



萬洲國際
WH GROUP



2018 Annual Results

March, 2019

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01

2018 Highlights



Major Achievements



Despite the trade disputes, outbreak of African Swine Fever (ASF) in China, and the overabundant supply of meat in the US, the Group leveraged its global presence in the industrial value chain and achieved steady growth in business scale and revenue.

Continued its growth momentum in packaged meat business with both sales and profits hitting record highs.



The scale of slaughtering continued to grow with over 56 million heads in 2018, which further enhanced our influence on the global pork supply.

Maximized efficiency and reduced costs through continuous optimization of organization structure



Enhanced global production network through M&A and organic growth strategy

Consolidated Financials Overview

Key Operating Metrics

	2018	2017	Y-o-Y Change
Hogs produced ('000 heads)	20,953	20,226	3.6%
Hogs processed ('000 heads)	56,068	53,782	4.2%
Packaged meats external sales volume ('000 metric tons)	3,361	3,285	2.3%

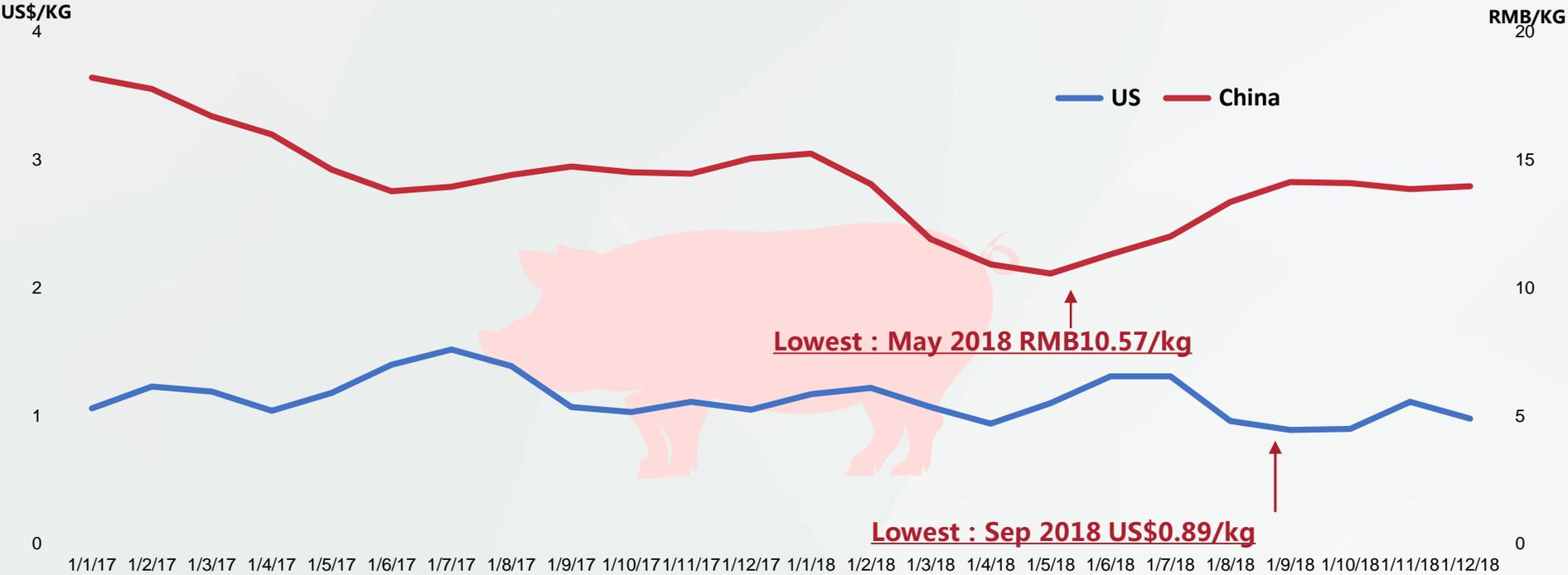
Key Financial Indicators

US\$ million except as noted	2018 ⁽¹⁾	2017 ⁽¹⁾	Y-o-Y Change
Turnover	22,605	22,379	1.0%
Underlying EBITDA ⁽¹⁾	2,106	2,348 ⁽³⁾	- 10.3%
Underlying Operating profit	1,650	1,861 ⁽³⁾	-11.3%
Underlying Profit attributable to owners of the Company ⁽¹⁾	1,046	1,090 ^{(2) (3)}	-4.0%
Basic earnings per share (US\$ cents) ⁽¹⁾	7.13	7.50 ^{(2) (3)}	-4.9%
Interim dividend per share (HK\$) (paid on Sep 12, 2018)	0.05	0.05	-
Proposed final dividend per share (HK\$)	0.15	0.22	-31.8%

Note:

- 1、 Before biological asset fair value adjustments
- 2、 Exclude net gain of US\$314Mn resulting from US tax reform
- 3、 Exclude US\$278Mn cost resulting from 2013 Share Award Plan

Hog Prices in China and U.S.



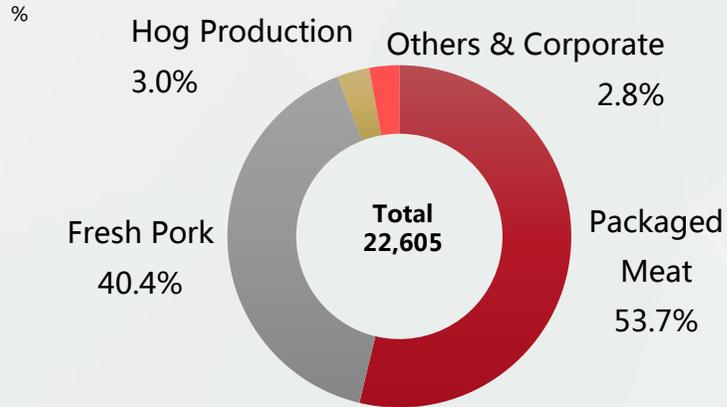
- In 2018, the average hog price in China was RMB13.0 per kilogram (“kg”), a reduction of 15.6% over 2017.
- In the U.S., the average hog price during the year of 2018 was US\$1.10 per kg, a reduction 9.0% over 2017.

Source: Chicago Mercantile Exchange and Ministry of Agriculture of the People’s Republic of China

Revenue and Operating Profit

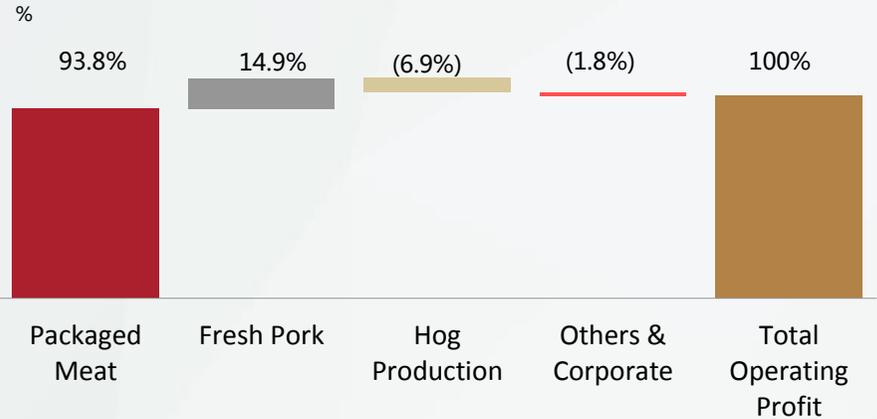
2018 Revenue by Business Segments ⁽¹⁾

US\$ million



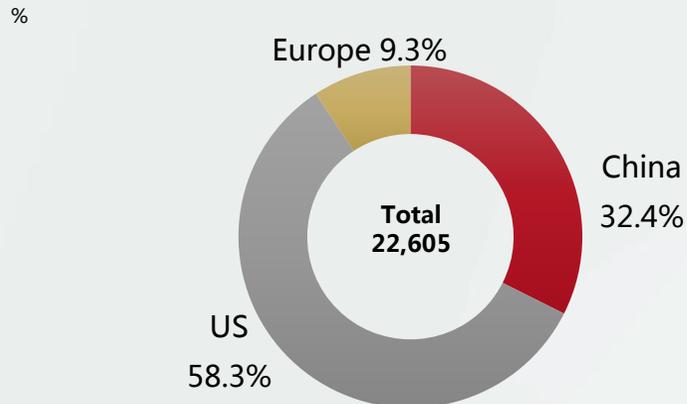
2018 Operating Profit by Business Segments ⁽²⁾

US\$ million



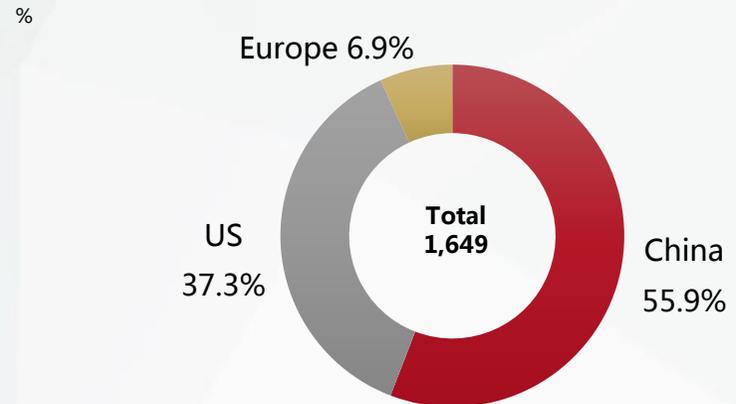
2018 Revenue by Region ⁽¹⁾

US\$ million



2018 Operating Profit by Region ⁽²⁾

US\$ million

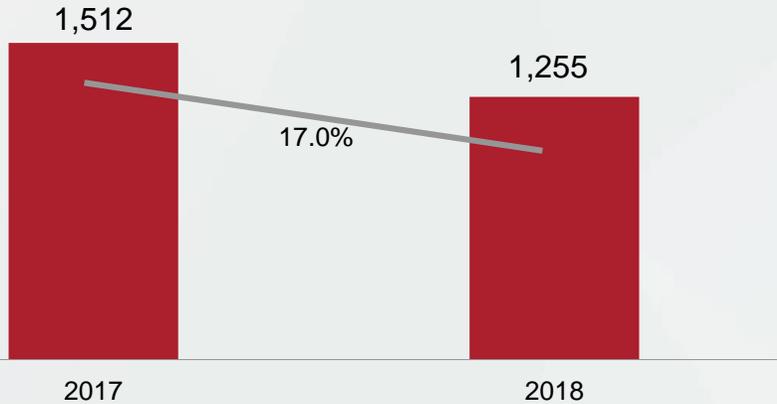


Note:
 1. External sales
 2. Before biological fair value adjustments

Cash Flows and Capital Structure

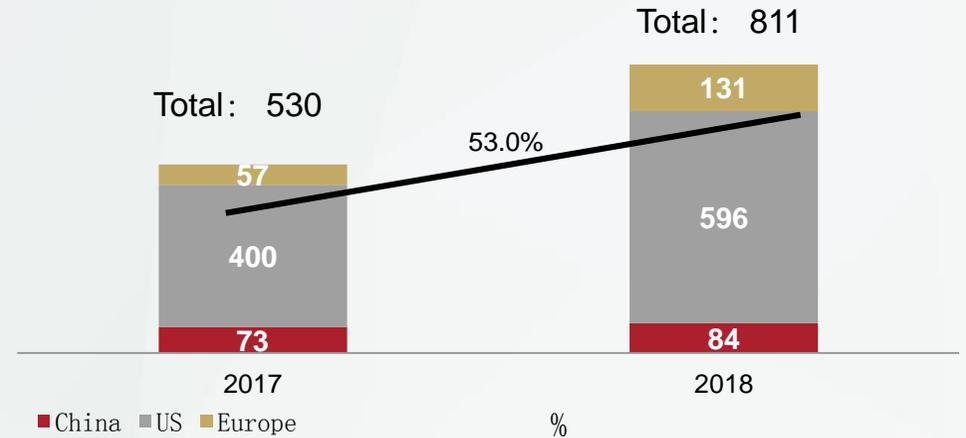
Operating Cash Flow

US\$ million



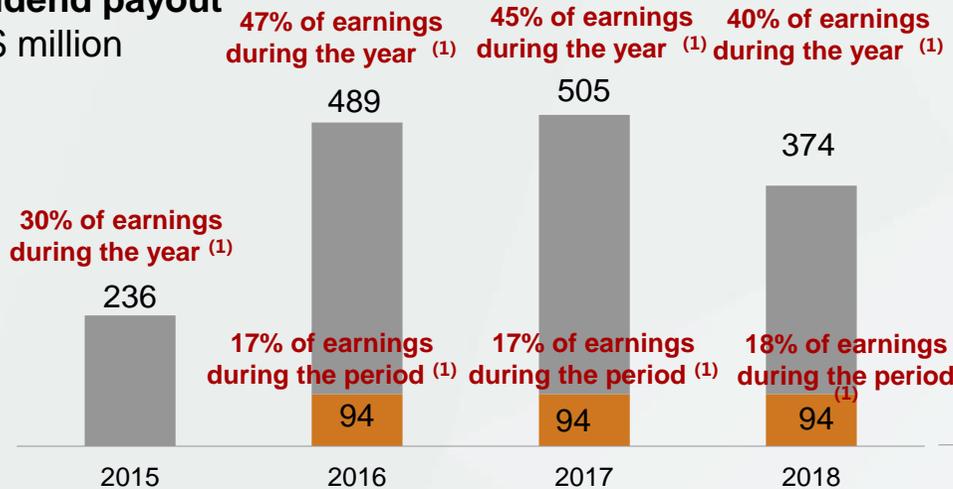
Capital Expenditures

US\$ million



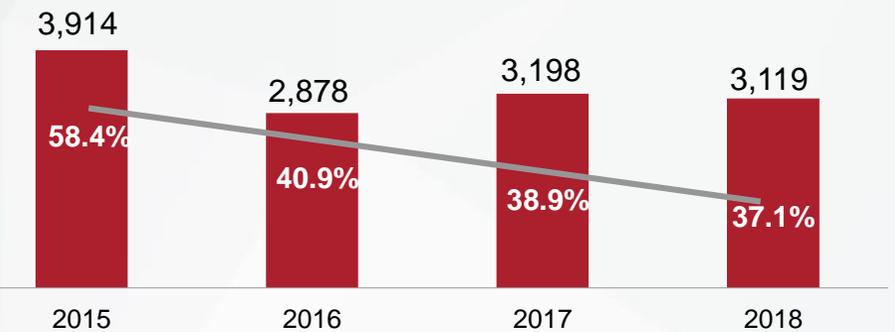
Dividend payout

US\$ million



Interest-bearing Debts & Gearing

US\$ million



Note :

1. Total dividend payout / profit attributable to owners of the company after biological fair value adjustments



02 2018 Business Review



Flavor hails from
Smithfield.

2018 Business Review - China



Growth in operation scale and achieved record profits.

Despite the impact of ASF, the fresh pork business experienced solid growth in scale and profits due to the advantages of the nationwide operational scale.

New product and channel development for packaged meats business yielded satisfactory results, resulting in continuous improvement in product portfolio and solid volume growth in new channels.

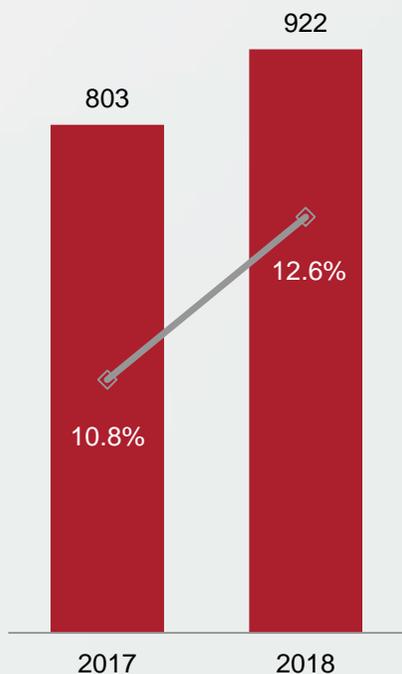
Built up a professional marketing team and systematic marketing management mechanism in order to improve marketing capabilities and implement new initiatives.



Growth in operation scale and achieved record profits

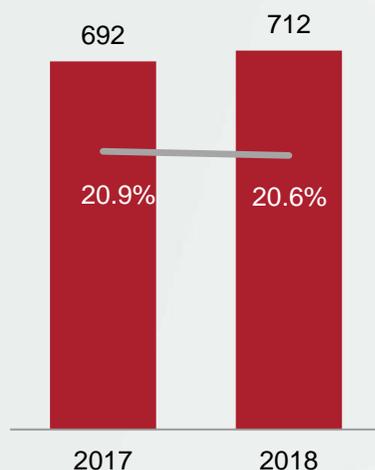
Underlying Operating Profit and Margin ⁽¹⁾

US\$ million



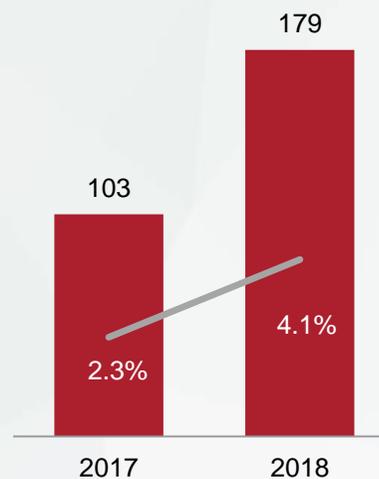
Packaged Meats ⁽²⁾

US\$ million



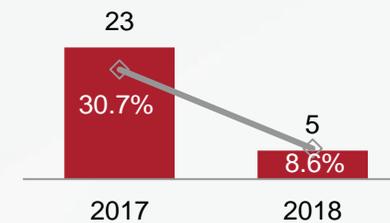
Fresh Pork ⁽²⁾

US\$ million



Hog Production ⁽²⁾

US\$ million



■ Underlying Operating Profit

◆ Operating Profit Margin

Note:

1. Percentage marked in white on the bars represent Underlying Operating Profit Margin = Underlying operating profit / external sales

2. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / internal and external sales

2018 Business Review – US and Europe



Profit in the packaged meats business across the US & Europe achieved record high with the advantage of the vertically integrated value chain and continuous enhancement of product mix.



Profits in the US fresh pork and the hog production businesses declined significantly due to an overabundant supply of meat in the market, as well as trade tensions.



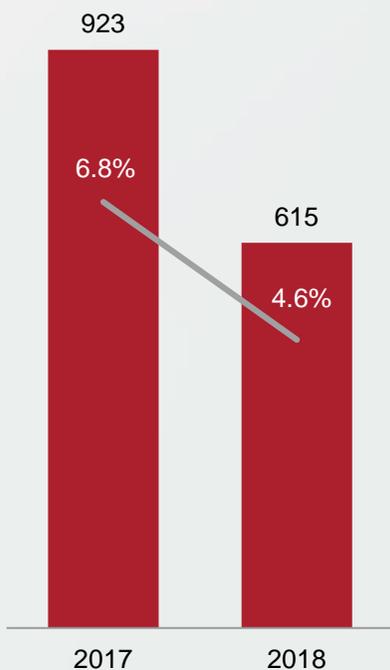
The European business significantly optimized its business portfolio and expanded its scale through M&A. However, profit in hog production declined significantly due to a decrease in hog price.



U.S. and European operations affected by the change in trade environment and industry dynamics

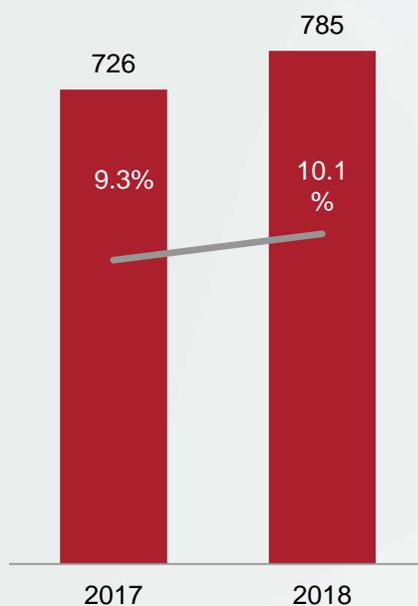
Operating Profit and Margin ⁽¹⁾

US\$ million



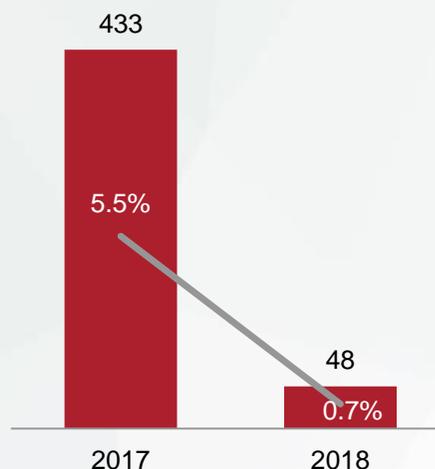
Packaged Meats ⁽²⁾

US\$ million



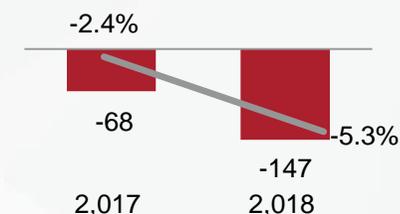
Fresh Pork ⁽²⁾

US\$ million



Hog Production ⁽²⁾

US\$ million



■ Operating Profit
— Operating Profit Margin

Note:

1. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / external sales
2. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / internal and external sales



U.S. and European operations affected by the change in trade environment and industry dynamics

Operating Profit and Margin ⁽¹⁾

US\$ million

Packaged Meats ⁽²⁾

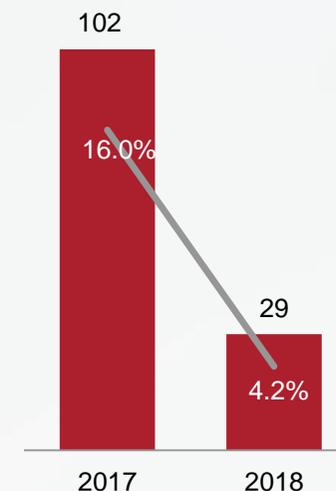
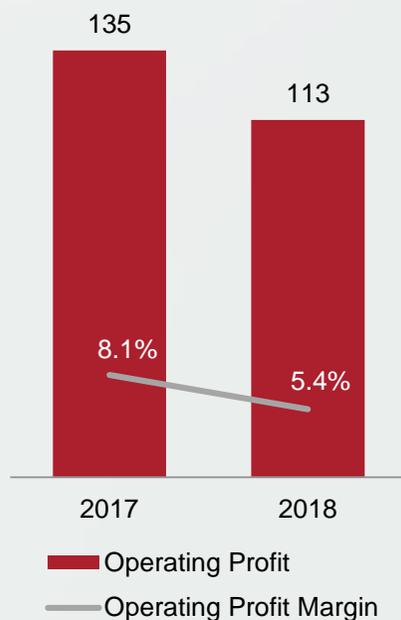
US\$ million

Fresh Pork ⁽²⁾

US\$ million

Hog Production ⁽²⁾

US\$ million



Note:

1. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / external sales
2. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / internal and external sales



03 Strategies and Outlook

Strategies and Outlook



Since the company was listed four years ago, the achievements of WH Group have highlighted the group's advantages and anti-risk capability. As a multi-regional consumer products company, the packaged meats segment has always been our core business. We believe the Group will further consolidate its global leading position and achieve sustainable growth by adhering to our strategies.



- Continue to implement the Earnings Improvement & Growth Plan.
- Accelerate the integration of newly acquired projects in Europe to achieve growth in operational scale and profitability.
- Boost business integration to tap internal potential and improve operational efficiency.
- Give full play to the advantages of the new management team and continue to drive growth through reform and innovation.
- Continue the strategy of “Optimization of product portfolio in the packaged meat segment and market expansion in the slaughtering segment”, and to accelerate product innovation and channel transformation to cope with the challenges in the market.
- Carry out industrial upgrade and logistics enhancement to improve operation and service efficiency. In addition, the group will enhance business scale and profitability through IT and digital transformation.
- Spare no effort to prevent and control ASF and avoid potential losses, and to achieve profit maximization through the advantages of our nationwide industrial platform in China.



04

Appendix





Product Innovation



High temperature products

- New starch-free Shuanghui Ham Sausage: King of the King
- Shuanghui sweet ham sausage-meat and corn mix
- Shuanghui refined king ham sausage



Low temperature products

- Marco Polo sausage low temperature series (Marco Polo·Venice Flavored Round Ham / Marco Polo ·Milan Flavor Sausage / Marco Polo ·Sandwich Ham / Marco Polo ·Vienna Flavor Sausage)
- Old-fashioned sausage launched by the Northeast market



Leisure Products : Salted / braised flavor eggs

Chinese Style Products :

Preserved meat / Braised vegetables series





Product Innovation



Meal Kits



All Natural Breakfast

Pure Farmland Bacon & Specialty Cuts



Lunchmeat



Regular Family Size Ham Slices

Holiday Ham

Pure Farmland & Smithfield Spiral Sliced



Specialty Cut



Biscuit breakfast sausages



Smithfield Pre-Rigor Breakfast Sausage and Bacon

Smithfield

2018 New Item Launches

Morliny BERLINKI

We came from Poland



Originally



Product Innovation



Thin sausages



Hot dogs



Dried products



Smoked



Semi



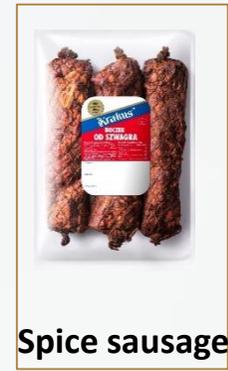
Formed hams



Convenience



Tender Hams



Spice sausages



Family Ham



THE WORLD'S LEADING PORK COMPANY

Unit 7602B

International Commerce Center

1 Austin Road West

Kowloon, Hong Kong