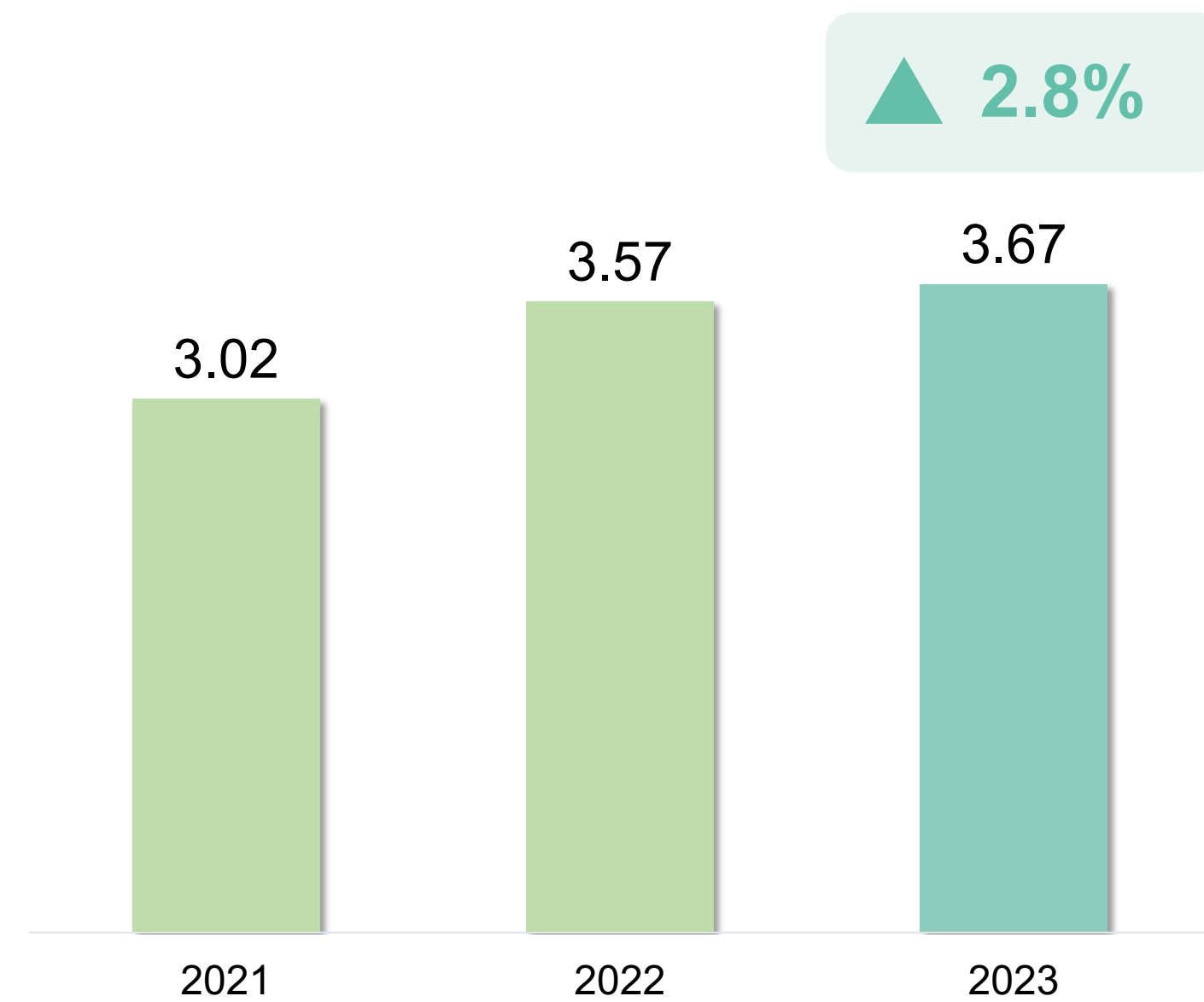
 **COGS Breakdown**
(RMB yuan/kg)



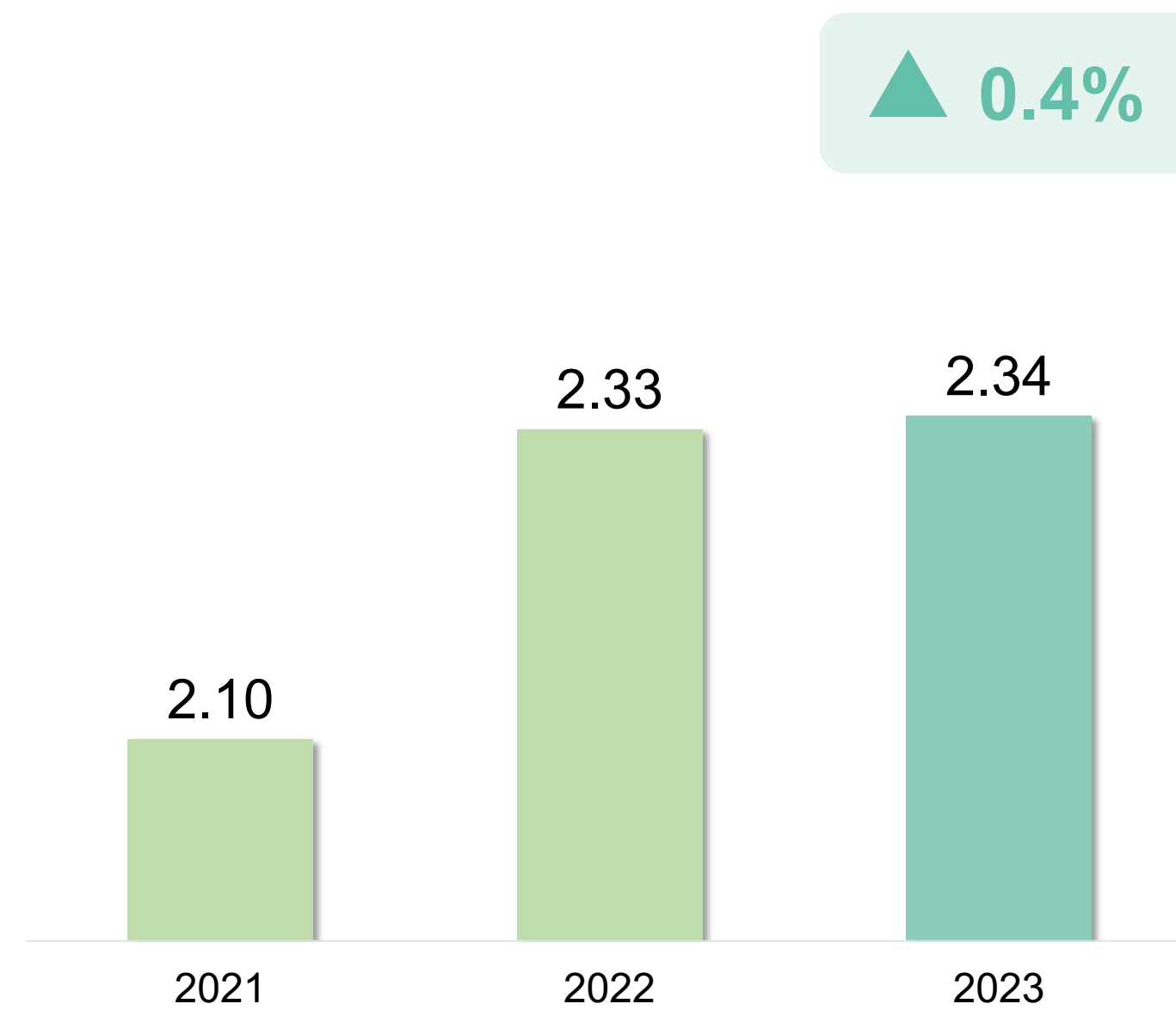
► Note: the unit cost in 2021 is simulated after consolidating data from the acquired ranches for the same period


Average Feed Cost of Raw Milk

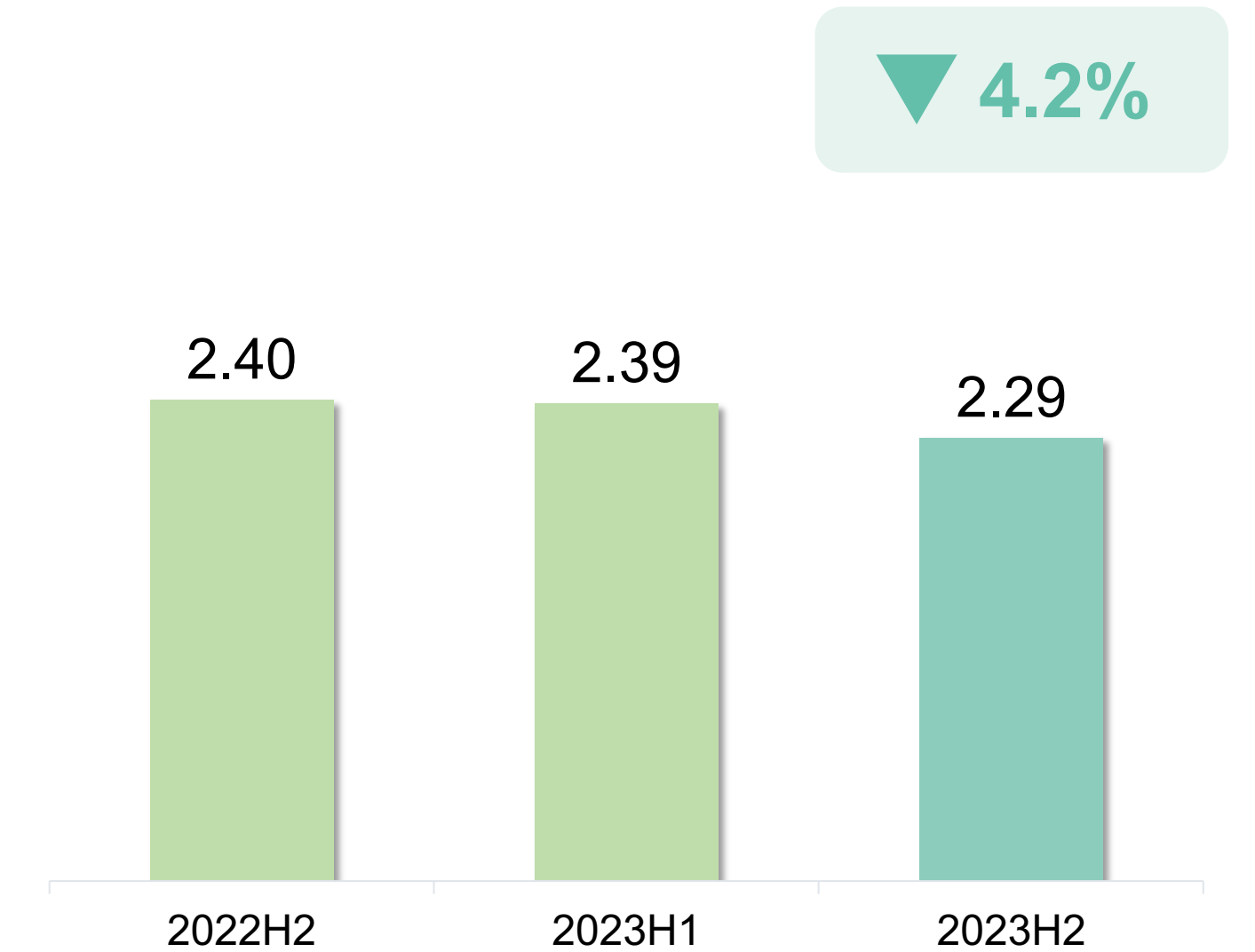
 **Forage Comprehensive Procurement Price**
(RMB yuan/kg of feed)



 **Feed cost**
(RMB yuan/kg of milk)



 **Feed costs have declined for three consecutive half-years**
(RMB yuan/kg of milk)

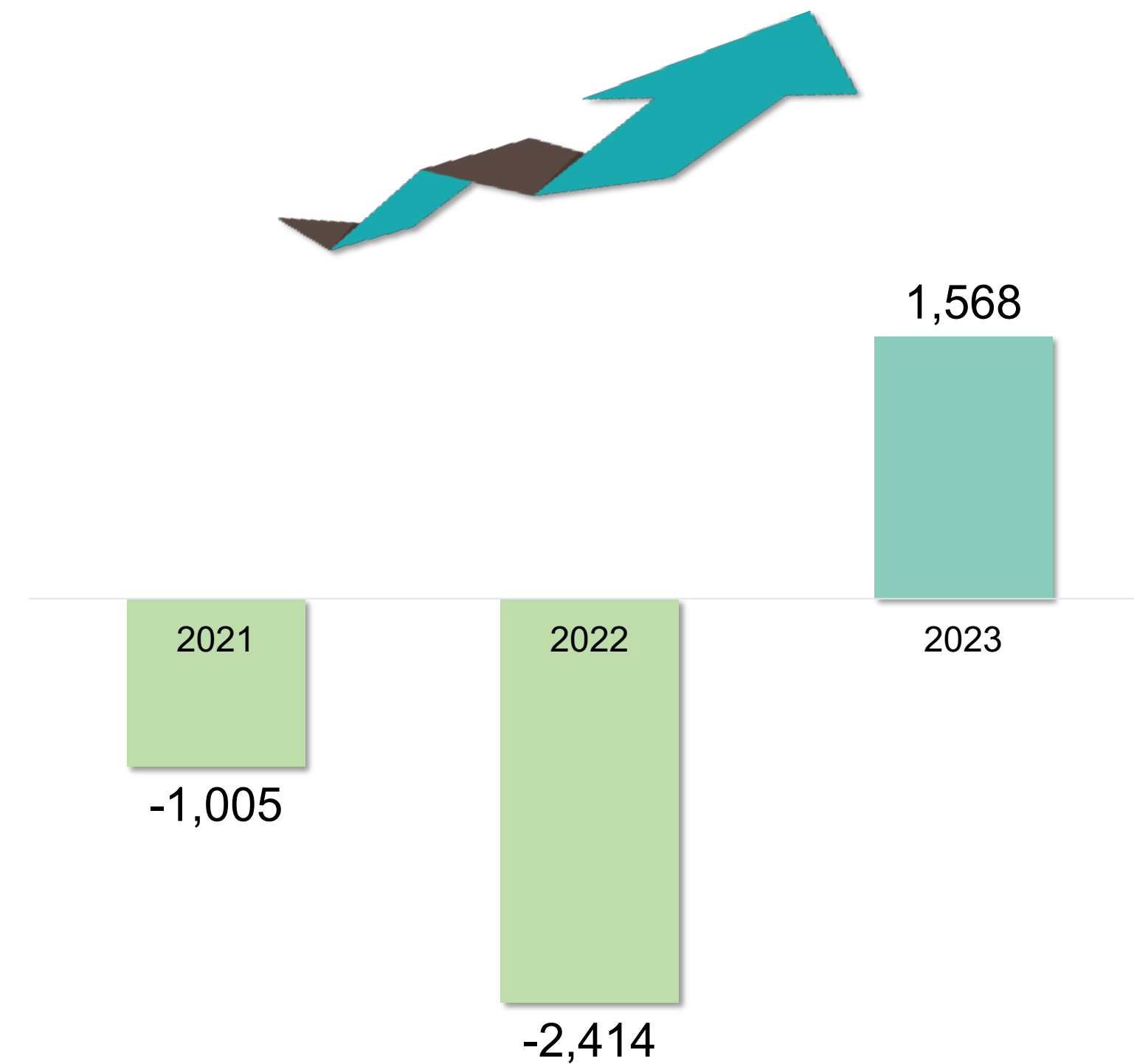
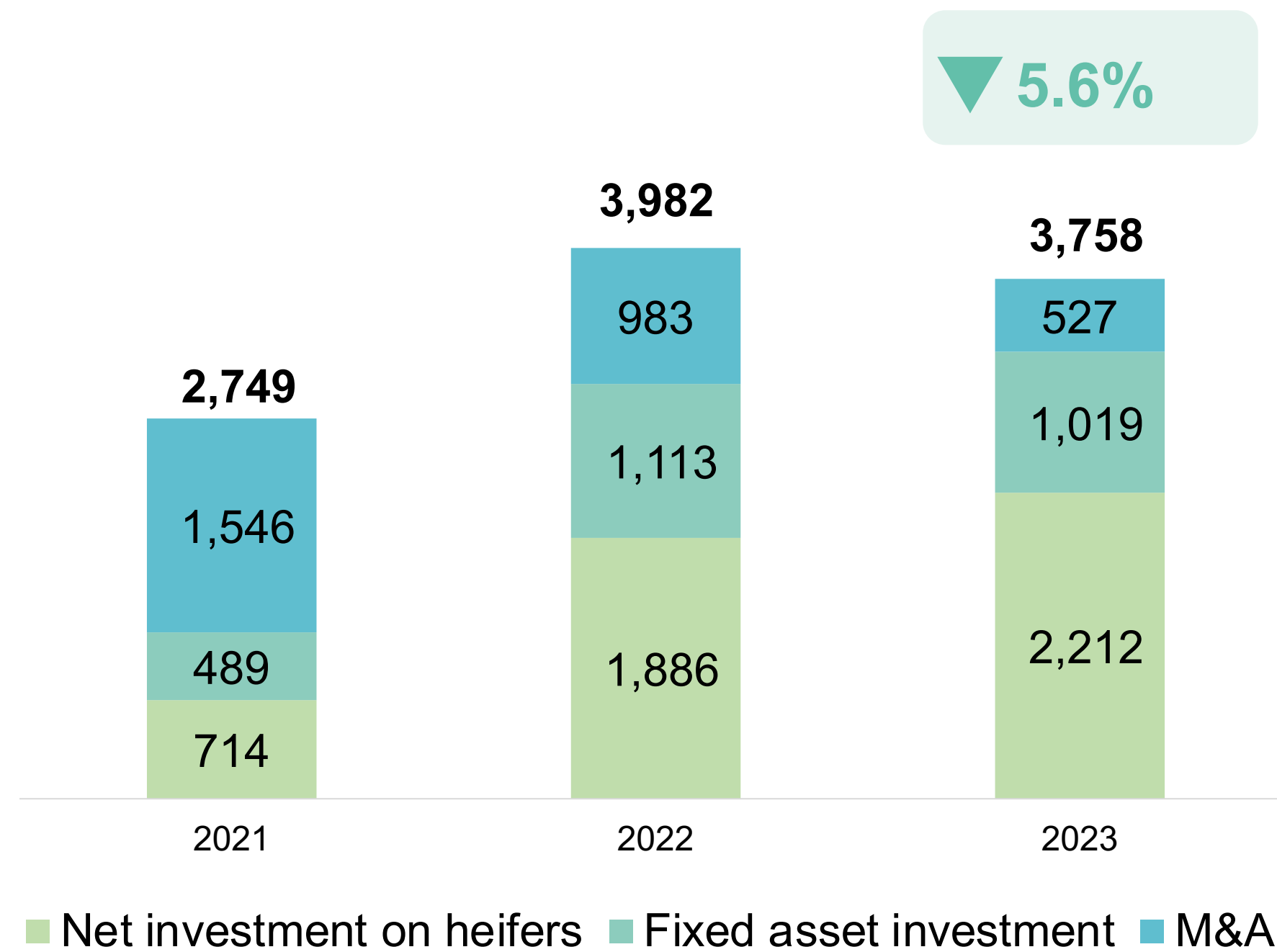


► Note: The feed cost in 2021 is simulated after consolidating data from the acquired ranches for the same period

Significant Growth in Free Cash Flow

 Capital expenditure (RMB Million)

 Free cash flow (RMB Million)



Balance Sheet Overview



RMB 100Million	2023	2022	Change
Biological Assets	119.3	106.3	+12%
Fixed Assets	62.6	57.0	+10%
Total Assets	313.9	288.2	+9%
Total Liabilities	195.5	171.8	+14%
Total Equity	118.4	116.4	+2%
Net Asset Value per Share ⁽¹⁾ (RMB yuan)	1.42	1.42	-
Total Interest-bearing Borrowings	115.0	124.7	-8%
Net Interest-bearing Borrowings⁽²⁾	88.1	99.2	-11%
Net Interest-bearing Debt Ratio ⁽³⁾ (%)	42.7	46.0	-3.3 ppt
Deb-to-asset Ratio ⁽⁴⁾ (%)	62.3	59.6	+2.7 ppt

Notes:

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

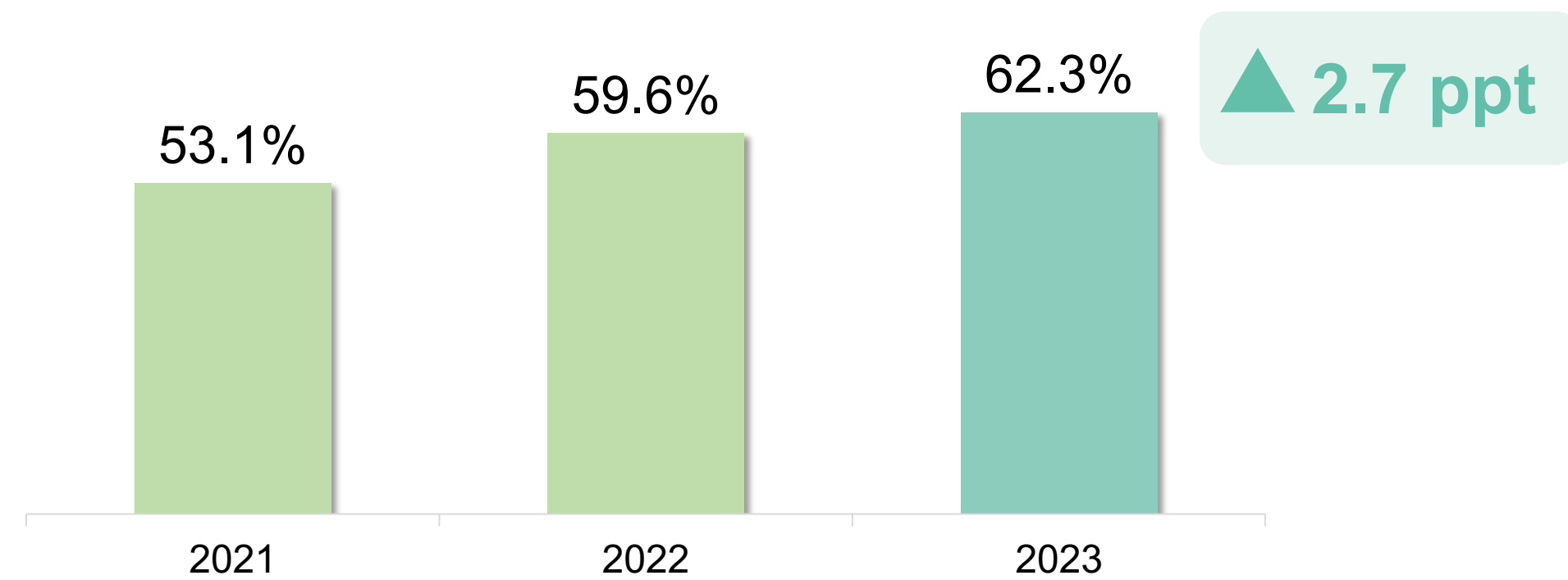
(3) Net Interest-bearing Debt Ratio = Net Interest-bearing Borrowings/(Net Interest-bearing Borrowings + Equity);

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

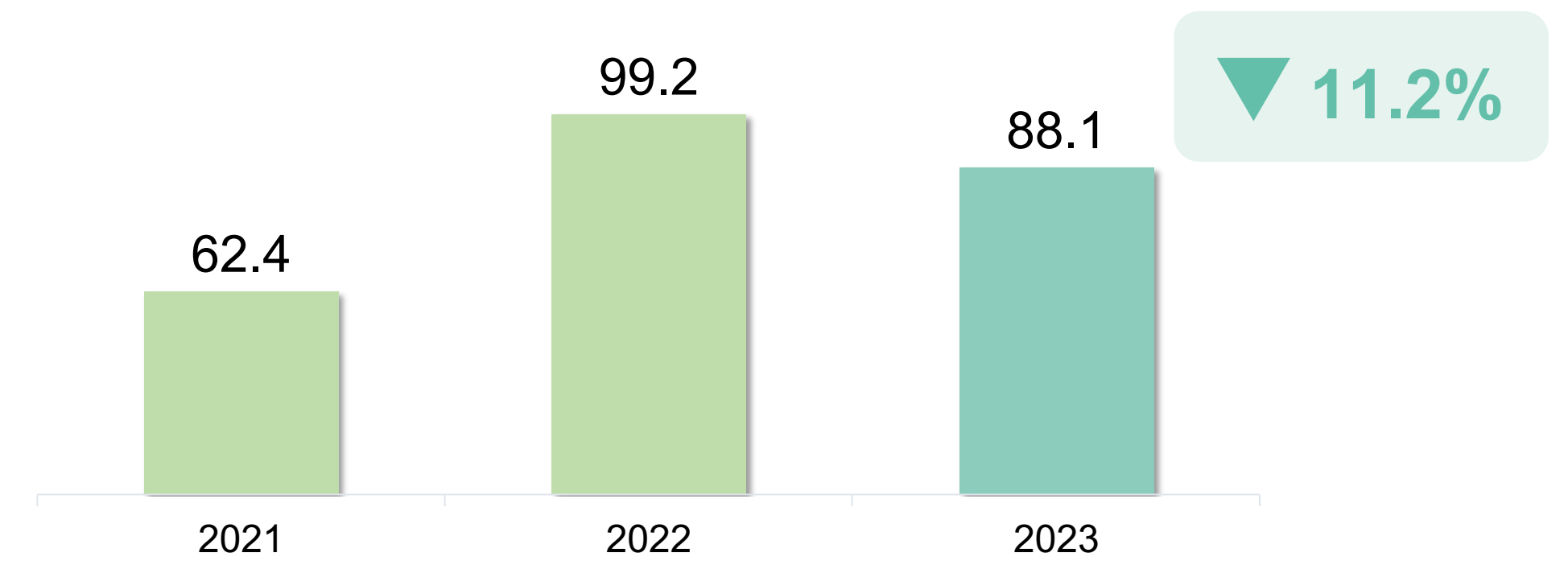
(4) Debt-to-asset Ratio = Total Liabilities/Total Assets.

Financial Leverage

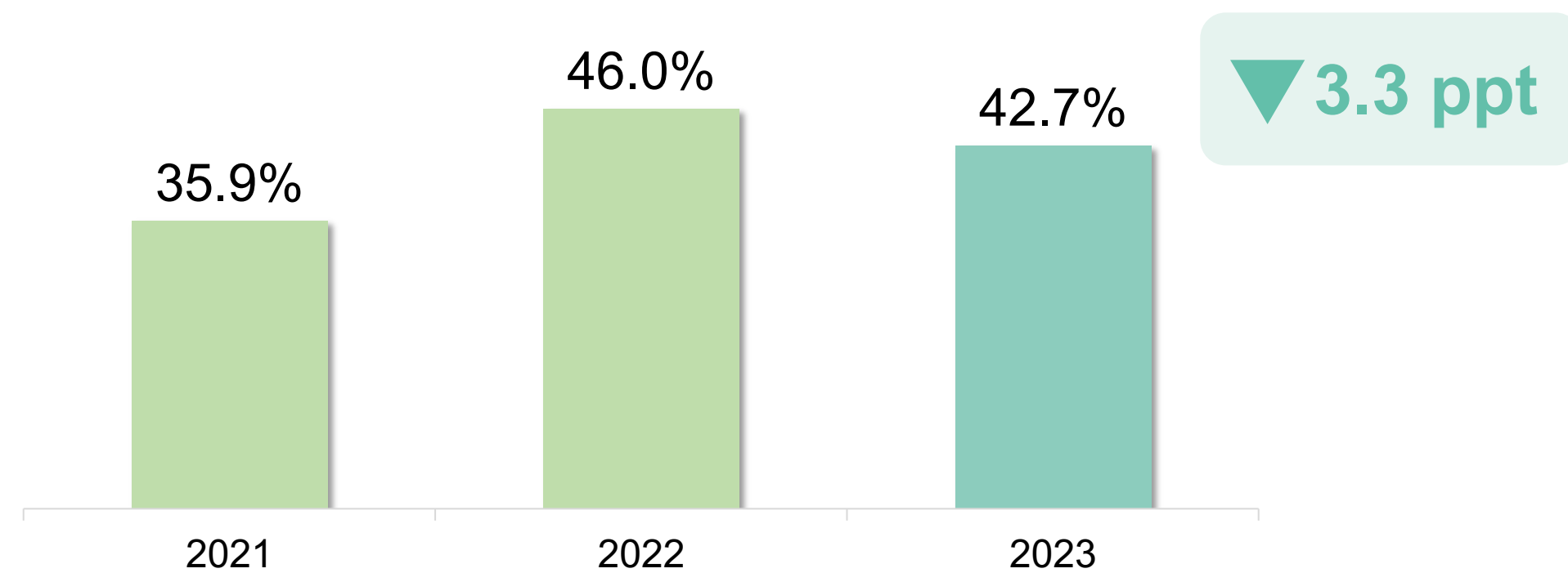
 **Debt-to-asset Ratio (%)**



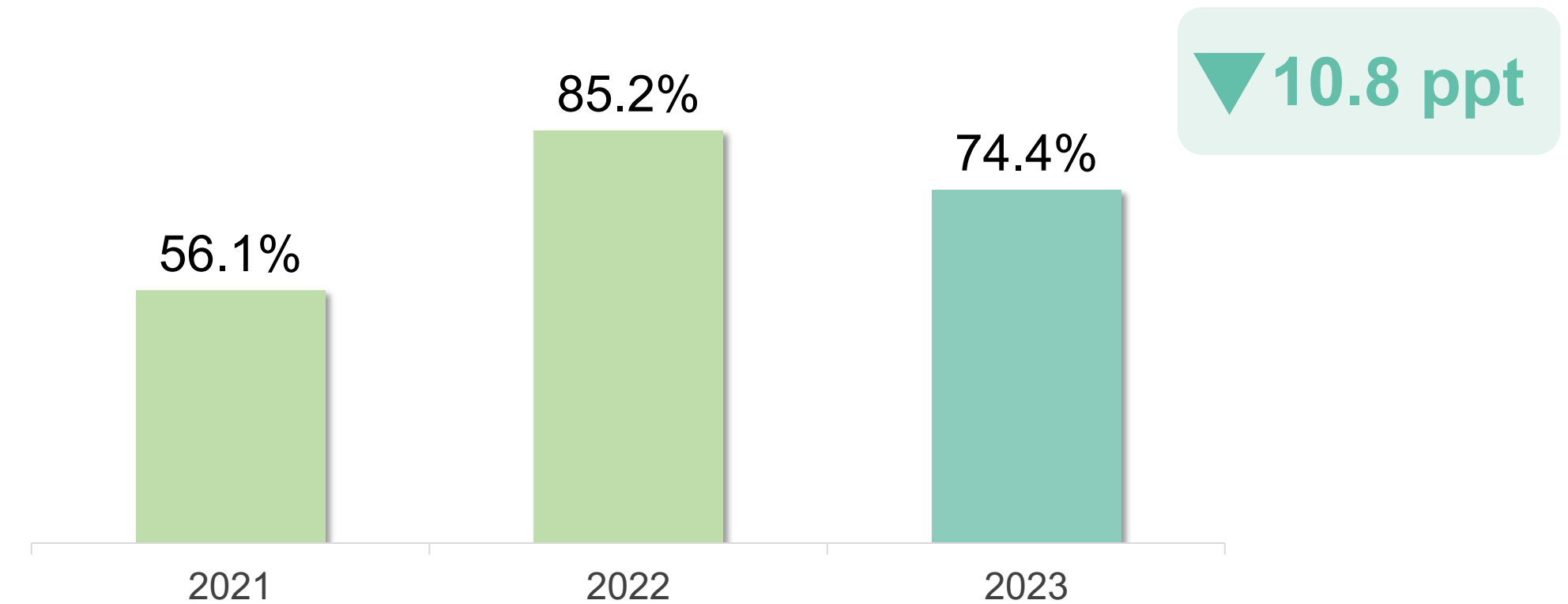
 **Net Interest-bearing Debts
(RMB 100 Million)**



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

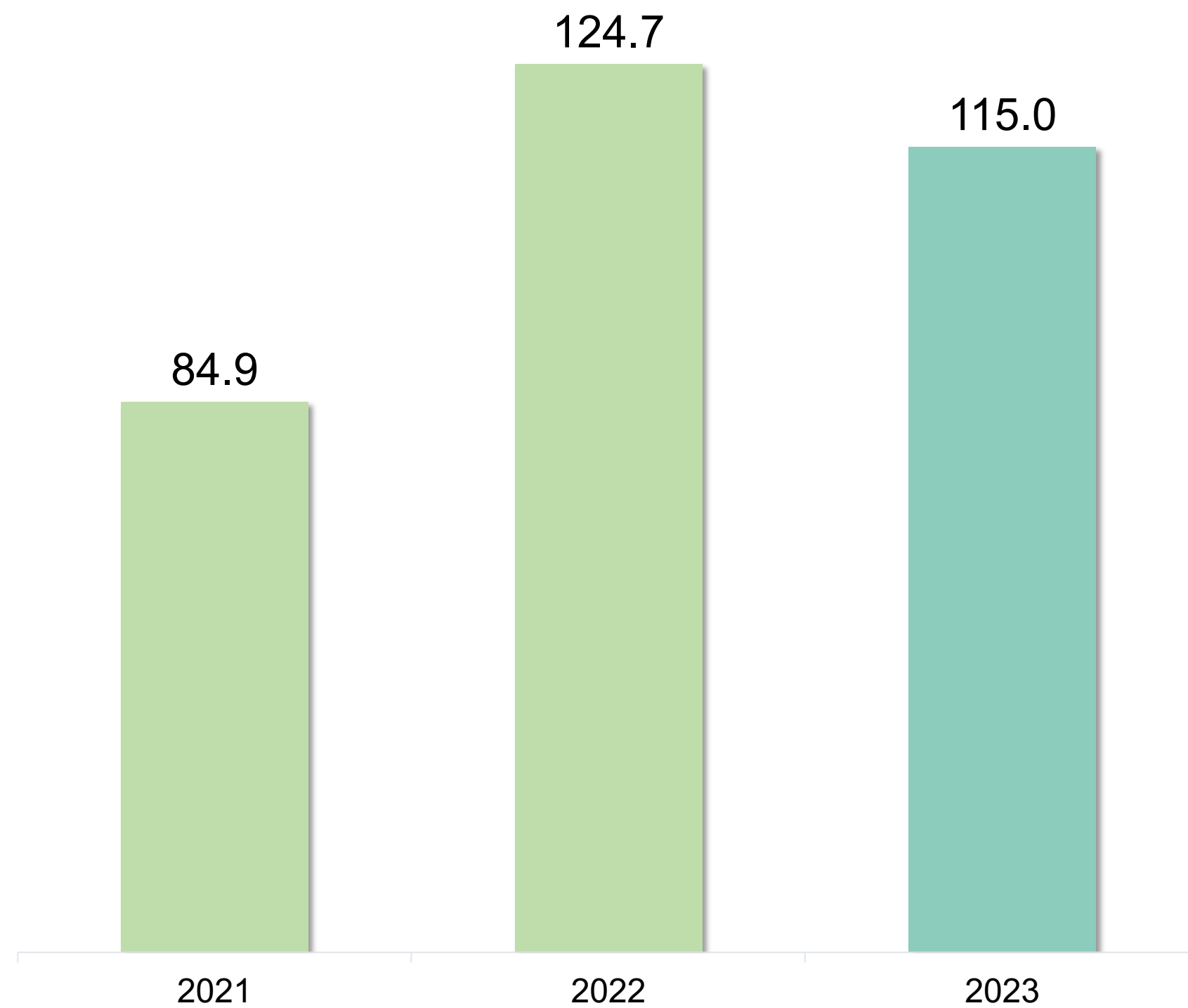


 **Net Gearing Ratio (%)**

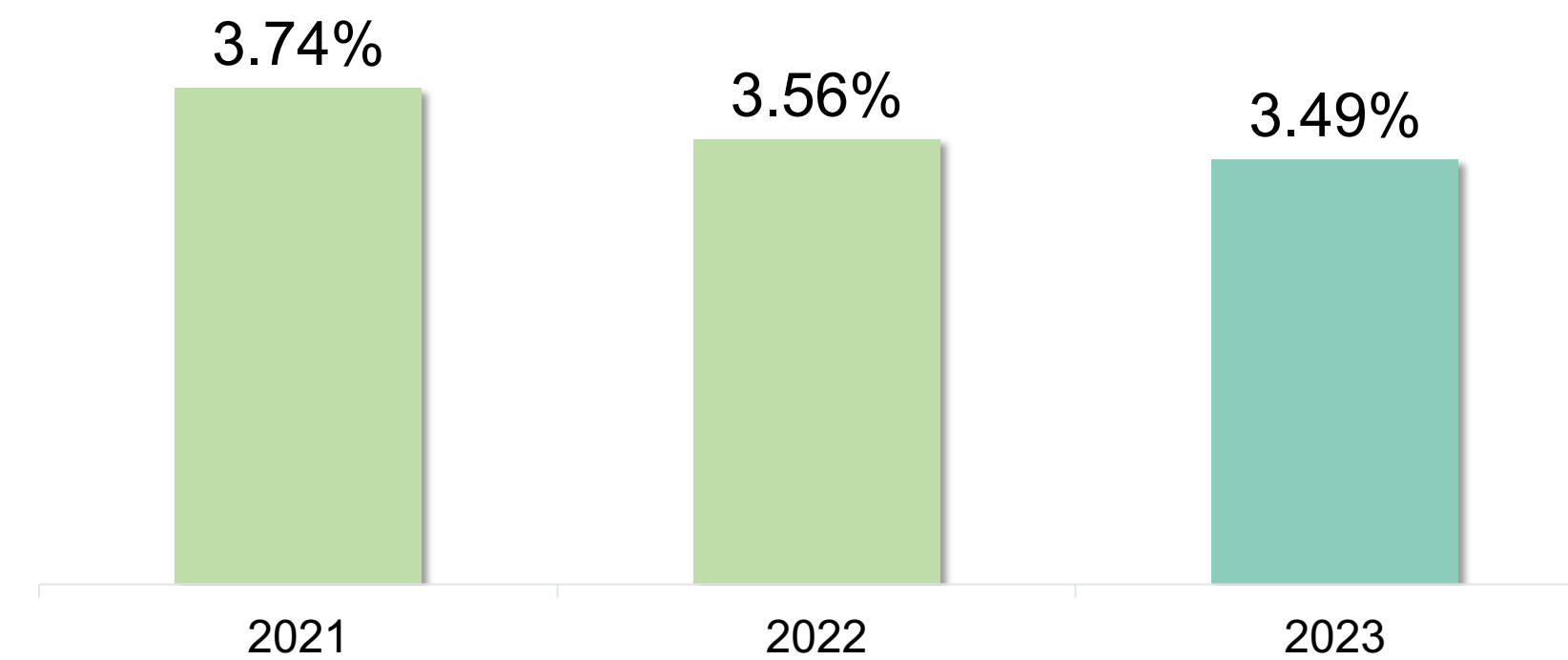


Optimization of Interest-bearing Debt

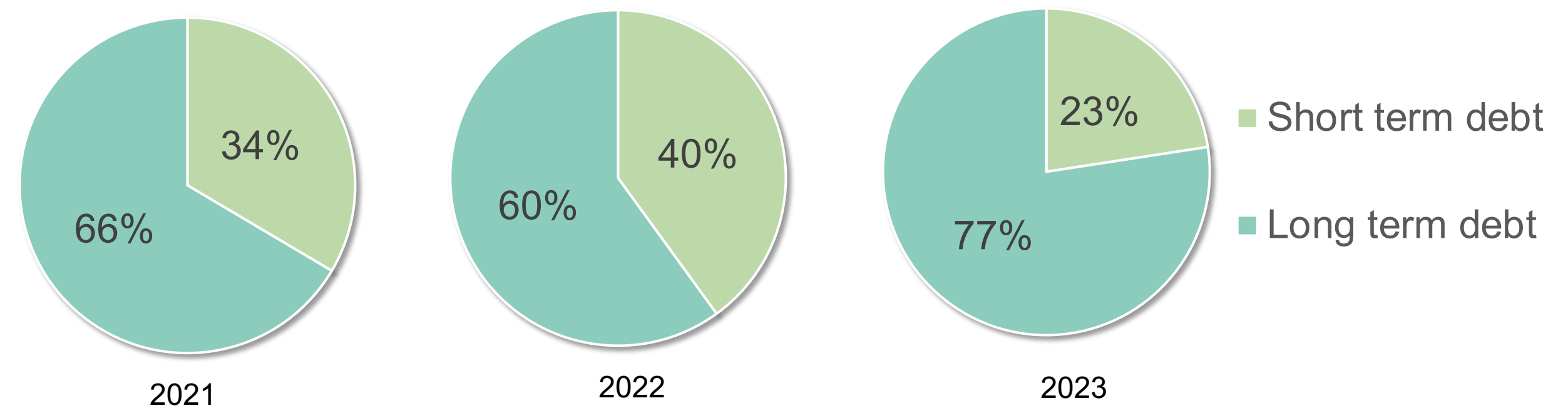
 Declined scale of interest-bearing debt (RMB 100Million)



 Steady decrease in finance rate



 Further optimized interest-bearing debt structure



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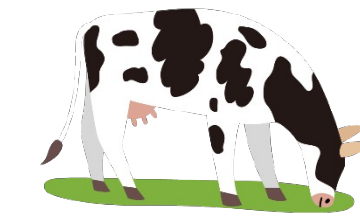
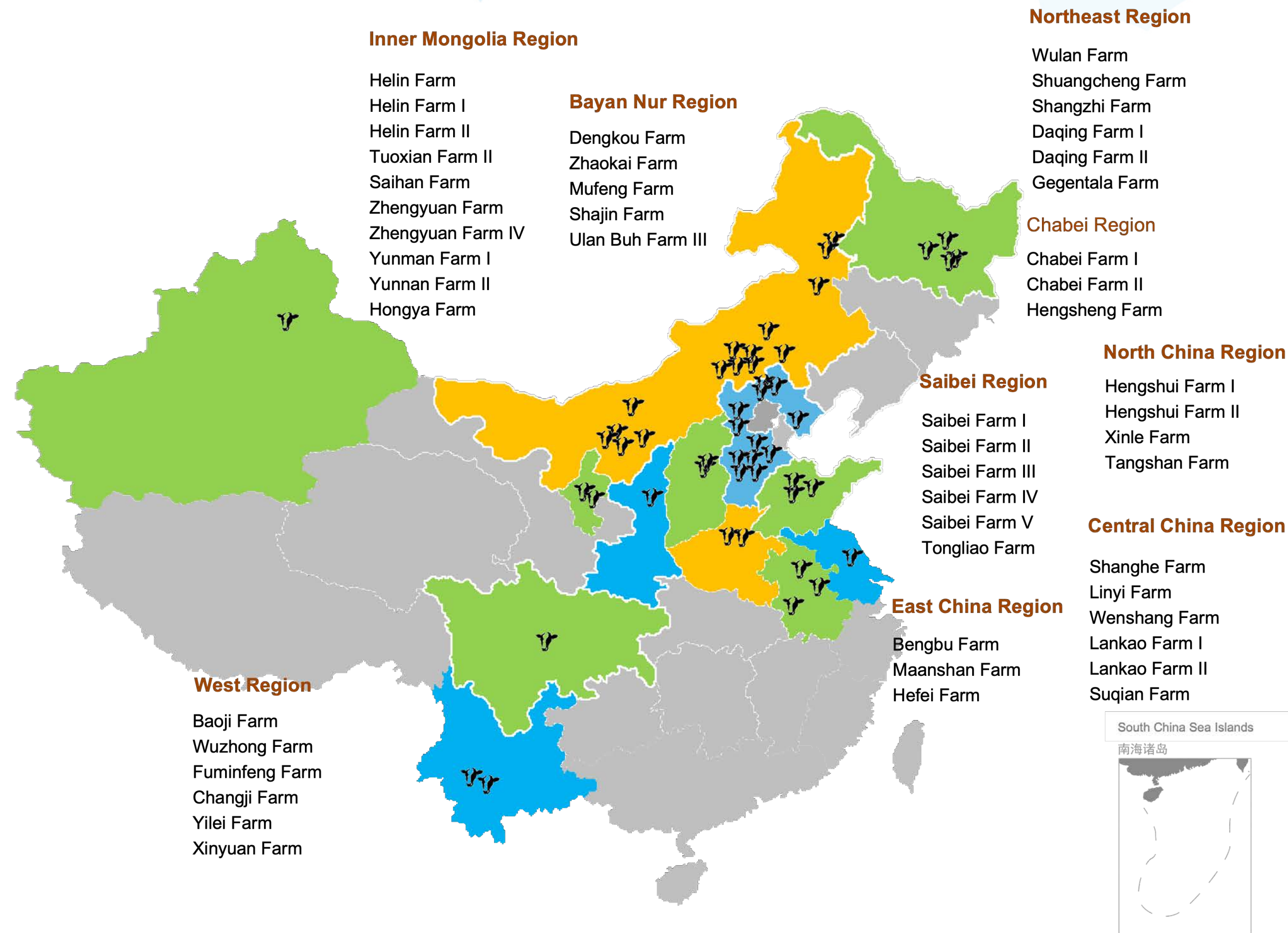
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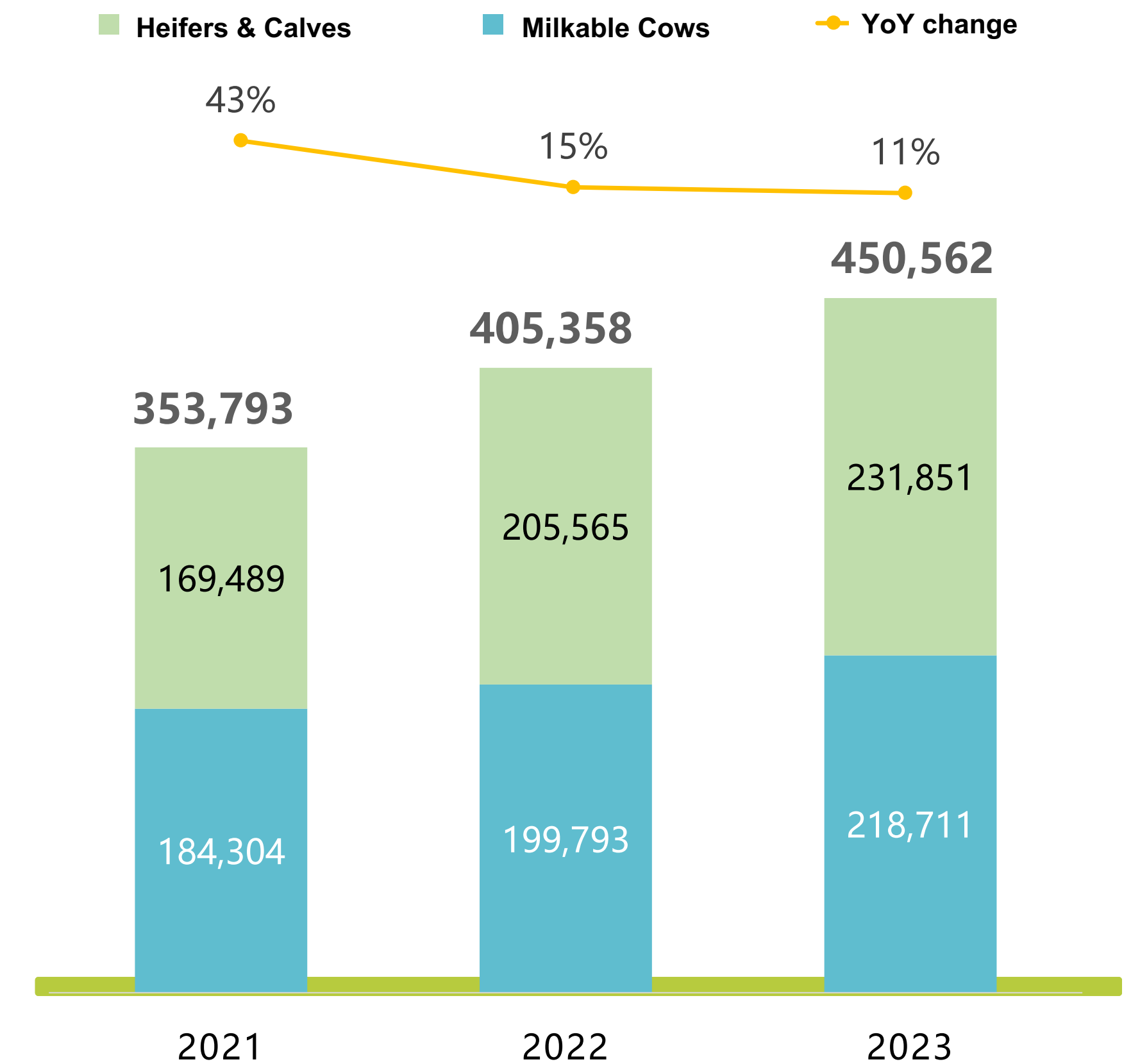
Industry Prospects



Farm Map and Herd Size



Herd Size & Growth Rate



As of the end of 2023, 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.

Five New Businesses Make Breakthrough Against the Trend



Liangyuan Technology

Sales revenue in 2023 reached RMB 2.5 billion with an increase of 37% YoY;

The number of customers increased by 83% YoY;

Revenue leading the industry



Modern Grassland

Create "Farm and Grass Plantation Cooperation Model of Modern Grassland";

Actual control of land resources of more than 110,000 acres (including 40,000 acres of Modern Farming under trusteeship)

"Modern Grassland" brand forage enters market

Modern Feed

Cumulative sales of 520,000 tons in 2023;

Sales revenue in 2023 reached over RMB 2 billion with an increase of 280% YoY

Ranking 2nd in the dairy cow feed industry in China



Aiyangniu

The annual trading volume of platform reached RMB49.4 billion;

Sales revenue in 2023 reached RMB700 million;

The products of Yunyangniu were officially launched;

Ranking 1st in domestic milk industry chain platforms



Meng Yuan Genetics

Nearly 250,000 straws of frozen semen were sold;

Self-developed "GenoBaits Modern Bovine SNP Panel" cow genome liquid microarray;

Filling the gap of commercialized genomic microarrays for domestic milkable cows

Brand Milk: The New Benchmark For Functional Milk



Customer Cultivation

Exclusive partnership sales ratio

80%

Number of Newly Added Customers

224

Channel Integration

Percentage Increase of Core Channel Network

+70%

O2O Coverage Rate

90%

Performance Growth

Revenue Growth in 2023

+6%

Profit Growth in 2023

+12%



Sustainable and Synergistic Development of Ecology and Industry



Among 60 global animal protein producers, we rose from 24th to 21st place, ranking second among Chinese companies covered by the Coller FAIRR Protein Producer Index.



In 2023, ESG score increased by 19% in the S&P Global Corporate Sustainability Assessment, surpassing 89% of peer companies globally.



Ranked on the 2023 Bloomberg Green ESG 50 list for environmental achievements.



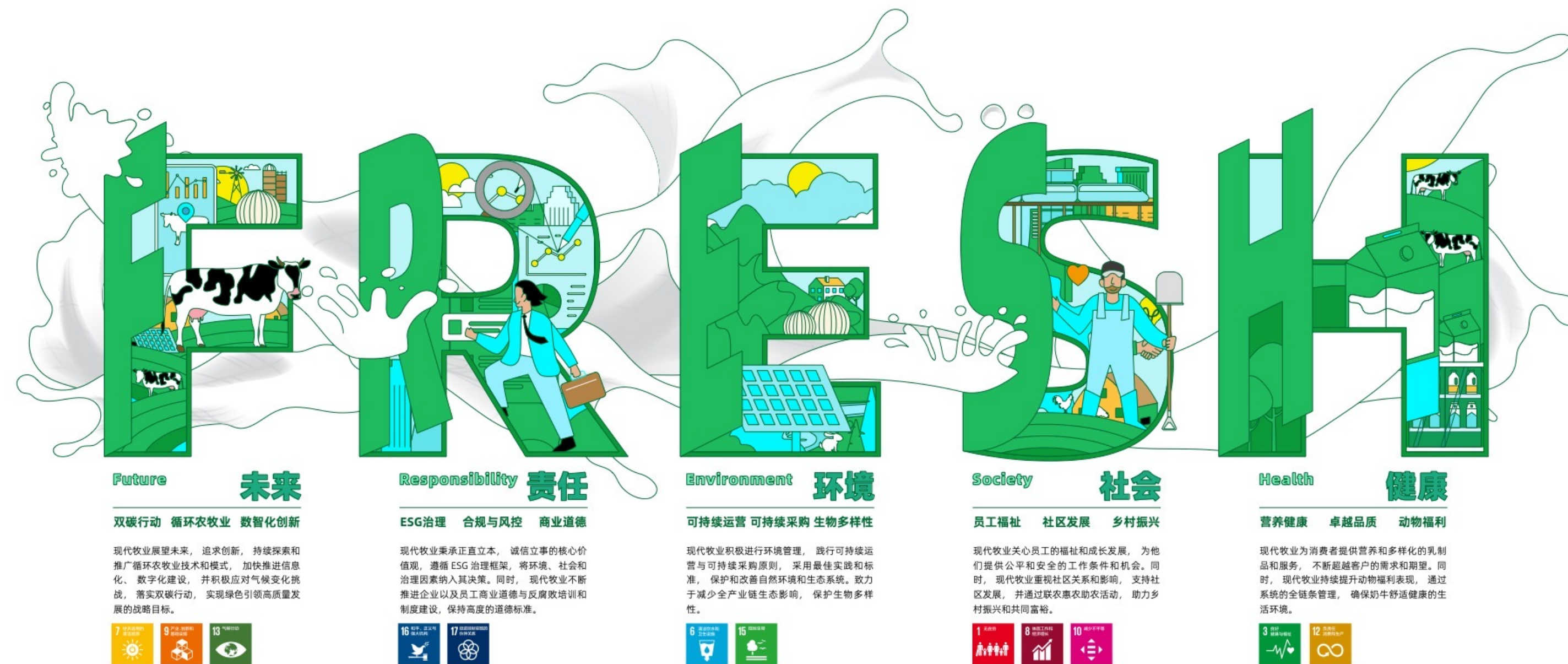
Selected for the COP28 '2023 Corporate Climate Action Case Collection' for pioneering practices in the utilization of manure resources.



Received a 'B' rating in climate change, a 'B' in water security, a 'B'/'B-' in cattle products/soy of forests. All three areas achieved a management level rating.

Vision: Green leadership and harmonious coexistence

Mission: Guarding quality for health and creating a better future with responsibility.



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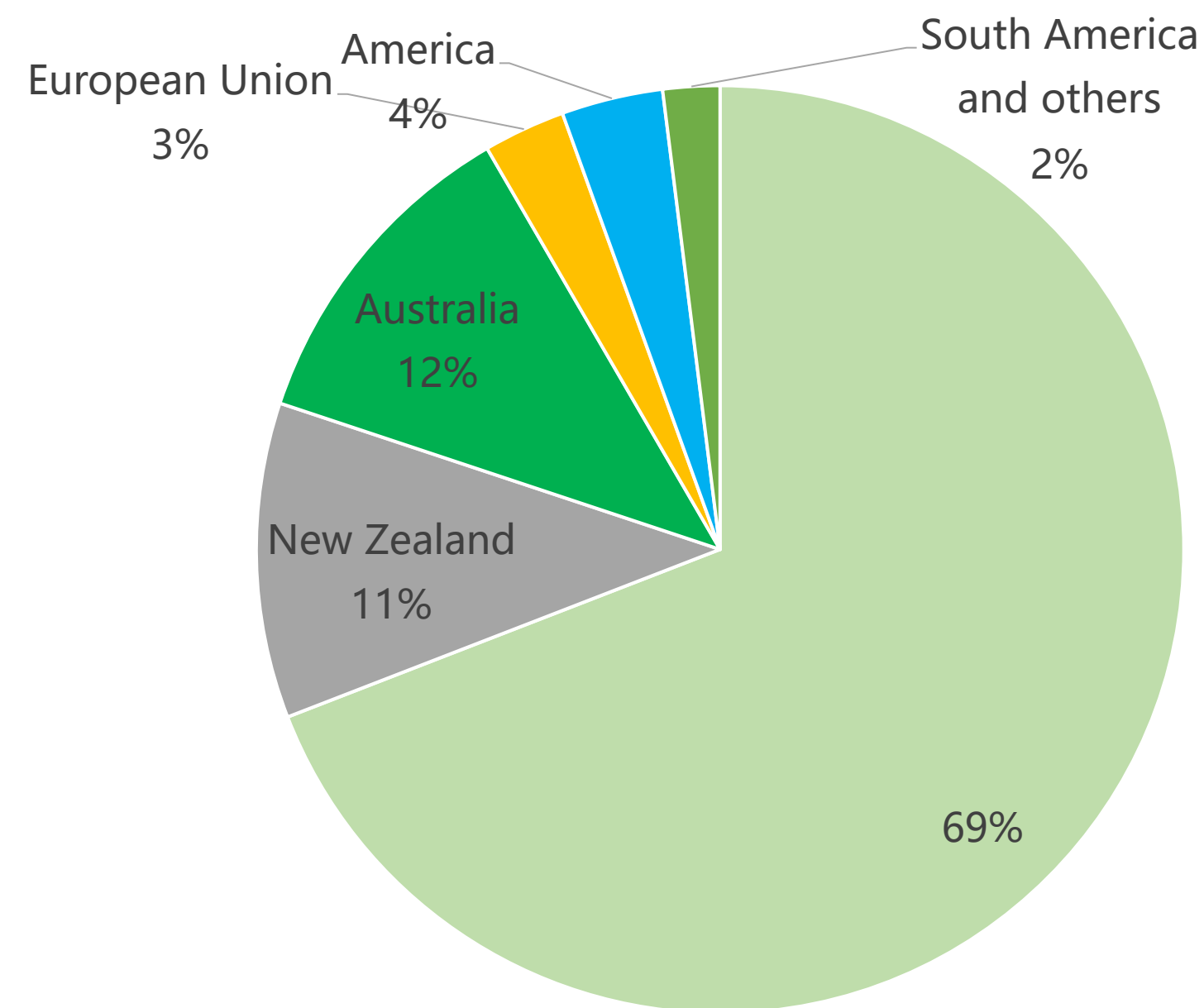
Industry Prospects

International Raw Milk Production

In 2023, China's milk powder were mainly imported from New Zealand, followed by the European Union, Australia, and the United States. In 2023, the global milk supply struggled to maintain growth momentum. After a brief recovery during three quarters, the growth was once again hindered due to declining milk prices, rising costs, and weather disturbances. Rabobank predicted that the production of the seven major milk-exporting countries will **only increase by 0.2%** in 2024.

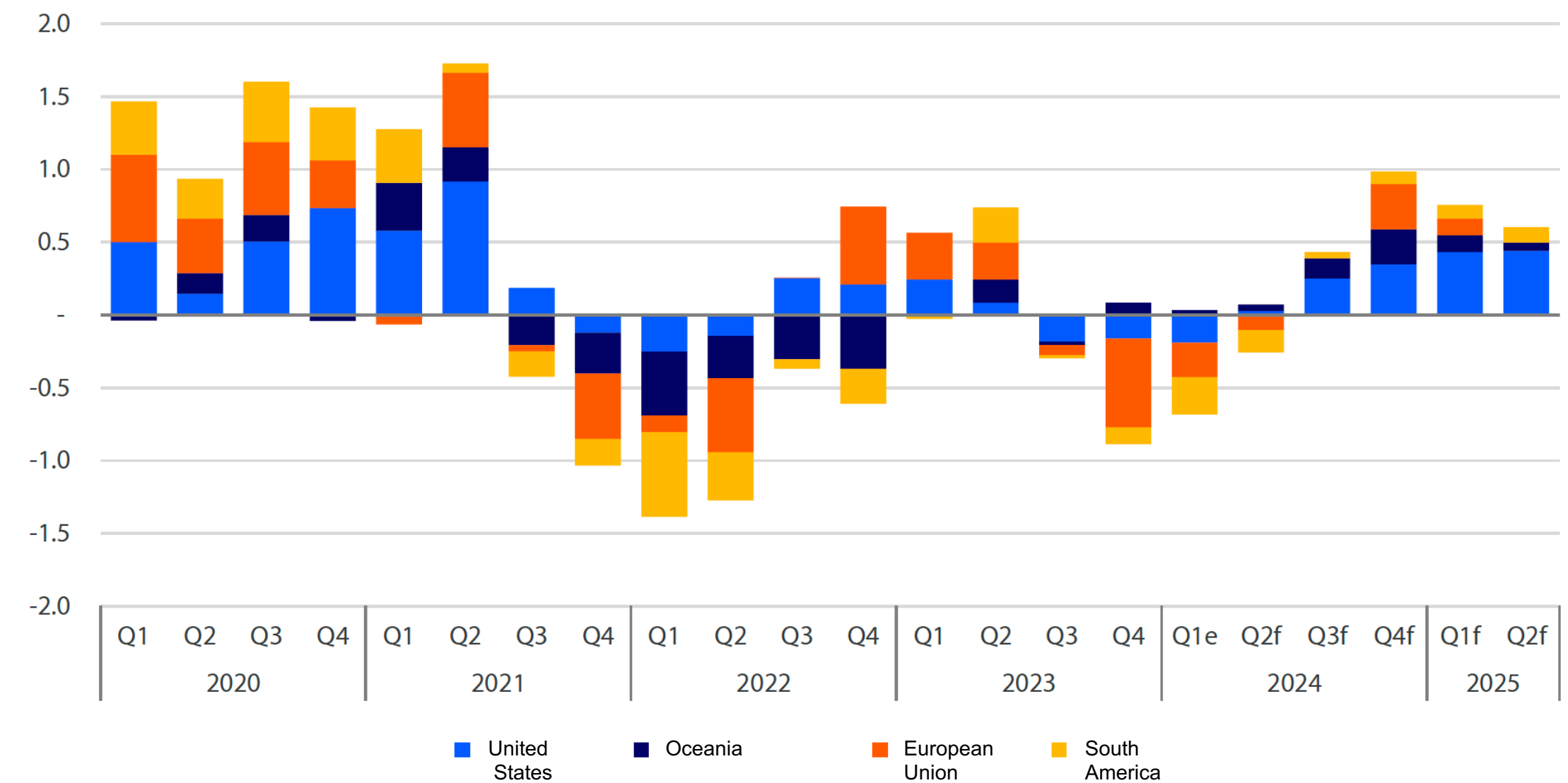
Proportion of milk powder exported to China by various countries in 2023 (%)

Source: China Customs



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

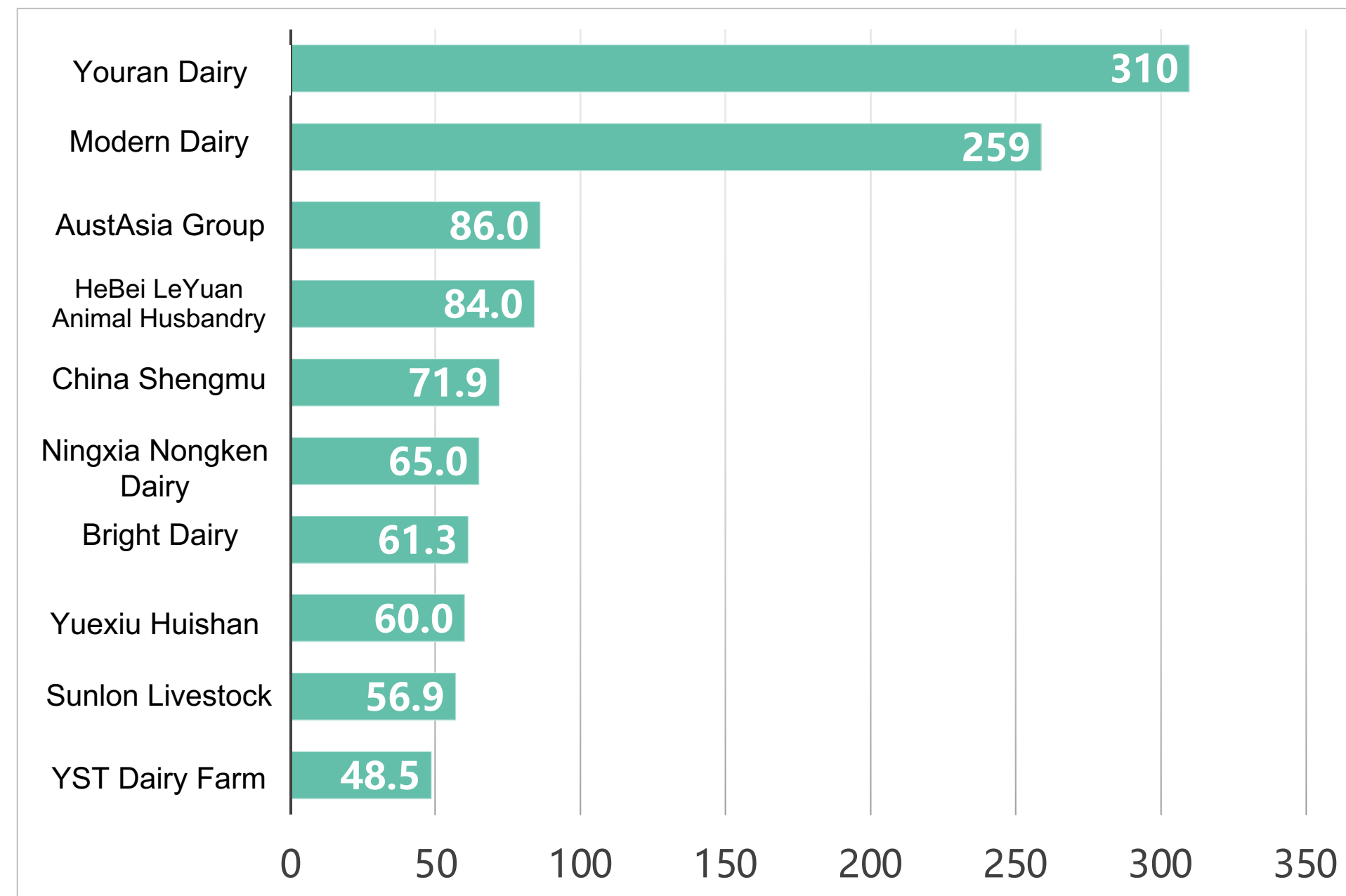
Source: Rabobank



Increasing Concentration in Dairy Farms

2023 Top 10 Dairy Groups' Milk Production in China (0,000 Tons)

Source: Holstein Magazine

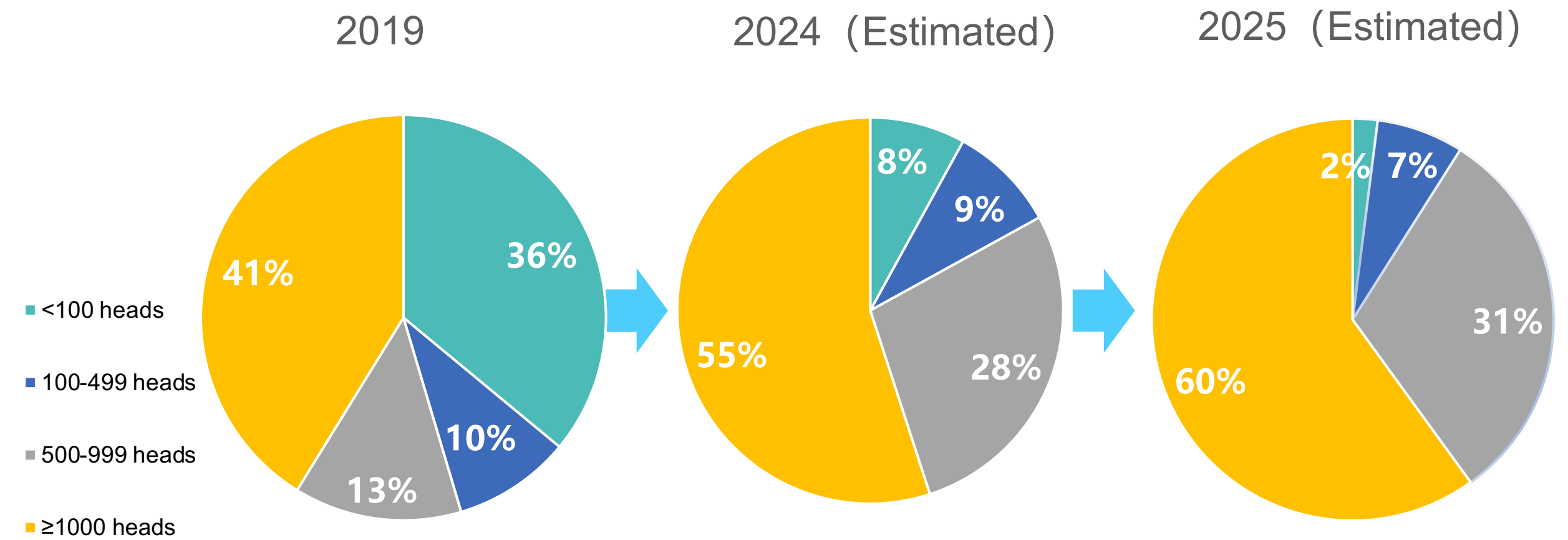


► In 2023, the top 10 dairy groups in China produced a total of 11.03 million tons of milk, with a herd size of 2.09 million heads.

► From 2021 to 2023, the milk production of the top ten groups accounted for 23%, 24%, and 26% of the national total, respectively.

The proportion of farms with a size of over a thousand cows has been gradually increasing (%)

source: National Bureau of Statistics of China, Frost & Sullivan

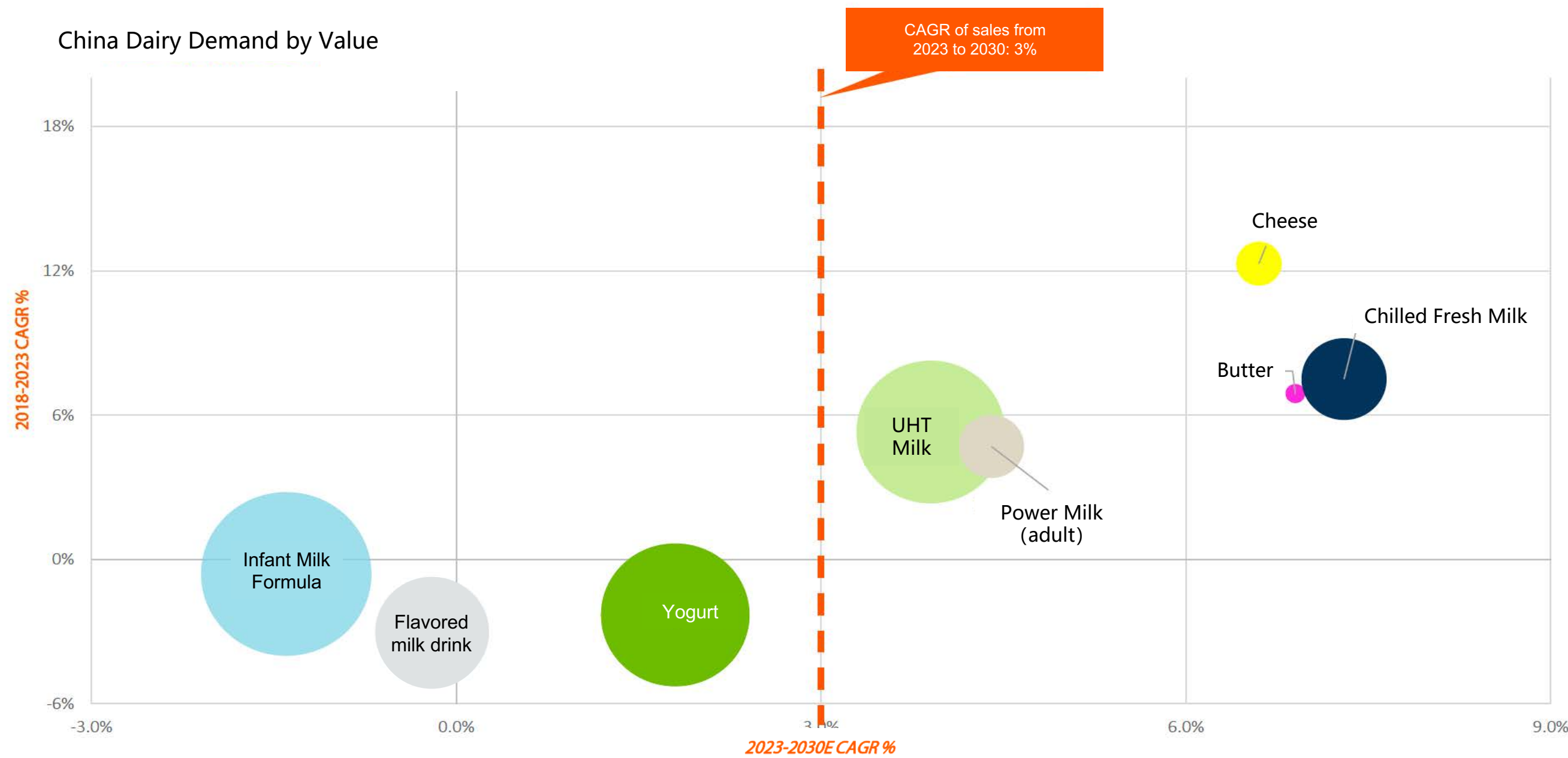


► The proportion of farms with a size of over a thousand cows has been gradually increasing and is expected to account for 60% of the total number of dairy cows in China by 2025.

Domestic raw milk demand

Growth rate of dairy product sales in China (%)

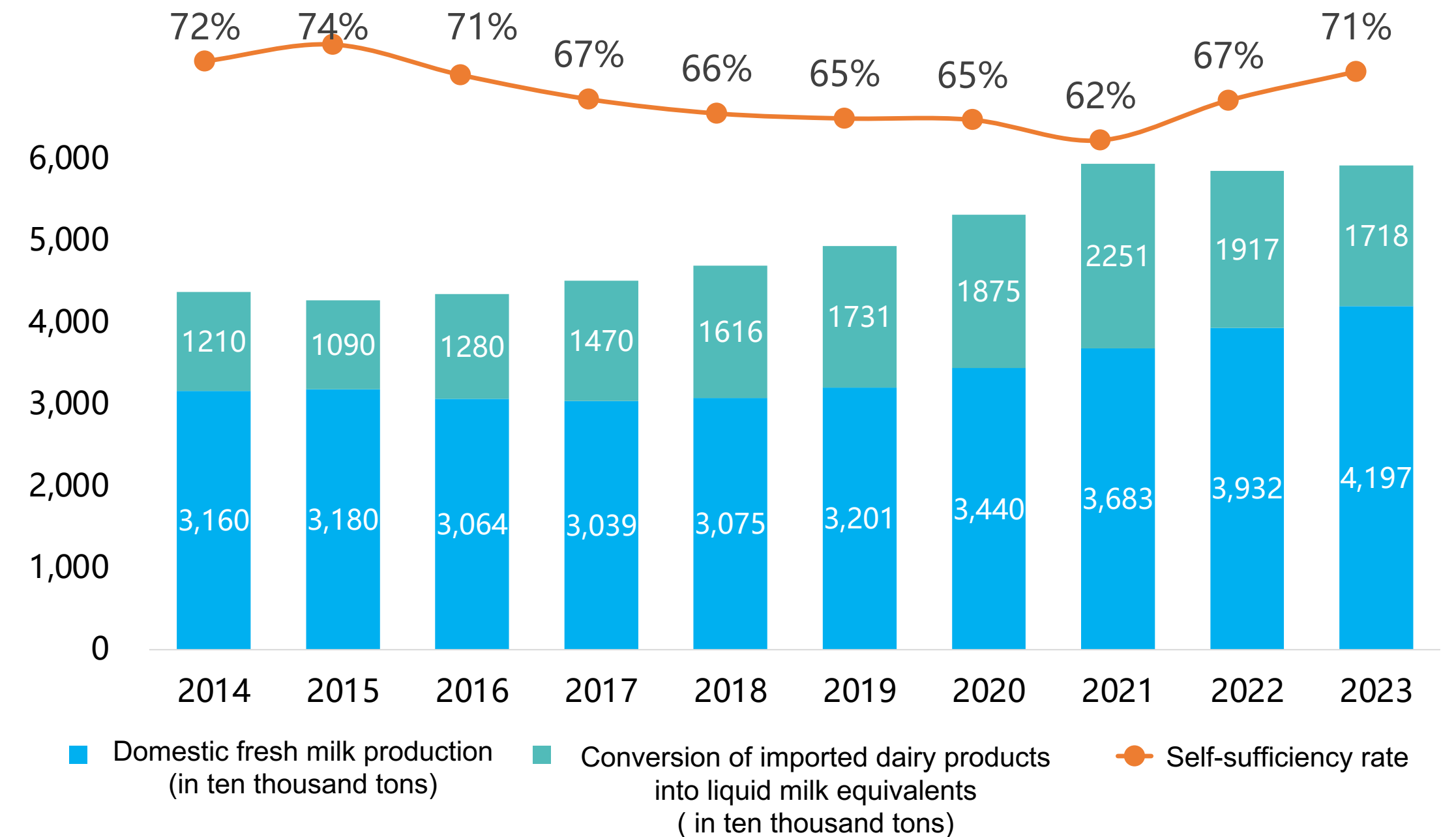
Source: Rabobank



- ▶ The size of the circles represents the retail sales amount in 2023 (in millions of US dollars)
- ▶ Rabobank predicted that the fastest-growing segment from 2023 to 2030 will be fresh milk. Euromonitor predicted that the CAGR of sales for fresh milk from 2023 to 2028 will be 7.3%.

Self-sufficiency rate of domestic raw milk (%)

Source: China Customs, National Bureau of Statistics of China



- ▶ Since 2008, the self-sufficiency rate of China's dairy industry has steadily declined from 95%, remaining below the national target of maintaining a milk self-sufficiency rate of over 70% by 2020. In 2022, the milk self-sufficiency rate experienced its first increase since 2016, reaching 71% in 2023.

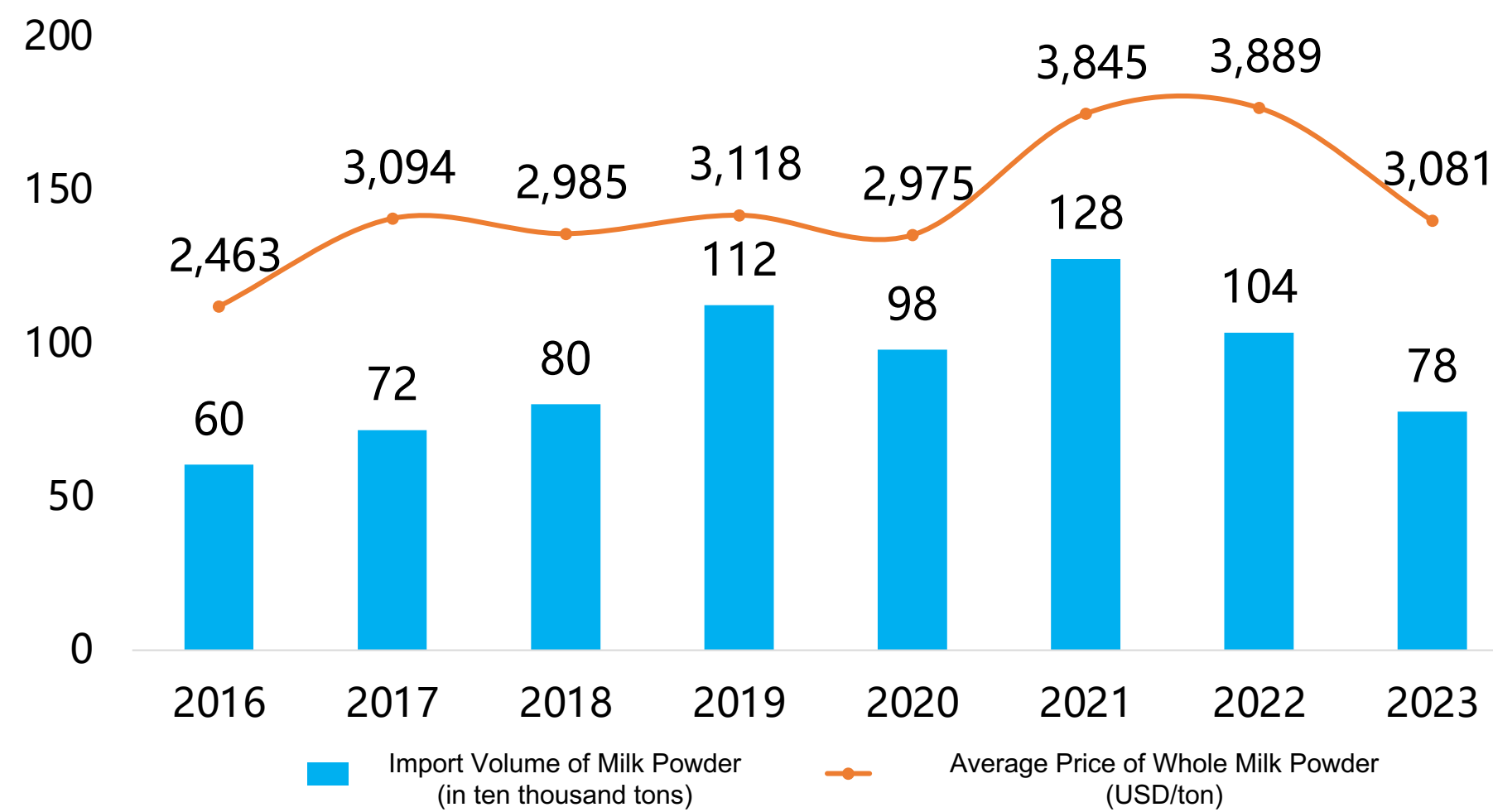
The Trend of Milk Price



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

Source: China Customs , Fonterra

(in ten thousand tons)



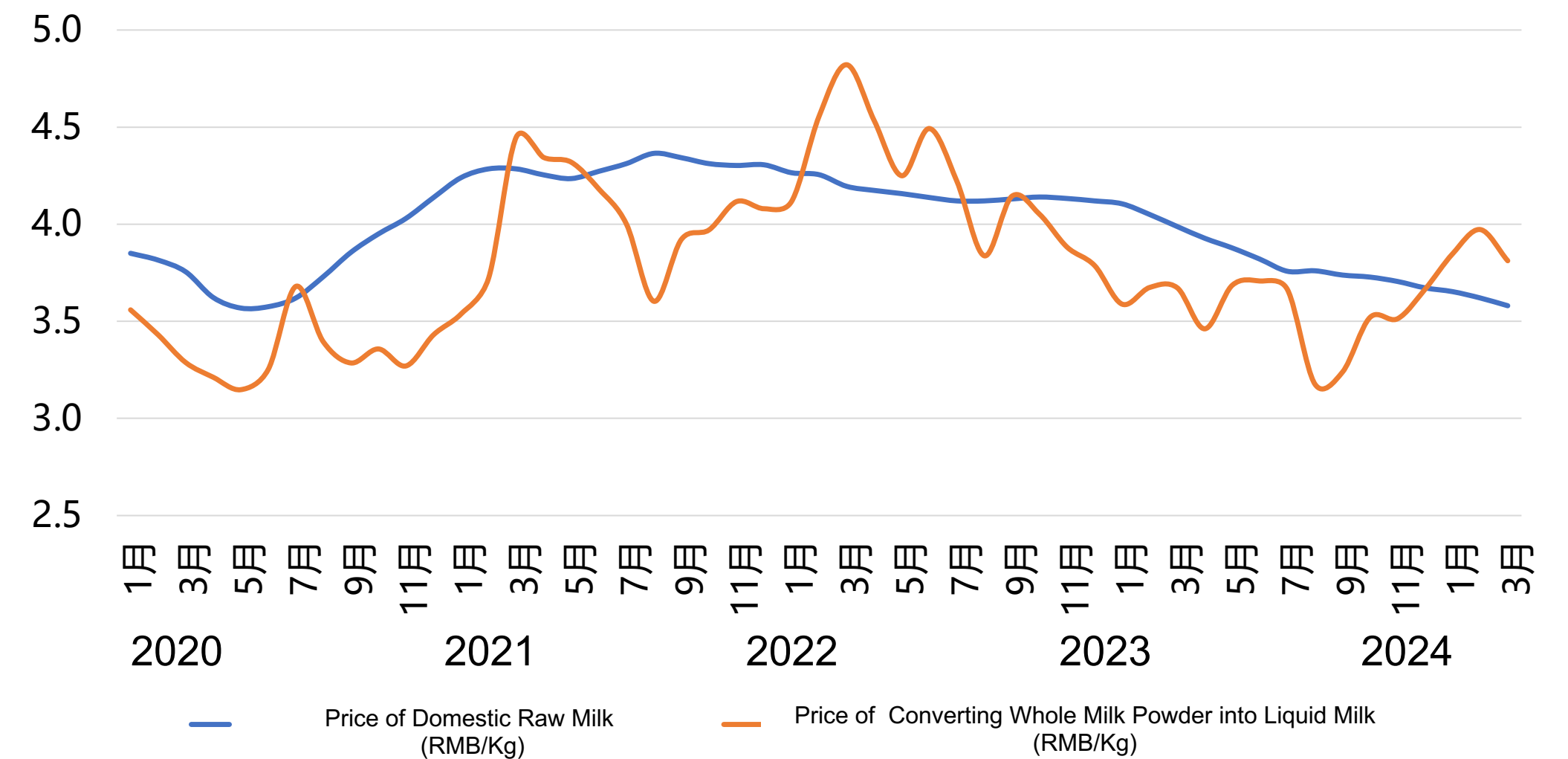
► Due to strong domestic raw milk production growth and slow processing demand, import volume decreased by 25% year on year in 2023, marking the second consecutive year of significant decline in dairy product imports.



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

Source: the Ministry of Agriculture and Rural Affairs ,Fonterra

(USD/ton)



► Global dairy commodity prices hit a bottom in the third quarter of 2023, and the price of converting milk powder into liquid milk in the first quarter of 2024 is higher than the domestic raw milk price.

Market Analysis

Temporary surplus in raw milk supply Expected slowdown in future growth rate

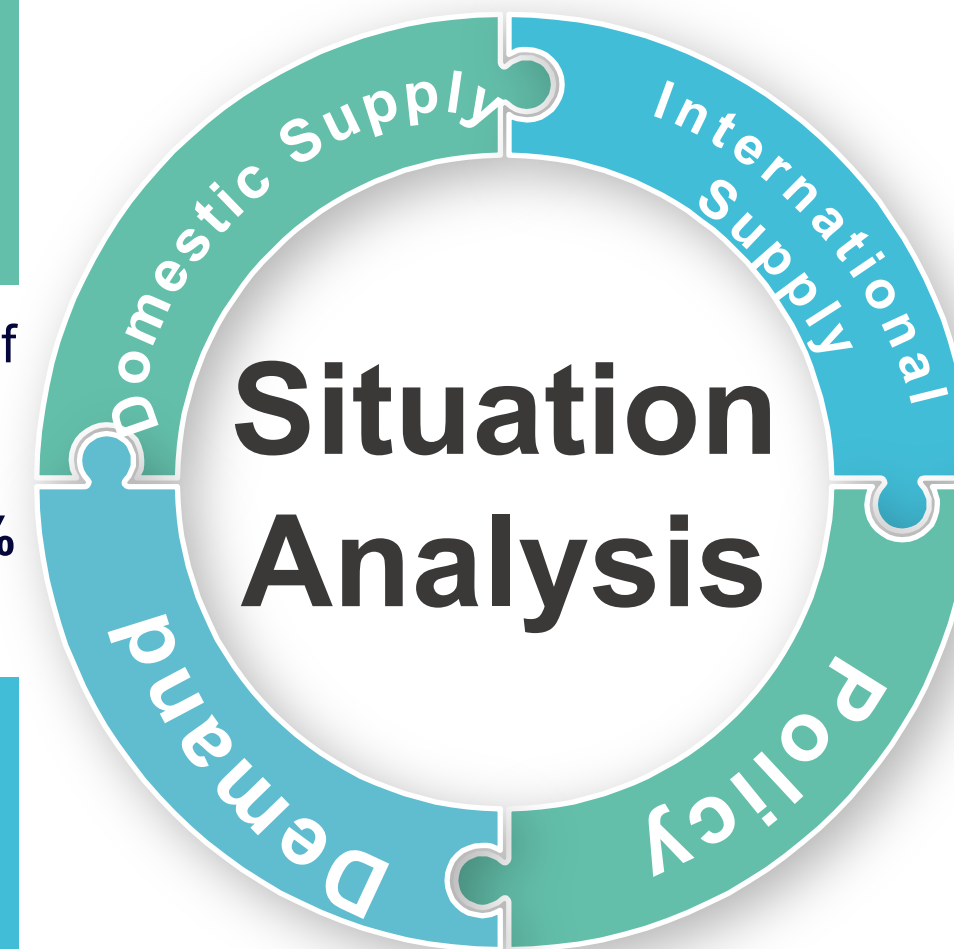
National Dairy Cows Industrial technology system estimated by the end of 2023, the loss rate in dairy farming could exceed 70%.

Rabobank anticipated a slowdown in milk production with **growth rate of 2%** in 2024, with dairy consumption's liquid milk equivalent rising by 2.5% YoY.

Enhanced resident health awareness Gradual shift in consumption structure

The industry is promoting the use of **fresh milk to produce yogurt, cheese, and milk powder**, reflecting consumers' preference for natural and minimally processed foods.

The **enhanced health awareness** of residents has driven consumers' demand for **high-quality** and **high-nutritional-value** products.



International supply growth slows down The price of milk powder recovers

Global milk supply growth was sluggish in 2023. After a brief recovery during three quarters, the growth was once again hindered due to declining milk prices, rising costs, and weather disturbances.

Rabobank predicted a **slight 0.2% increase** in milk production from the seven major exporting countries in 2024, with **prices expected to rise slowly and steadily in 2024.**

New dairy quality standards to be updated School milk program to progress steadily.

In the revised draft for comments on the national standard for sterilized milk, the expression "with or without the addition of reconstituted milk" has been removed, clarifying that **"solely a single type of raw milk serves as the base ingredient."**

The national "School Milk Program" launched in 2000 aimed to continuously improve student nutrition, **benefiting over 37 million students annually** as stated in the State Council's government work report.



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