



(Stock Code: 288)

WH Group Announces 2017 Annual Results

Leverages on the Strength of Global Footprint
Realizes Growth in Scale and Profit

(Hong Kong, March 26, 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 year ended December 31, 2017.

Highlights

- Turnover increased by 3.9% to US\$22,379 million.
- Underlying operating profit increased by 4.1% to US\$1,861 million.
- Underlying profit attributable to owners of the Company increased by 7.5% to US\$1,090 million.
- Debt to equity ratio reduced significantly by 2pp to 38.9%.
- A final dividend of HK\$0.22 per share was recommended, bringing the total dividend payout for the year to HK\$0.27 per share.

Overall Business Review

In 2017, the Group continuously leveraged on the strength of global footprint, reinforced its leading position in the market and realized growth in scale and profit. WH Group became one of the Hang Seng Index constituents in 2017. For its China business, the overall performance remained stable and the sales volume of meat products continuously increased. The fresh pork business further diversified its sales channels and achieved business expansion, realizing improvement in both sales volume and profit. New product and new distribution channels development in packaged meat business made remarkable progress, creating a solid foundation for the product portfolio adjustment and volume expansion. In Europe and the U.S., the Group entered into management integration. Leveraging on the advantages of its industrial presence and brand, the business scale continuously improved, while the results in the U.S. and Europe hit a record high. Smithfield’s total pork export volume to global market continuously increased, maintaining the leading position in the industry in U.S.. The Group made several strategic acquisitions during the year, integrating the Group’s vertically integrated supply chain in local markets. The operating efficiency continued to improve, while the synergy effects kept strengthening.

Business Segments Discussion

Packaged Meats

In 2017, the sales volume of packaged meats increased by 1.5% to 3,285 thousand metric tons. The turnover in the packaged meat sector was US\$11,777 million, an increase of 6.3% y-o-y. The operating profit of packaged meats was US\$1,435 million, down by 2.7%, as a result of higher raw material costs.

For the China business, the Group was still in the process of transformation, while new products and new distribution channels performed well. Disregarding the factor generated from the exchange rate, the turnover of the China business increased by 0.7% and the operating product was US\$692 million. For the U.S. business, the sales volume and turnover of packaged meats increased by 3.3% and 9.6% respectively. After acquiring Clougherty, the inclusion of Farmer John in the Group's product portfolio contributed remarkably to its results. In Europe, the sales volume and turnover of packaged meats increased by 10.3% and 8.4% respectively. This was mainly attributable to internal growth, while the acquisition of Pini also made a remarkable contribution to the Group's business development in Europe.

Fresh pork

Through regulating levels of its slaughtering activity and adjusting meat prices in each respective market, WH Group effectively maximized the profit and enlarged the margin of its fresh pork business. In 2017, the total number of hogs processed was 53,782 thousand heads, an increase of 9.1% compared with 2016. The external sales volume of fresh pork during the year was 4,489 thousand metric tons, 8.2% more than 2016. The volume increased in both China and the U.S. at 11.6% and 5.2% respectively. Fresh pork turnover grew 3.8% to US\$9,526 million, while the operating profit remained stable at US\$547 million.

In China, the Group used improved consumer demand to capture more market share, and improved the utilization of its facilities. With the enlarged sales network, the operating profit in China increased by 5.1% to US\$103 million. In the U.S., hog processing volume was 8.0% higher compared with the previous year, a result of the acquisition of Clougherty and expansion of market demand. Both sales volume and sales price increased during the year, while turnover significantly increased by 11.7% to US\$4.961 million. In Europe, the level of hogs processed remained stable and the turnover increased by 24.7% to US\$677 million.

Hog production

The vast majority of the Group's hog production business is in the U.S. and Europe. In 2017, hog production volume increased by 5.4% to 20,226 thousand heads. The operating profit was US\$56 million, compared with a loss in 2016. The improvement of results in both the U.S. and Europe was primarily driven by the rise of hog prices in the local markets.

Outlook

WH Group Chairman and Chief Executive Officer Mr. Wan Long said: “WH Group’s global operation management continues to improve after more than 4 years of integration and development. We believe we can achieve remarkable results in the coming year. In 2018, we will continuously strengthen global operations and business management, promoting the synergic development of global business. We adhere to an internationalized development strategy and we have strengthened the strategic planning of business, expanding the operational scale and scope of business. In China, we are in the process of upgrade and transformation of our packaged meats. We will increase our efforts in product innovation and marketing to drive volume expansion. In U.S., we have already achieved substantial growth for some years. Going forward, we will deepen our “Earnings Improvement & Growth Plan” to excavate our internal potential and further enhance our profitability. In Europe, following the completion of our acquisitions in 2017, we have removed the limitation relating to its scale and facilities. We will accelerate the integration process to incarnate the competitive advantages of that region. ”

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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.

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