



( Stock Code: 288 )

## **WH Group Announces 2018 Interim Results**

Strengthens Global Synergies in Operations

Realizes Growth in Scale and Revenue

(Hong Kong, August 14 2018) – WH Group Limited (“WH Group” or the “Company”; HKEX:00288), the world’s largest pork company, today announced the annual results of the Company and its subsidiaries (the “Group”) for the six months ended June 30 2018 (the “Review Period”).

### **Highlights**

- Turnover increased by 4.8% to US\$ 11,169 million.
- Underlying operating profit decreased by 3.8% to US\$867million.
- Consolidated net profit increased 15.6% to US\$661 million.
- Underlying profit attributable to owners of the Company increased by 13.2% to US\$557 million.
- Company recommended an interim dividend of HK\$0.05 per share.

### **Overall Business Review**

In the first half of 2018, despite the impact of changes in trade dynamics, the Group leveraged its global presence in the industrial value chain and continued to achieve sustainable growth in revenue and business scope. The China business seized favorable industry and market opportunities and delivered solid profit growth. The fresh pork segment experienced significant growth and the packaged meats segment continued to realign its product portfolio. Profit in the U.S. fresh pork segment declined significantly due to an overabundant supply of meat in the market and trade tensions. The hog production segment rebounded and profit in the packaged meats segment grew steadily due to effective hedging and the advantage of the vertically integrated value chain. The European business continued to expand its scale and boost revenue through M&A. However, profit in the segment was down due to decreased hog price and increased expenses.

### **Business Segments Discussion**

#### **Packaged Meats**

In the first half of 2018, the performance of the packaged meats business was satisfactory on a company-wide basis. Sales volume increased by 2.8% to 1,603 thousand metric tons. The turnover in the packaged meat sector was US\$5,901 million, an increase of 6.9% year-on-year. The operating profit of packaged meats was US\$788 million, up by 14.9%.

Disregarding the downward trend in hog price, the average sales price of the packaged meats in each respective market went up due to product mix improvement. The revenue of packaged meats increased at different levels in the U.S., China and Europe.

For the China business, operating profit increased by 15% to US\$367 million compared with US\$319 million in the same period last year. The strong operating profit was driven mainly by favorable raw materials costs and volume growth. The relatively low hog prices during the Review Period supported the Group's move to increase inputs in product upgrade and marketing as well as helping it achieve a good margin. For the U.S. business, the operating profit of packaged meats increased by 10.7% to US\$394 million compared with US\$356 million in the same period last year. The key driving factors of the strong operating profit were product mix improvement as the Group was migrating volumes to high value-added categories, along with favourable raw material costs as pork prices were lower than that of the same period last year. However, inflationary pressure, particularly in wages and logistics costs, offset part of the increase in operating profit in the U.S. In Europe, operating profit of packaged meats increased significantly by 145.5% to US\$27 million. This was primarily due to the increase in sales price and volume. The operating objective will accelerate growth in Europe by continuous volume expansion and efficiency enhancement.

### **Fresh pork**

In response to the shifts in demand and supply and the resulting movements in hog prices, WH Group regulates levels of slaughtering activity and adjusts meat prices in each respective market from time to time, in order to maximize the profits. In the first half of 2018, the total number of hogs processed was 27,832 thousand heads, an increase of 7.3% year-on-year. Fresh pork turnover decreased 1.1% to US\$4,589 million, while the operating profit decreased from US\$245 million in the same period of last year to US\$93 million in the Review Period.

In China, market demand was supported by the low level of pork prices. Hog processing volume increased considerably by 30.4%. The Group's operating target is to capture more market share by continuous volume growth as it keeps improving the utilisation of existing facilities during the era of industry consolidation. In the U.S., the hog processing volume was 1.4% lower than that of the same period last year as the production scale was constrained by the unfavorable market fundamentals. In Europe, the number of hogs processed increased 8.5% from the same period last year to support the growth in packaged meats business and achieve the benefits of economies of scale. Like China, the increase in hog processing volume in Europe was also driven by the improvement in utilisation of the Group's existing facilities.

### **Hog production**

The vast majority of the Group's hog production business is in the U.S. and Europe. In the first half of 2018, the hog production volume increased by 1.3% to 10,127 thousand heads. Revenue from

hog production increased by 44.4% to US\$397 million due to increased grain sales and more favorable hedging results, partially offset by lower market prices for hogs. Operating profit reduced from US\$49 million from the same period last year to US\$22 million, as hog prices went down. On a positive note, the hedging program was able to mitigate the underlying business loss in the U.S. and resulted in an operating profit of US\$1 million in the first half of 2018 versus an operating loss of US\$21 million in the same period last year.

## **Outlook**

**WH Group Chairman and Chief Executive Officer Mr. Wan Long** said: “The operating landscape, affected by economic growth, consumers’ preference, industry cycle and epidemics, is always impacting our business. The recent exacerbated change of the dynamics in international relations is also influencing our business due to our global presence. WH Group has improved its global operations management through business integration and development over the past five years. As a consumer goods company, branded packaged meats is our core business. We will continue to innovate and realign our product portfolio and global trade strategy to mitigate the impact of trade dynamics and create long-term value for our shareholders !

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## **About WH Group Limited (HKEX stock code: 288)**

WH Group Limited is the largest pork company in the world with the top market share in China, the U.S. and all markets with operations in Europe. It owns many well-recognized and trusted brands and stands above the rest with global market leadership in all key segments of the pork value chain, including packaged meats, fresh pork and hog production. The Group conducts its operations through Henan Shuanghui Investment & Development Co., Ltd., the largest animal protein company in Asia, and Smithfield Foods, the largest pork company in the U.S. For more information, visit [www.wh-group.com](http://www.wh-group.com).

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