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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 NINE MONTHS ENDED
SEPTEMBER 30, 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 nine months ended September 30, 2017 (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

	Nine Months Ended September 30			
	2017		2016	
Key operating data				
Hogs produced (thousand heads)		14,892		14,084
Hogs processed (thousand heads)		39,279		36,007
Packaged meats sold (thousand metric tons)		2,374		2,344
		<hr/>		<hr/>
	Nine Months Ended September 30			
	2017		2016	
	Results before biological fair value adjustments	Results after biological fair value adjustments	Results before biological fair value adjustments	Results after biological fair value adjustments
	<i>US\$ million</i>		<i>US\$ million</i>	
	<i>(unless stated otherwise)</i>			
Key financial data				
Turnover	16,285	16,285	15,775	15,775
EBITDA	1,752	1,681	1,666	1,549
Operating profit	1,379	1,379	1,282	1,282
Profit attributable to owners of the Company	779	732	741	679
Basic earnings per share (US cents)	5.70	5.35	5.42	4.97
		<hr/>		<hr/>
			As at September 30, 2017	As at December 31, 2016
			<i>US\$ million</i>	
Total assets			14,482	13,611
Equity attributable to owners of the Company			6,837	6,316
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FINANCIAL RESULTS

In the Period, turnover of the Group was US\$16,285 million, up 3.2% as compared to that of the nine months ended September 30, 2016 (the “Comparable Period”). Operating profit was US\$1,379 million, an increase of 7.6% over that of the Comparable Period. Disregarding any biological fair value adjustments and the non-recurrent debt extinguishment costs of US\$70 million and the related tax effect of US\$26 million incurred during the Period for the Refinancing (as defined hereinafter), the underlying profit attributable to owners of the Company was US\$823 million, 11.1% 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 RMB15.6 (equivalent to approximately US\$2.3) per kilogram (“kg”), a decrease of 18.3% 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\$1.23 per kg, an increase of 7.0% from that of the Comparable Period, in view of robust demand.

RESULTS OF OPERATIONS

	Packaged meats <i>US\$ million</i>	Fresh pork <i>US\$ million</i>	Hog production <i>US\$ million</i>	Others ⁽⁴⁾ <i>US\$ million</i>	Total <i>US\$ million</i>
Nine Months Ended					
September 30, 2017					
Turnover ⁽¹⁾					
China	2,489	2,796	8	165	5,458
U.S.	5,560	3,742	328	–	9,630
Europe ⁽²⁾	476	503	34	184	1,197
	8,525	7,041	370	349	16,285
Operating profit ⁽³⁾					
China	528	76	19	(22)	601
U.S.	488	276	(1)	(93)	670
Europe ⁽²⁾	14	3	90	1	108
	1,030	355	108	(114)	1,379

	Packaged meats <i>US\$ million</i>	Fresh pork <i>US\$ million</i>	Hog production <i>US\$ million</i>	Others ⁽⁴⁾ <i>US\$ million</i>	Total <i>US\$ million</i>
Nine Months Ended September 30, 2016					
Turnover ⁽¹⁾					
China	2,545	3,107	11	151	5,814
U.S.	5,084	3,339	505	–	8,928
Europe ⁽²⁾	455	390	25	163	1,033
	<u>8,084</u>	<u>6,836</u>	<u>541</u>	<u>314</u>	<u>15,775</u>
Operating profit ⁽³⁾					
China	551	71	31	(27)	626
U.S.	507	234	(37)	(90)	614
Europe ⁽²⁾	27	(18)	35	(2)	42
	<u>1,085</u>	<u>287</u>	<u>29</u>	<u>(119)</u>	<u>1,282</u>

Notes:

- (1) Turnover refers to net external sales.
- (2) Europe denotes mainly our operations in Poland and Romania.
- (3) Operating profit represents the profit earned by each reportable segment before biological fair value adjustments, other income and expenses not attributed to the respective segment, other gains and losses, finance costs and share of results of associates and joint ventures.
- (4) Others primarily includes sales of ancillary products and services, as well as certain corporate expenses.

Packaged Meats

During the Period, sales volume of our packaged meats increased by 1.3% as a result of the growth in U.S. and Europe markets. Operating profit of our packaged meats in the Period, however, decreased by 5.1% over that of the Comparable Period. The decline was associated with the higher raw material costs in U.S. and Europe as well as the adverse effect generated from the exchange rates applied in reporting the RMB-denominated business in US\$.

Fresh Pork

Total number of hogs processed in the Period increased by 9.1%. External sales volume of fresh pork during the Period was 3,296 thousand metric tons, 9.4% more than that of the Comparable Period. The increase in sales volume was the result of production expansion in all markets and the increment brought in by the Acquisition of Clougherty (as defined hereinafter). Operating profit also rose 23.7% primarily due to the contribution of our U.S. and Europe operations. Profitability in U.S. was strong and operations in Europe turned around as pork prices were high with the benefit of exports.

Hog Production

In the Period, hog production volume increased by 5.7% and operating profit rose 3.7 times from that of the Comparable Period as a result of the significant increase in our U.S. and Europe operations. Such increases were primarily driven by the movement of hog prices in each of their respective markets.

ACQUISITION

On January 3, 2017, the Group completed the acquisition of an integrated producer and processor of pork products in U.S., which operates various brands including Farmer John (“**Acquisition of Clougherty**”). The Acquisition of Clougherty expands and strengthens the Group’s vertically integrated supply chain with existing profitable fresh pork and packaged meats businesses. As Farmer John is the leading brand of bacon and fresh sausage in California, the Acquisition of Clougherty also provides the Group with an immediate entry into the U.S. West Coast market and further solidifies the Group’s image as a premium pork products producer and processor.

On June 1, 2017, the Group completed the acquisitions of three meat companies in Poland which comprised of a meat processing and packaging plant, a case ready meat plant and a chicken processing plant which is currently under development. On July 28, 2017, the Group also acquired 33.5% interest in a hog slaughterhouse in Poland and agreed to acquire the remaining 66.5% interest conditional upon approval from regulatory authorities (“**Acquisition of Pini**”). The Acquisition of Pini aligns with the strategic growth plans of the Group by strengthening its vertically-integrated supply chain in resourceful regions and increasing its production of high-quality packaged meats products. It is also expected to help our business in Poland to become more competitive in Europe and globally.

On September 25, 2017, the Group entered into a share purchase agreement to acquire Elit SRL and Vericom SRL in Romania (“**Acquisition of Elit and Vericom**”), which operates three packaged meats manufacturing facilities, five distribution centers and certain related assets. The Acquisition of Elit and Vericom (conditional upon approval from regulatory authorities) will give the Group a leading position in the Romanian packaged meats market with a branded portfolio of higher margin products.

MAJOR FINANCING ACTIVITIES

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 aggregate principal amount of 2.700% senior notes due 2020, US\$400 million aggregate principal amount of 3.350% senior notes due 2022 and US\$600 million aggregate 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 its 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 (“**2017 Notes**”). 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. On July 1, 2017, we fully repaid the remaining balance of US\$81 million of the 2017 Notes at maturity (“**Refinancing**”).

On October 3, 2017, the Group completed the issuance of US\$400 million aggregate principal amount of 2.650% senior notes due 2021. The net proceeds were primarily used to repay our borrowings on the existing revolving facility to strengthen liquidity.

OUTLOOK

The Group achieved solid growth in the Period. Although in the 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 nine months ended September 30, 2017 and the Comparable Period 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, October 30, 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.