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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
MARCH 31, 2017

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 March 31, 2017 (“**Q1 2017**” or 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

	Q1 2017		Q1 2016	
Key operating data				
Hogs produced (million heads)	5.20		4.76	
Hogs processed (million heads)	13.03		12.60	
Packaged meats sold (million metric tons)	0.76		0.76	
	Q1 2017 Results before biological fair value adjustments US\$ million (unless otherwise stated)		Q1 2016 Results before biological fair value adjustments US\$ million (unless otherwise stated)	
Key financial data				
Turnover	5,319	5,319	5,156	5,156
EBITDA	538	561	523	624
Operating profit	418	418	409	409
Profit attributable to owners of the Company	204	218	225	290
Basic earnings per share (US cents)	1.49	1.59	1.65	2.12
		As at March 31, 2017		As at December 31, 2016
Total assets (US\$ million)		14,060		13,611
Equity attributable to owners of the Company (US\$ million)		6,645		6,316

FINANCIAL RESULTS

In the Period, turnover of the Group was US\$5,319 million, up 3.2% as compared to the three months ended March 31, 2016 (“Q1 2016” or the “Comparable Period”). Operating profit was US\$418 million, an increase of 2.2% over that of the Comparable Period. Disregarding any biological fair value adjustments and the non-recurrent debt extinguishment costs of US\$70 million and related tax of US\$26 million incurred during the Period for the refinancing of certain existing indebtedness, the underlying profit attributable to owners of the Company was US\$248 million, 10.2% higher than that of the Comparable Period.

INDUSTRY OVERVIEW

As the largest pork company in the world, our business is closely tied with the hog industry in each market that we operate. Supply and demand drive the movement in prices of hog and meat and consequently impact our inputs (costs) and outputs (sales). During the Period, the average hog price in China was RMB17.6 (equivalent to approximately US\$2.6) per kilogram (“kg”), a decrease of 4.0% from that of the Comparable Period as a result of increase in market supply. On the other hand, the average hog price in the U.S. for the Period was US\$1.2 per kg, an increase of 10.5% from that of the Comparable Period, as the net effect of increased hog production and surge in exports of fresh pork.

RESULTS OF OPERATIONS

	Packaged meats <i>US\$ million</i>	Fresh pork <i>US\$ million</i>	Hog production <i>US\$ million</i>	Others <i>US\$ million</i>	Total <i>US\$ million</i>
For the 3 months ended March 31, 2017					
Turnover⁽¹⁾					
China	750	962	3	49	1,764
U.S.	1,825	1,233	153	–	3,211
Others ⁽²⁾	130	149	10	55	344
	<u>2,705</u>	<u>2,344</u>	<u>166</u>	<u>104</u>	<u>5,319</u>
Operating profit⁽³⁾					
China	141	20	8	(10)	159
U.S.	176	104	(16)	(30)	234
Others ⁽²⁾	6	(1)	21	(1)	25
	<u>323</u>	<u>123</u>	<u>13</u>	<u>(41)</u>	<u>418</u>

	Packaged meats <i>US\$ million</i>	Fresh pork <i>US\$ million</i>	Hog production <i>US\$ million</i>	Others <i>US\$ million</i>	Total <i>US\$ million</i>
For the 3 months ended March 31, 2016					
Turnover⁽¹⁾					
China	814	1,080	3	50	1,947
U.S.	1,745	1,006	152	–	2,903
Others ⁽²⁾	134	114	8	50	306
	<u>2,693</u>	<u>2,200</u>	<u>163</u>	<u>100</u>	<u>5,156</u>
Operating profit⁽³⁾					
China	199	14	9	(13)	209
U.S.	204	100	(84)	(28)	192
Others ⁽²⁾	10	(1)	(1)	–	8
	<u>413</u>	<u>113</u>	<u>(76)</u>	<u>(41)</u>	<u>409</u>

Notes:

- (1) Turnover refers to net external sales.
- (2) Others primarily includes sales of ancillary products and services, as well as certain corporate expenses.
- (3) Operating profit represents the profit earned by each segment before biological fair value adjustments without allocation of other income not attributed to the respective segment, other gains and losses, finance costs and share of results of associates and joint ventures.

Packaged Meats

During the Period, sales volume of our packaged meats remained stable at 0.76 million metric tons. Operating profit of our packaged meats in the Period decreased by 21.8% over that of the Comparable Period. The decline was primarily associated with the higher average raw material costs in all markets.

Fresh Pork

Total number of hogs processed in the Period slightly increased by 3.4%. External sales volume of fresh pork during the Period was 1.12 million metric tons, 9.6% more than that of the Comparable Period. Volume expansion was partially due to the increment brought in by the acquisition of Clougherty Packing, LLC (see section headed “Acquisition” below for details). Operating profit rose 8.8% to US\$123 million in the Period as we were able to foster our sales of competitive imported pork in China. The profitability in the U.S., on the other hand, was relatively flat as strong exports and domestic demand absorbed much of the increase in hog prices.

Hog Production

In the Period, hog production volume increased by 9.2%. Turnover increased by 1.8% over that of the Comparable Period. The vast majority of our hog production business is in the U.S., therefore, the increase in operating profit of US\$89 million were primarily driven by the changes in hog prices and our hedging results in the U.S. Our hog production business in China in the Period maintained almost the same as that of the Comparable Period.

ACQUISITION

On January 3, 2017, the Group completed the acquisition of Clougherty Packing, LLC from Hormel Foods Corporation for a final purchase price of US\$134.6 million. Through this acquisition, the Group added the Farmer John and Saag's Specialty Meats brands, as well as two processing facilities, three farms, and approximately 2,000 employees. This acquisition provides the Group with an enhanced supply chain and has expanded the Group's operations, product portfolio and consumer base.

REFINANCING

On February 1, 2017, the Group completed the issuance of US\$1,400 million aggregate principal amount of senior unsecured notes, which is comprised of US\$400 million principal amount of 2.700% senior notes due 2020, US\$400 million principal amount of 3.350% senior notes due 2022 and US\$600 million principal amount of 4.250% senior notes due 2027 (Collectively, the "**New Notes**"). On February 17, 2017, the Group also entered into a credit agreement, which consists of US\$1,000 million of senior unsecured revolving facility and US\$500 million of senior unsecured term loan, with a bank group (the "**New Credit Facility**"). The net proceeds from the New Notes and the term loan portion of the New Credit Facility were used to refinance part of the Group's existing debts to reduce future finance costs and improve debt maturity profile. Therefore, on February 1, 2017, we completed the tender offer to repurchase US\$360 million of the 7.750% senior notes due 2017, leaving a remaining balance of US\$81 million which will be repaid at maturity on July 1, 2017. On February 21, 2017, we redeemed all of the aggregate principal amount of the outstanding 5.250% senior notes due 2018, 5.875% senior notes due 2021 and 6.625% senior notes due 2022. As a result of these refinancing activities, the Group recorded a loss before tax on debt extinguishment of US\$70 million in the Period but will also benefit from certain interest savings in the following years since 2017.

OUTLOOK

Excluding the negative impact of the non-recurrent debt extinguishment costs, the Group achieved solid growth in the Period. Although in future the global political economic climate as well as the industry environment will bring both opportunities and threats to us from time to time, we will continue to strive for unceasing growth by resources integration, volume expansion and operational improvement.

REVIEW OF FINANCIAL INFORMATION

The Group's financial information for the three months ended March 31, 2017 is unaudited, but has been reviewed by the audit committee of the Company.

By Order of the Board
WH Group Limited
Wan Long
Chairman and Chief Executive Officer

Hong Kong, April 27, 2017

As at the date of this announcement, the executive Directors are Mr. WAN Long, Mr. GUO Lijun, Mr. ZHANG Taixi, Mr. SULLIVAN Kenneth Marc and Mr. YOU Mu; the non-executive Director is Mr. JIAO Shuge; and the independent non-executive Directors are Mr. HUANG Ming, Mr. LEE Conway Kong Wai and Mr. LAU, Jin Tin Don.