



(Stock Code: 288)

WH Group Announces 2018 Annual Results

Optimizes Product Mix and Distribution Channels
Increases Production Capacity to Strengthen Leading Position in Global Pork Market



From left to right: Luis Chein (Director), Joanna Yan (Financial Director), Glenn T. Nunziata (CFO of Smithfield Foods), Guo Lijun (Executive Director, Executive Vice President and CFO), Wan Long (Chairman and CEO), Ma Xiangjie (President of Shuanghui Development), Liu Songtao (Executive Vice President and CFO of Shuanghui Development) .

(Hong Kong, March 15, 2019) – 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, 2018.

Highlights

- Revenue increased by 1% to US\$22,605 million.
- Underlying operating profit decreased by 11.3% to US\$1,650 million.

- Underlying profit attributable to owners of the Company decreased by 4% to US\$1,046 million.
- A final dividend of HK\$0.15 per share was recommended, bringing the total dividend payout for the year to HK\$0.20 per share.

Overall Business Review

In 2018, despite international geopolitical tensions, the deterioration of the global trade situation, and the outbreak of African Swine Fever (“ASF”) in China and some parts of Europe, the major segments of WH Group managed to expand their business scale. The profit attributable to owners for the year was US\$1,046.5 million, a decrease of 4% year-on-year. This was mainly due to the negative impact of the Group’s trade in fresh pork in the U.S., which was caused by trade disputes between the U.S. and China and Mexico. However, the performance of our China business and the global business of packaged meats recorded impressive results, with operating profit up 7.8% year-on-year to US\$1.547 billion. The increase highlights the two major advantages of the Group: its global presence and vertically integrated industrial chains.

Performances of Business Segments

Packaged Meats

In 2018, the packaged meats business performed well. The sales volume of packaged meats increased by 2.3% to 3,361 thousand metric tons. The revenue of packaged meats increased by 3.1% year-on-year to US\$12,147 million. Operating profit was US\$1,547 million in 2018, up 7.8% year-on-year. During the year, the average sales price of packaged meats went up in China and Europe due to the improvement of product mix.

The operating profit of our China business increased from US\$692 million to US\$712 million, an increase of 2.9% year-on-year. The strong operating profit was driven mainly by higher sales prices and favorable raw materials costs. The relatively low hog prices during the year supported the Group’s move to increase its investment in product upgrade and marketing to achieve a good margin. In the U.S. business, the improvement of product mix and the favorable raw material costs generated a strong operating profit. The operating profit increased from US\$726 million to \$785 million, up 8.1% year-on-year. In the Europe business, the operating profit increased significantly by 194.1% to US\$50 million, and operating profit margins also improved. The Group’s sales price and sales volume in the European market both increased as a result of continued expansion of volume and enhanced efficiency to accelerate growth in Europe.

Fresh pork

In response to the shifts in demand and supply and the resulting fluctuations in hog prices, WH Group regulates the levels of its slaughtering activity and adjusts meat prices in each respective

market from time to time, in order to maximize profits. In 2018, the total number of hogs processed was 56,068 thousand heads, an increase of 4.3% year-on-year. The revenue of fresh pork decreased by 4.1% to US\$9,136 million, while the operating profit was US\$246 million.

In China, the hog processing volume increased by 14.3% to 16,306 thousand heads during the year and the operating profit increased from US\$103 million to US\$179 million, up 73.8% year-on-year. In 2018, the Group took advantage of the low hog prices to expand its production and distribution network. After the outbreak of ASF, leveraging on its widely established facilities and cold-chain logistics network across China, the Group seized the opportunities from the dislocation of regional supply and demand to capture more market share through continuous volume expansion. In the U.S., the hog processing volume was lower by 1.4% compared with last year as the scale was constrained by unfavorable market fundamentals. In Europe, the number of hogs processed increased by 14.6% in 2018, achieving benefits of economies of scale. Like China, the increase in hog processing volume in Europe was also achieved by the improvement in utilisation of the existing facilities.

Hog production

The vast majority of the Group's hog production business is in the U.S. and Europe. In 2018, the hog production volume increased by 3.6% to 20,953 thousand heads. Revenue from hog production increased by 20.3% to US\$688 million while an operating loss of US\$113 million was recorded. The results of the year were primarily driven by the net impact of the reduction in hog prices and the gain from the hedging programs in the U.S.

Outlook

WH Group Chairman and Chief Executive Officer Mr. Wan Long said: "Looking to the near future, 2019 will be a year full of challenges and opportunities. As a consumer goods company with branded packaged meats as our core business, we are confident that we will tackle the challenges by leveraging our global presence and vertically integrated industrial chains to achieve continuous growth in both business scale and profitability. In China, we will continue to expand the production of fresh pork, adjust the packaged meats product mix, and respond appropriately to the change of consumers' preference. We will also leverage our widely distributed production facilities and leading cold-chain logistics in China to accelerate the industrial transformation and upgrading, further enhancing our competitiveness. In the U.S., we have been investing in the modernization of the factory and the establishment of the supply chain to enhance our competitiveness and achieve sustainable growth of the entire industrial chain based on the continuous improvement of the packaged meats business. In Europe, the second largest pork market in the world, we are well aware that this is an important development area in the future. After the previous M&A projects, we have achieved capacity expansion and will continue to strengthen and integrate resources to drive

the rapid growth of the European market. Looking to the future, WH Group will firmly implement its strategies by strengthening global operations and business management through resource integration and maximizing synergies among our diversified business to consolidate our global-leading position, and continue to create higher value for our shareholders.”

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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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