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中糧肉食控股有限公司
COFCO Meat Holdings Limited



Management Presentation of COFCO Meat

March 2018

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Section 1

Business Overview

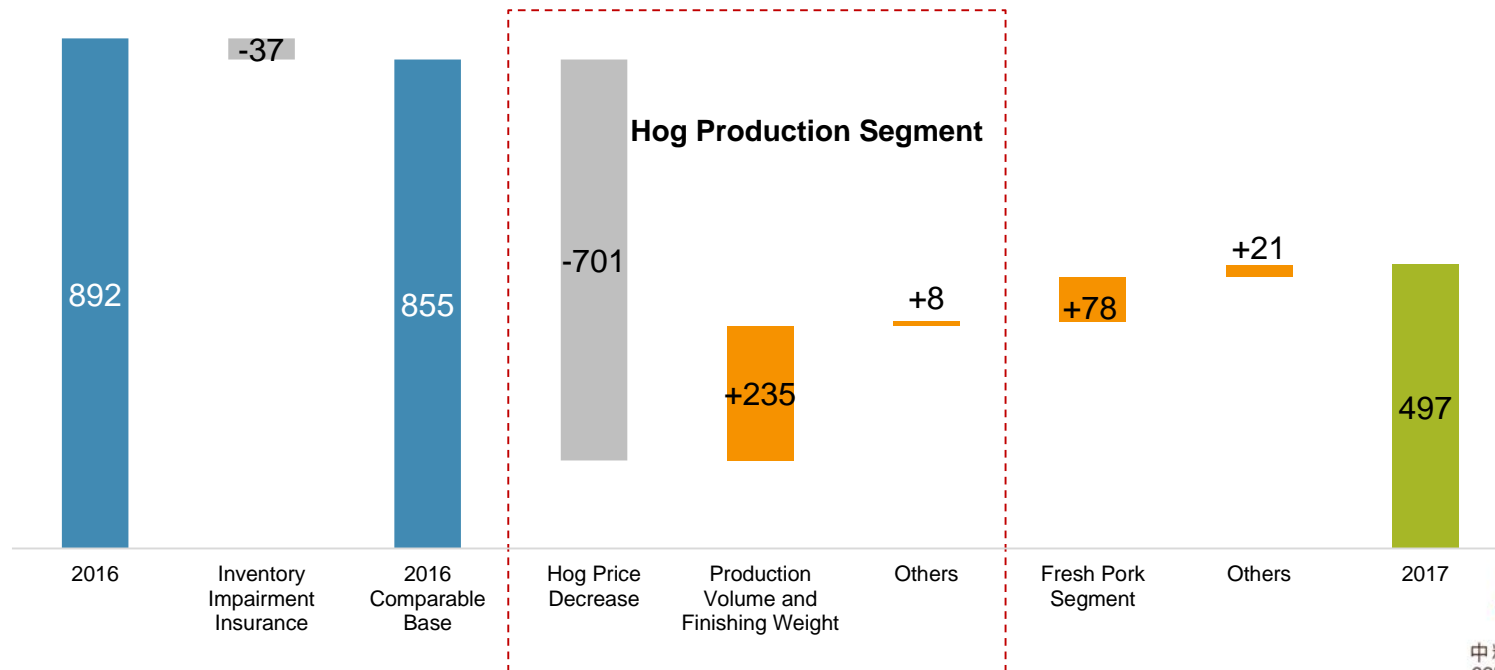
Key Operating and Financial Data for 2017

Key Operating Data	2017	2016	YoY
Hog production volume (thousand heads)	2,226	1,712	30.0%
Sales volume of fresh pork (thousand tons)	172	143	20.5%
Proportion of revenue from branded business (%)	15.58%	13.16%	2.42pct

Key Financial Data	2017	2016	YoY
Revenue from continuing operations (RMB million)	6,961	6,616	5.2%
Profit from continuing operations (before biological assets fair value adjustment) (RMB million)	497	892	(44.3%)
Profit attributable to owners of the Company (after biological assets fair value adjustment) (RMB million)	452	952	(52.6%)
Basic earnings per share (RMB)	0.1157	0.2767	(58.2%)

Analysis of change in profit during the period: Mainly due to the negative impact of hog price changes

- In 2017, the Group's profit from continuing operations for the period, before fair value adjustments of biological assets, decreased by RMB395 million year-on-year
- Firstly, insurance indemnity from inventory in 2017 decreased by RMB37 million year-on-year, because the insurance indemnity from the inventory impairment due to the August 2015 explosion at Tianjin Port was received and recognized in the same period last year. Therefore, the comparable operating profit for the period in 2016 was RMB855 million
- Results in the hog production segment showed decreases year-on-year, mainly due to a 20% fall in hog prices year-on-year. However, thanks to the Company's focused efforts in scale growth and production cost management, hog production volume increased by 30% year-on-year in 2017, which significantly offset the negative impact of the drop in hog prices
- Sales for the fresh pork segment increased by RMB78 million year-on-year, on 20.5% year-on-year growth in sales volume. Driven by the branded business, the gross profit margin increased by 3.6 percentage points year-on-year



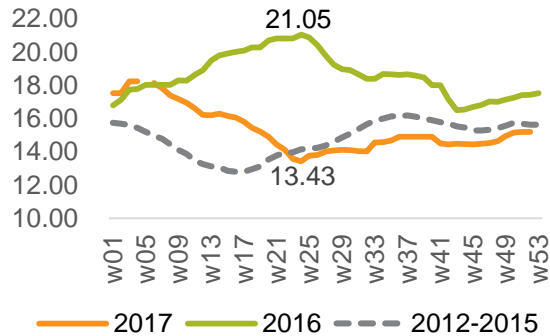
Business Highlights in 2017

- 1 Core business operations increased with the rapid growth in scale, significantly offsetting the impact of falling hog prices**
- 2 The layout of production capacity was further refined, with improved upstream and downstream matching**
- 3 The volume and profit of branded fresh pork increased with rising brand awareness**
- 4 Market demand was studied intensively to explore high-end fresh pork products and develop best-selling single product of processed meat**

1 Core business operations increased with the rapid growth in scale, significantly offsetting the impact of falling hog prices

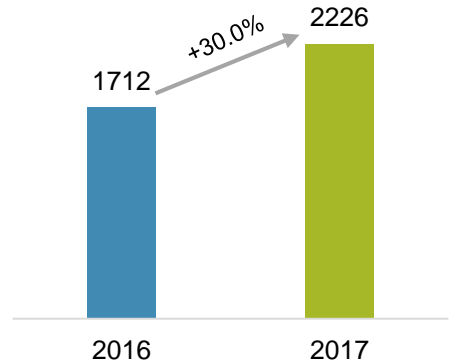
China hog prices (from NDRC)

(RMB per kg)



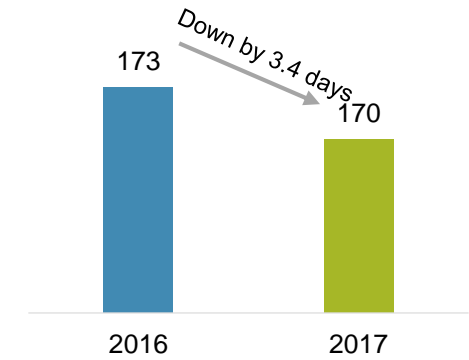
Hog production volume

(thousand heads)



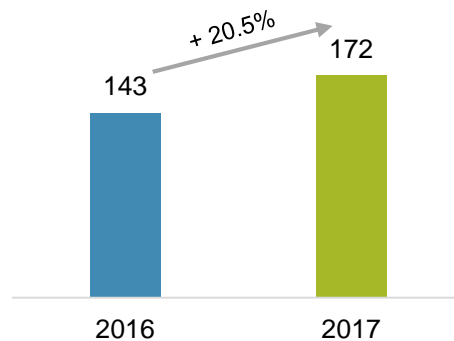
Days to market (Adj. to 100kg)

(days)



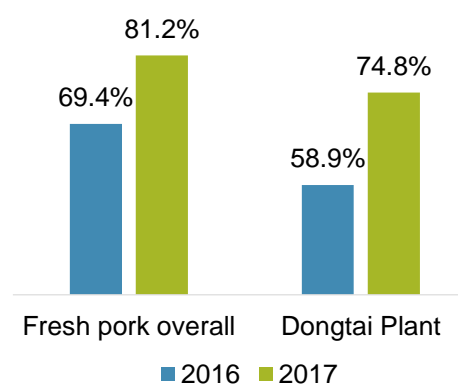
Sales volume of fresh pork

(thousand tons)



Fresh pork capacity utilization rate

(%)



2 The layout of production capacity was further refined, with improved upstream and downstream matching

Feed: Sustained increase in self-supply ratio and further reduction in cost

- Accelerated construction of in-house feed mills, with a continuous rising self-supply ratio
- Centralized procurement of feed ingredients and optimized nutrition formula to create more room for lowering breeding costs



Hog production: Integrated farming + contract farming to jointly drive capacity expansion

- Construction of integrated farming production capacity has been promoted smoothly, with sufficient land reserve for farm building
- Satisfactory results have been achieved in the pilot contract farming launched since 2016 while following the government's policy of "Targeted Poverty Alleviation", thus providing an important driving force for capacity expansion in the next phase



Fresh pork: Accelerated plant site selection in North China and Central China

- Site selection efforts increased in North China (Beijing and its around areas)
- Relocation and capacity expansion of plants in Central China is under intense preparation



Processed meat products: Relocation of plants in South China completed, with successful trial production of new plants in East China

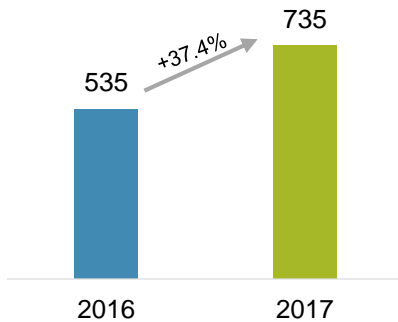
- Relocation of Heshan plant in Guangdong successfully completed, with potential for subsequent capacity expansion
- Successful trial production achieved at the new factory in Dongtai, Jiangsu. The plant is designed to focus on further processing of imported beef to cater to food service clients



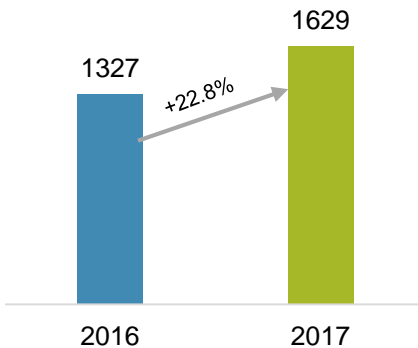
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3 The volume and profit of branded fresh pork increased with rising brand awareness

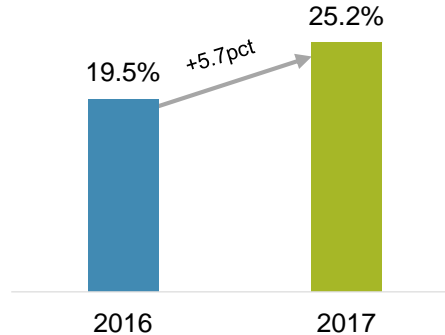
Branded fresh pork revenue
(RMB million)



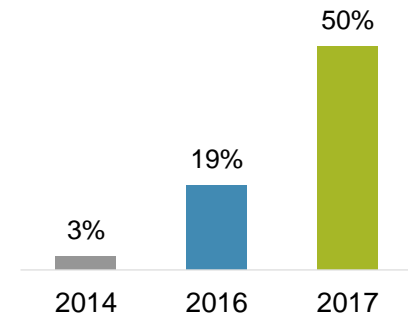
Number of sales terminals of branded fresh pork



Branded fresh pork revenue as % Of total fresh pork revenue
(%)



Awareness of "Joycome" branded fresh pork (e.g., Shanghai)



Vigorously carried out online and offline activities to continuously enhance brand image

- Constantly promoted the brand positioning of "five checkpoints for product safety and quality assurance from company-owned farms"
- Capitalized on commercialization trend of branded pork to carry out close cooperation with high-end fresh food stores



"Joycome" sponsored dance contest on Dragon TV



"Fresh Daily (日日鲜)" products in small packages for Hema Fresh Food

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Market demand was studied intensively to explore high-end fresh pork products and develop best-selling single product of processed meat

Developing high-end fresh pork products

- Breeding work is carried out according to meat color, water retention and inter-muscular fat, using a variety of preferred grain feeds
- According to testing by an authoritative institution, the products under development have a fresh and tender mouthfeel and are rich in trace elements
- Scheduled to launch in April 2018



High-end small-pack fresh pork products

Vigorously develop best-selling single product of processed meat

- Star products are being actively nurtured, successfully developing such best-sellers as “Cheese-filled Sausage” and “Chewy Meat Stick”



“Chewy Meat Stick”



“Cheese-filled Sausage”



“Cheddar” Cheese Sliced Ham



Chinese sauce stewed products series



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Section 2

Financial Overview

Financial Highlights in 2017

- 1 Total revenue grew to RMB 6,961 million despite the fall in hog prices**
- 2 Costs were strictly controlled with further improved fund use efficiency**
- 3 Asset turnover efficiency was continuously enhanced, and the capital structure is rational and healthy**

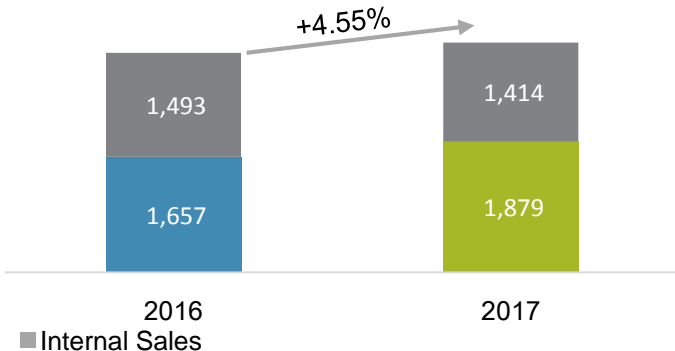
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Total revenue grew to RMB6,961 million despite the fall in hog price

Hog production

(RMB million)

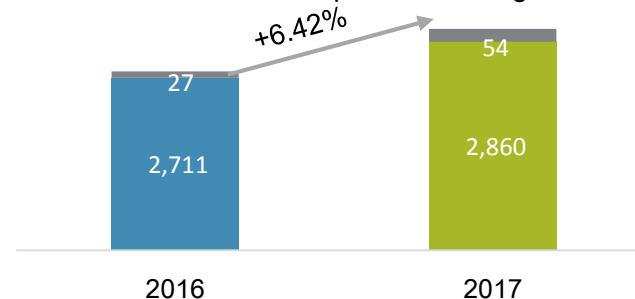
- Hog production volume reached 2.23 million heads in 2017



Fresh pork

(RMB million)

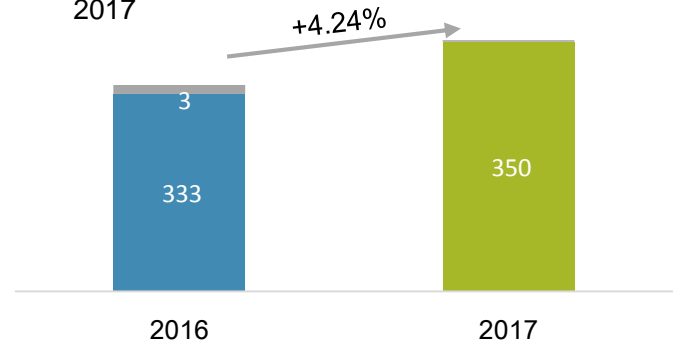
- Hog slaughtering volume reached 1.71 million heads in 2017, with sales volume of fresh pork amounting to 172 thousand tons



Processed meat products

(RMB million)

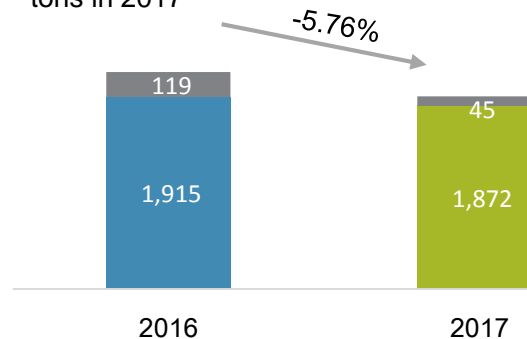
- Sales volume reached 11 thousand tons in 2017



Meat import

(RMB million)

- Distribution volume of imported meat reached 85 thousand tons in 2017



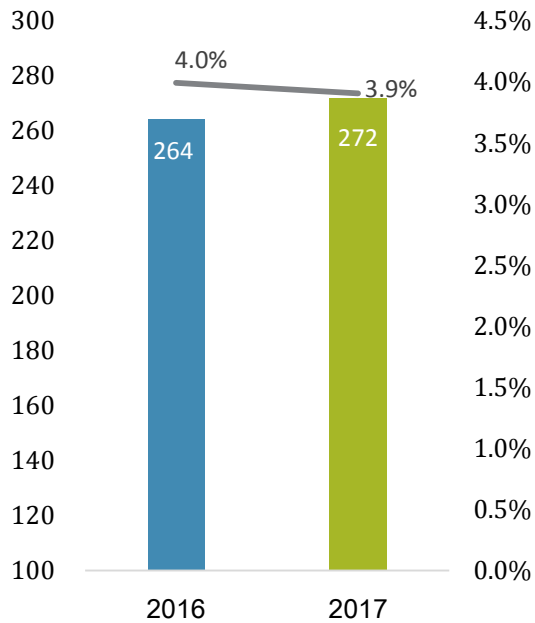
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2 Costs were strictly controlled with further improved fund use efficiency

Selling and distribution expenses

(RMB million)

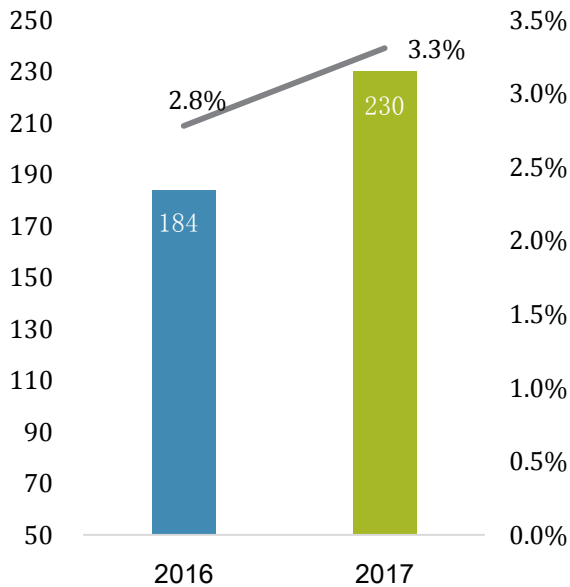
(% of revenue)



Administrative expenses

(RMB million)

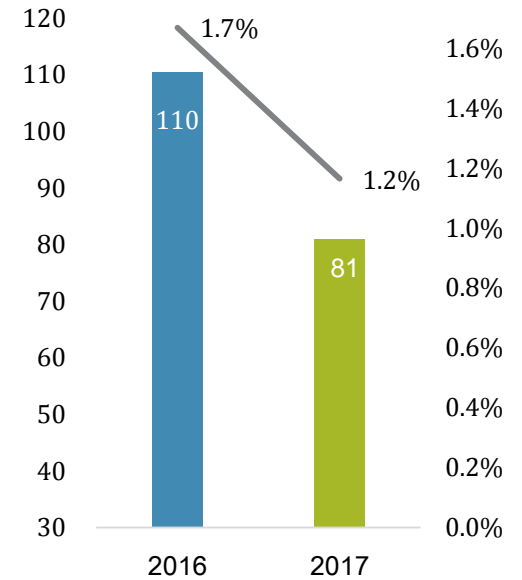
(% of revenue)



Financial expenses

(RMB million)

(% of revenue)

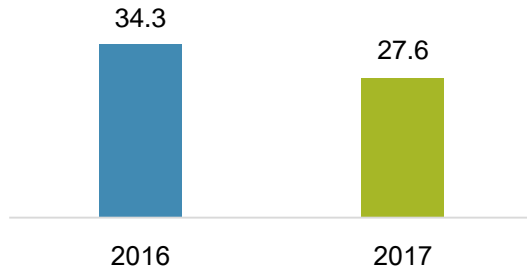


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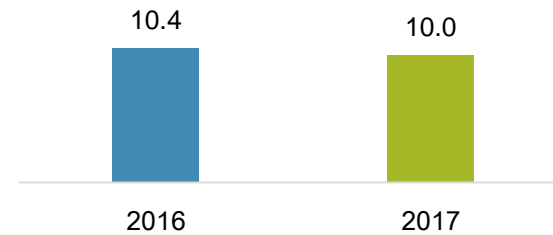
3 Asset turnover efficiency was continuously enhanced, with a rational and healthy capital structure

Turnover efficiency was continuously improved

Turnover days of inventory



Turnover days of account receivable

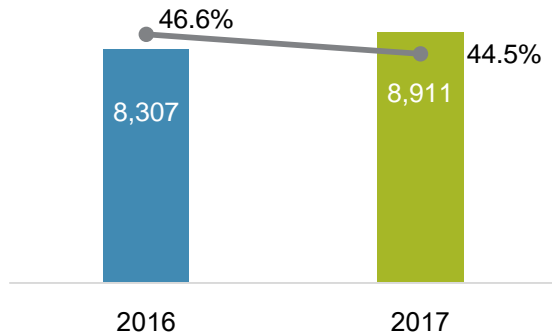


Note: Relevant data are calculated based on the average of the period-beginning and period-ending figures, with discontinued operations included and before fair value adjustments of biological assets

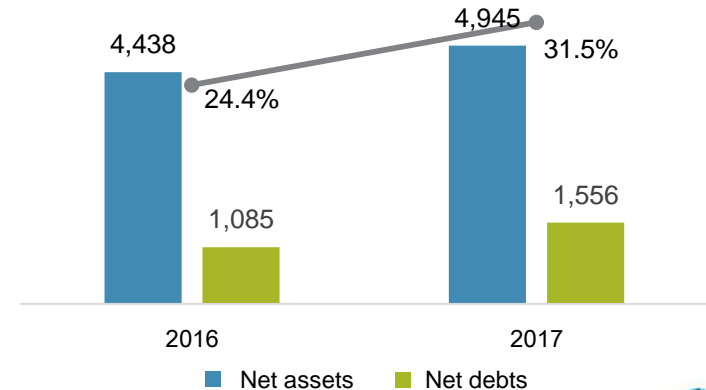
Sound and healthy capital structure

(RMB million)

Total Assets and Liabilities/Total Assets (%)



Net assets, net debts and net debt to equity ratio



Note: Net debt to equity ratio is equal to: at the end of the period, the total amount of bank and other borrowings and loans from related parties, less cash and cash equivalents, divided by total equity.



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Section 3

Strategy and Outlook

Strategy and Outlook

- 1 Accelerated strategic layout. The Company will expand integrated farming production capacity and promote contract farming; and implement site selection for fresh pork plants in North China and Central China to match upstream and downstream production capacity**
- 2 Establish core competitive strength by improving quality and efficiency, continuously enhancing hog production efficiency, and cutting production costs**
- 3 Vigorously carry out branding operation to convert high quality hogs into high-premium pork products**



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Thank you! Q&A Session