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WH Group Limited
萬洲國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 288)

UNAUDITED CONSOLIDATED QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2023

The board (the “**Board**”) of directors (the “**Directors**”) of WH Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2023 (the “**Period**”). This announcement is made by the Company on a voluntary basis to enhance the practice of good corporate governance and further promote the transparency and accountability of the Company.

HIGHLIGHTS

	Three months ended 31 March			
	2023		2022	
Packaged meats sold (thousand metric tons)	820		828	
Pork sold (thousand metric tons)	1,021		1,033	
	Three months ended 31 March			
	2023		2022	
	Results before biological fair value adjustments	Results after biological fair value adjustments	Results before biological fair value adjustments	Results after biological fair value adjustments
	US\$ million		US\$ million	
	(unless otherwise stated)		(unless otherwise stated)	
Revenue	6,743	6,743	6,555	6,555
EBITDA	528	546	848	1,083
Operating profit	365	365	642	642
Profit attributable to owners of the Company	174	194	395	579
Basic earnings per share (US cents)	1.36	1.51	3.08	4.51
			As at 31 March 2023	As at 31 December 2022
			US\$ million	US\$ million
Total assets			20,372	19,855
Equity attributable to owners of the Company			9,441	9,600

- Sales volume of packaged meats and pork decreased by 1.0% and 1.2% respectively.
- Revenue increased by 2.9%; Operating profit decreased by 43.1%.
- Profit attributable to owners of the Company, before biological fair value adjustments, decreased by 55.9%.
- Basic earnings per share, before biological fair value adjustments, decreased by 55.8%.

INDUSTRY OVERVIEW

As the largest pork company in the world, our business is closely tied to the hog industry in each market that we operate. Supply and demand drive the movements in prices for hogs and meat and consequently impact our inputs (costs) and outputs (sales). During the Period, the average hog price in the People’s Republic of China (“China”) was RMB15.70 (equivalent to approximately US\$2.29) per kilogram (“kg”), an increase of 12.0% from that of the three months ended 31 March 2022 (the “Comparable Period”), as supply kept growing during the Comparable Period. In the United States of America (the “U.S.”), the average hog price and pork cutout value for the Period decreased by 16.0% to US\$1.27 per kg and by 18.1% to US\$1.82 per kg, respectively as a result of soft demand. In Europe, the average carcass price of the member states of the European Union during the Period was Euro 2.19 (equivalent to approximately US\$2.35) per kg, an increase of 46.0% as compared to the Comparable Period as supply constrained by high production costs.

RESULTS OF OPERATIONS

	Three months ended 31 March 2023			
	Packaged meats⁽¹⁾	Pork⁽²⁾	Others⁽³⁾	Total
	<i>US\$ million</i>			
Revenue				
China	1,030	1,020	269	2,319
U.S. and Mexico	2,076	1,556	15	3,647
Europe	351	276	150	777
	<u>3,457</u>	<u>2,852</u>	<u>434</u>	<u>6,743</u>
Operating profit (loss)				
China	238	39	3	280
U.S. and Mexico	301	(218)	(21)	62
Europe	15	9	(1)	23
	<u>554</u>	<u>(170)</u>	<u>(19)</u>	<u>365</u>

Three months ended 31 March 2022

	Packaged meats ⁽¹⁾	Pork ⁽²⁾	Others ⁽³⁾	Total
	<i>US\$ million</i>			
Revenue				
China	1,061	939	200	2,200
U.S. and Mexico	2,233	1,479	16	3,728
Europe	287	212	128	627
	3,581	2,630	344	6,555
	3,581	2,630	344	6,555
Operating profit (loss)				
China	276	21	6	303
U.S. and Mexico	302	50	(11)	341
Europe	18	(26)	6	(2)
	596	45	1	642
	596	45	1	642

Notes:

- (1) Packaged meats represents production, wholesale and retail sales of packaged meat products.
- (2) Pork represents hog farming, slaughtering, wholesale and retail sales of fresh and frozen pork.
- (3) Others represents ancillary businesses and includes corporate expenses.

Packaged Meats

During the Period, sales volume of our packaged meats were 820 thousand metric tons, a decrease of 1.0% from that of the Comparable Period. In China, the increase of 3.1% in sales volume was mainly due to recovery of certain channels from pandemic controls. In the U.S., sales volume decreased by 6.1% mainly due to weakened demand. Sales volume in Europe increased by 3.8% primarily due to organic growth and a bolt-on acquisition. Revenue of our packaged meats during the Period decreased by 3.5% mainly due to the trade down effect and lower commodity pork values in the U.S.. Operating profit also decreased by 7.0%. In China, operating profit decreased by 13.8% over that of the Comparable Period due to negative impact of currency translation and increase in raw material costs. In the U.S., our operating profit stayed flat despite of reduced volume as the raw material costs was lower, and we adjusted our product mix and improved our operational efficiency. In Europe, operating profit decreased by 16.7% as we continued to experience higher raw material and utility costs.

Pork

Sales volume of pork decreased by 1.2% to 1,021 thousand metric tons in the Period. In China, the U.S. and Mexico, our sales volume remained stable. In Europe, sales volume decreased by 5.1% as the availability of live hogs was low. Revenue during the Period increased by 8.4% over that of the Comparable Period as pork prices increased in China and Europe. However, we recorded an operating loss of US\$170 million in the Period (Comparable Period: operating profit of US\$45 million). The loss was attributed to our business in the U.S., which had been challenged by unfavourable market conditions. Hog raising costs remained elevated while pork prices had been adversely impacted by softer consumer demand. The industry gross cut-out margin, or the spread between meat values (carcass cut-out published by the U.S. Department of Agriculture) and hog costs (lean hog index published by Chicago Mercantile Exchange, Inc.), also declined significantly during the Period. In contrast, our businesses in China and Europe improved in the Period as profitability of the sale of fresh products increased in China and the high level of pork prices resulting from insufficient supplies outweighed the increase in raw material costs in Europe.

OUTLOOK

In the U.S. and Europe, although commodity and energy prices have peaked, the elevated level of prices will continue to impact our costs of production for certain periods of 2023. Meanwhile, macro-economic headwinds have weakened consumer confidence and therefore weighed on demand in the U.S.. As a result, we expect the short-term financial performance of our Group will be under pressure. To meet these challenges, we will focus on optimizing our industrial value chain. We will rigorously continue to promote adjustment of product mix, manage prices and control costs. We will also leverage on our global presence to better deploy resources and create synergies. With the joint efforts of our global management team, we will strive for the best results amid the highly uncertain external environment.

REVIEW OF FINANCIAL INFORMATION

The Group's financial information for the three months ended 31 March 2023 is unaudited, but has been reviewed by the audit committee of the Board.

By order of the Board
WH Group Limited
Wan Long
Chairman

Hong Kong, 25 April 2023

As at the date of this announcement, the executive directors of the Company are Mr. WAN Long, Mr. GUO Lijun, Mr. WAN Hongwei, Mr. Charles Shane SMITH and Mr. MA Xiangjie; the non-executive director of the Company is Mr. JIAO Shuge; and the independent non-executive directors of the Company are Mr. HUANG Ming, Mr. LAU, Jin Tin Don and Ms. ZHOU Hui.