



2016 Annual Results



Leveraging Competitive Advantages · Growing For The Future



March 2017

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2016 Highlights

Major Achievements



1

Debuted in the Fortune Global 500 List and continued to solidify industry leading position

Achieved strong growth and record results in China and the U.S.

2

3

Realized synergies on a global scale and expanded export trades significantly

Officially launched Smithfield packaged meat products and adopted dual-brand strategy for China business

4

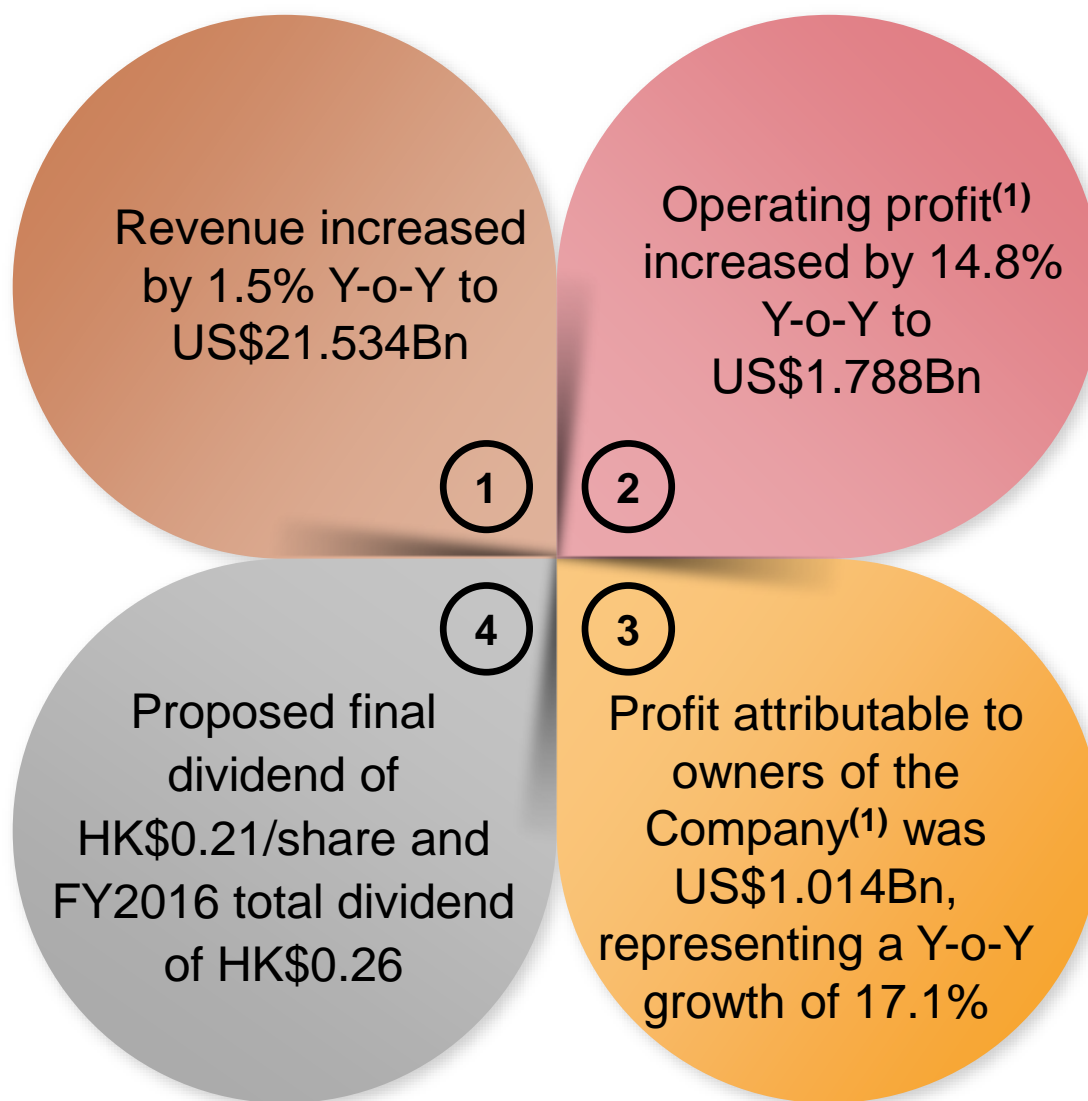
5

Maximized efficiency, reduced costs and enhanced profitability

Continued to reduce debts and optimize capital structure; assigned investment grade ratings by three international rating agencies

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Financial Highlights



Note:

1. Before biological asset fair value adjustments



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2016 Financial Summary

Consolidated Financials Overview



Key Operating Metrics

	2016 Full-Year ⁽¹⁾	2015 Full-Year ⁽¹⁾	Y-o-Y Change
Hogs produced ('000 heads)	19,184	19,077	0.6%
Hogs processed ('000 heads)	49,286	48,335	2.0%
Packaged meats external sales volume ('000 metric tons)	3,219	3,183	1.1%

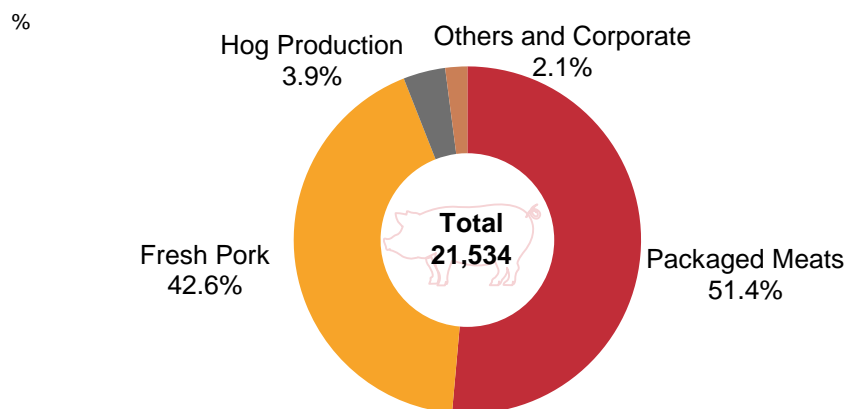
Key Financial Indicators

US\$ million except as noted	2016 Full-Year ⁽¹⁾	2015 Full-Year ⁽¹⁾	Y-o-Y Change
Revenue	21,534	21,209	1.5%
EBITDA ⁽¹⁾	2,238	2,044	9.5%
Operating profit ⁽¹⁾	1,788	1,557	14.8%
Profit attributable to owners of the Company ⁽¹⁾	1,014	866	17.1%
Basic earnings per share (US\$ cents) ⁽¹⁾	7.42	6.34	17.0%
Interim dividend per share (HK\$) (paid on Sep 20 th , 2016)	0.05	-	N/A
Proposed final dividend per share (HK\$)	0.21	0.125	68.0%

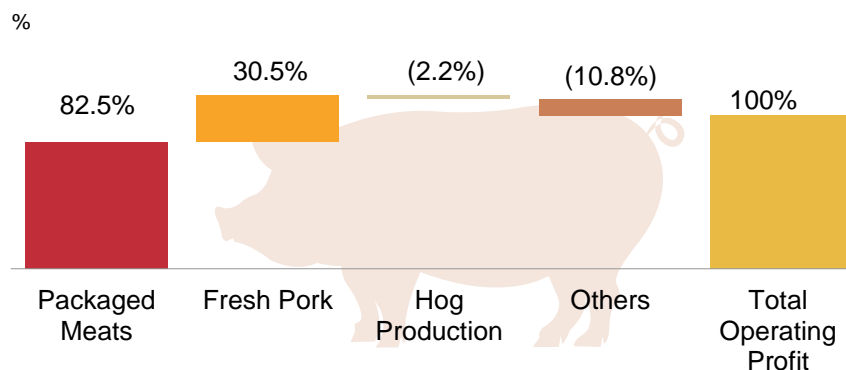
Packaged Meats is Our Core Business



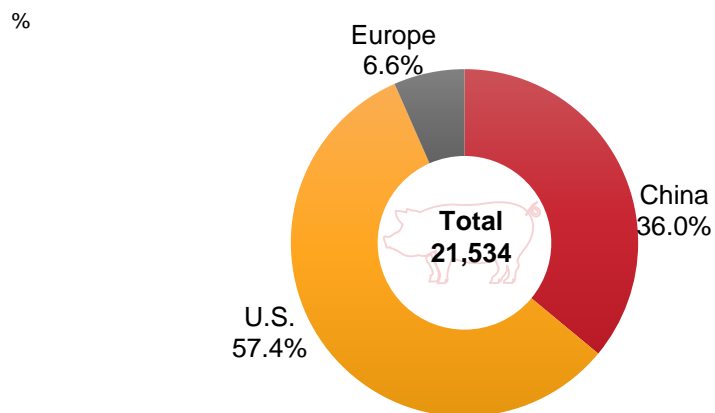
2016 Revenue by Business Segments (1)



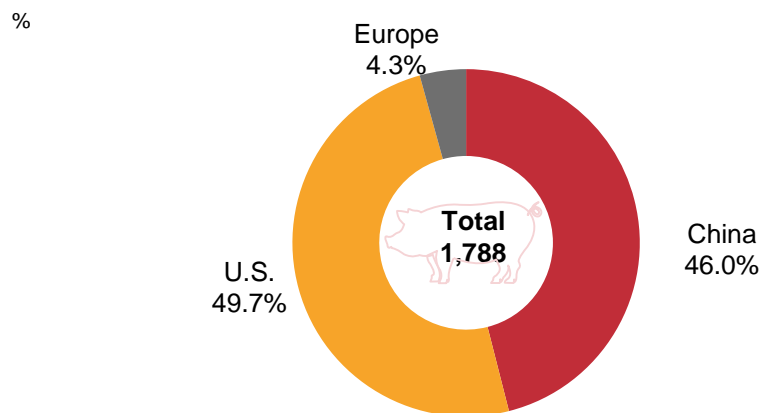
2016 Operating Profit by Business Segments(2)



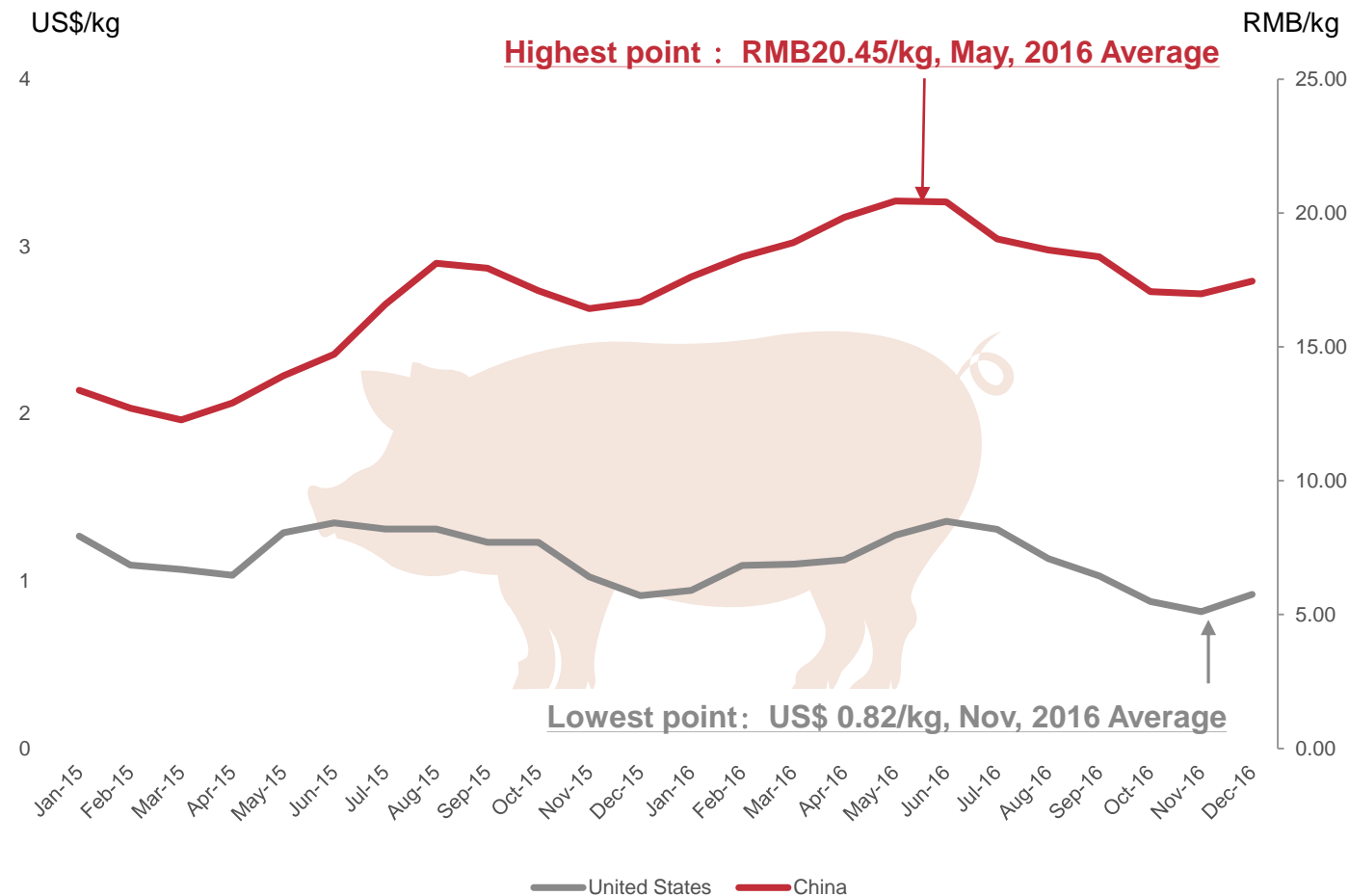
2016 Revenue by Region (1)



2016 Operating Profit by Region (2)



Hog Prices in China and U.S. During 2015 and 2016



- The pork prices in China are reflections of the supply and demand of hogs in the market. In 2016, the average hog price in China was RMB18.6 (approximately US\$2.8) per kilogram (“kg”), a surge of 22.1% over 2015
- In the U.S., the average hog price during the year of 2016 was US\$1.1 per kg, a decrease of 7.6% over 2015

Source: Chicago Mercantile Exchange and Ministry of Agriculture of the People’s Republic of China



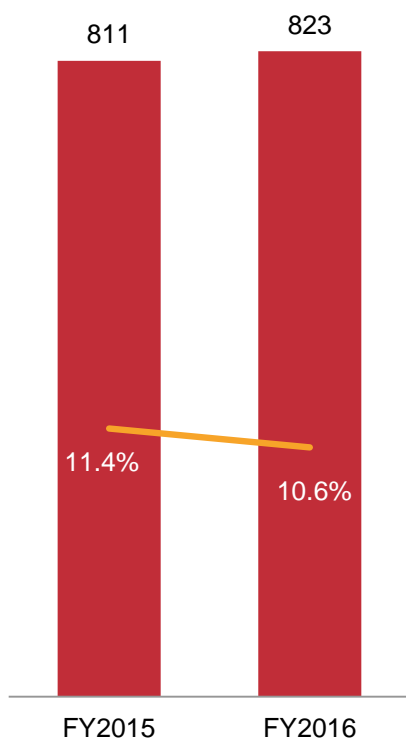
Financial Highlights - China

Profit Growth Continued



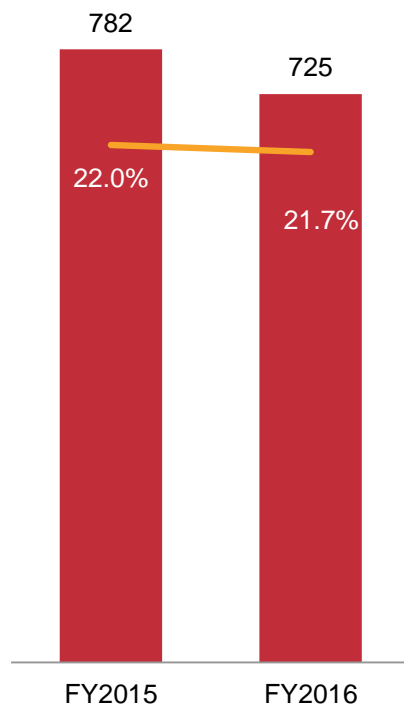
Operating Profit and Margin ⁽¹⁾

US\$ million



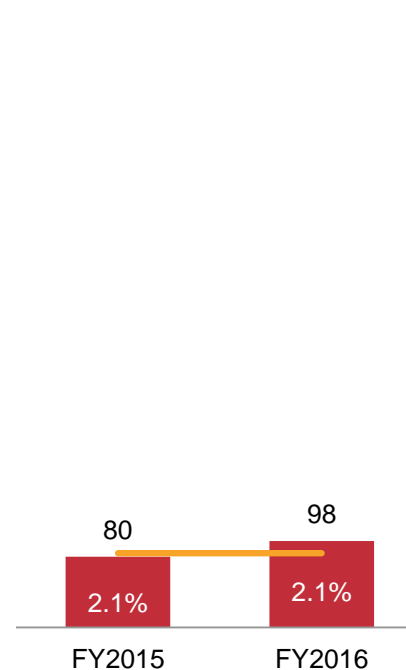
Packaged Meats⁽²⁾

US\$ million



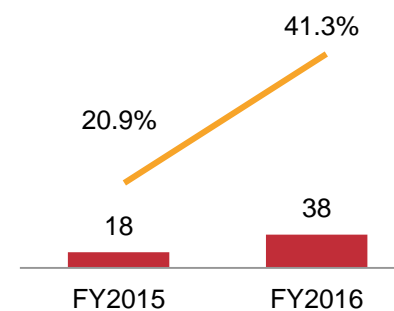
Fresh Pork ⁽²⁾

US\$ million



Hog Production ⁽²⁾

US\$ million



Operating profit margin

Note:

1. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / external sales
2. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / internal and external sales



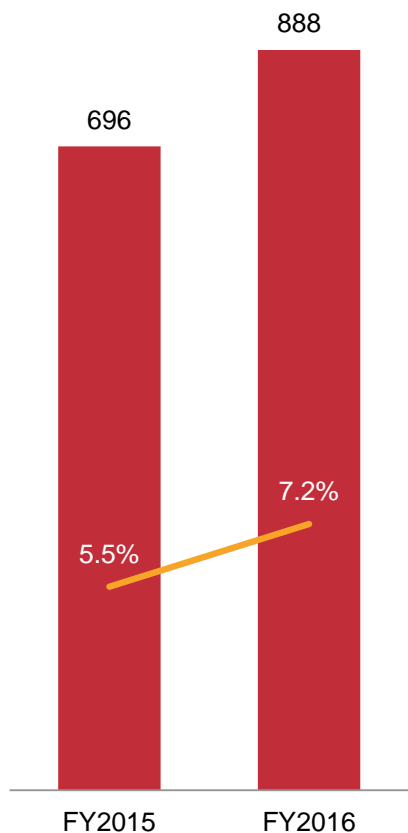
Financial Highlights - U.S.

Profit Achieved Strong Growth



Operating Profit and Margin ⁽¹⁾

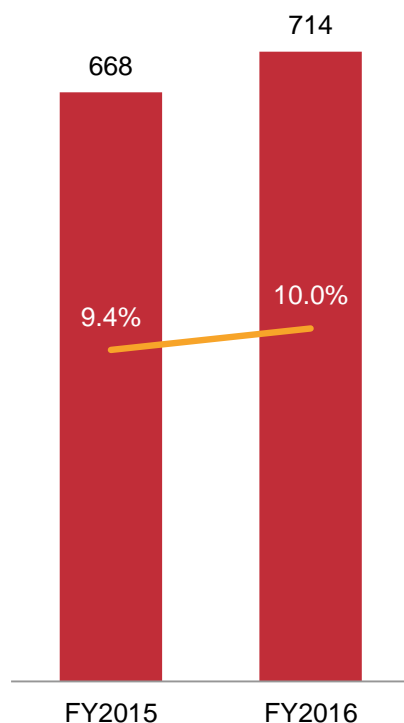
US\$ million



— Operating profit margin

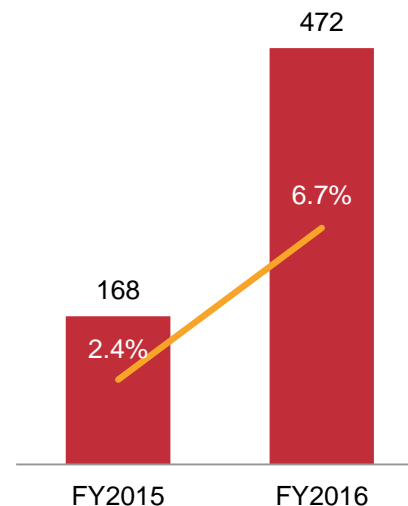
Packaged Meats⁽²⁾

US\$ million



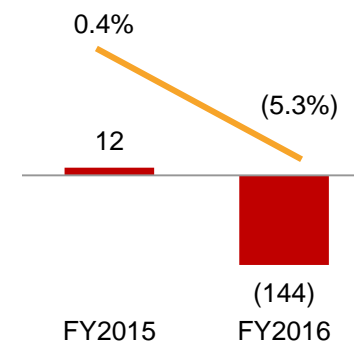
Fresh Pork ⁽²⁾

US\$ million



Hog Production ⁽²⁾

US\$ million



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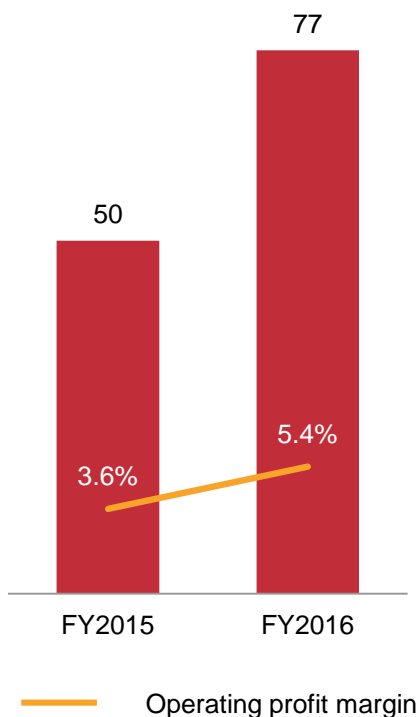
Financial Highlights - Europe

Profit Achieved Strong Growth



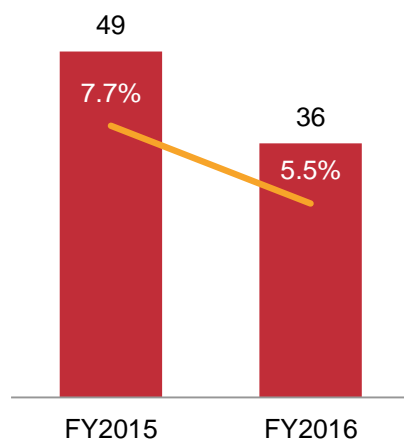
Operating Profit and Margin ⁽¹⁾

US\$ million



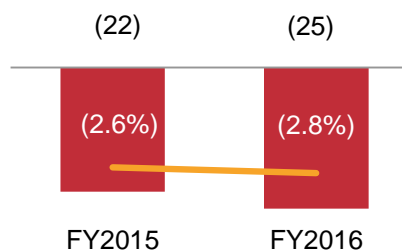
Packaged Meats⁽²⁾

US\$ million



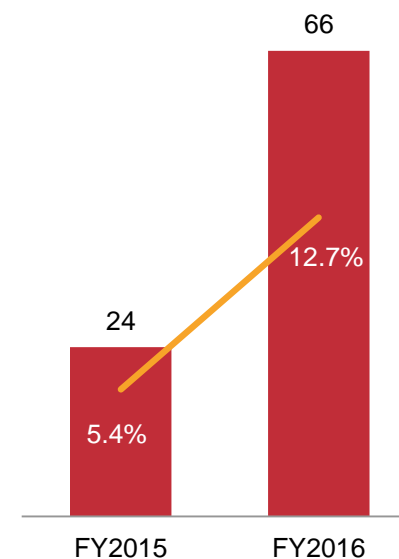
Fresh Pork ⁽²⁾

US\$ million



Hog Production ⁽²⁾

US\$ million



Operating profit margin

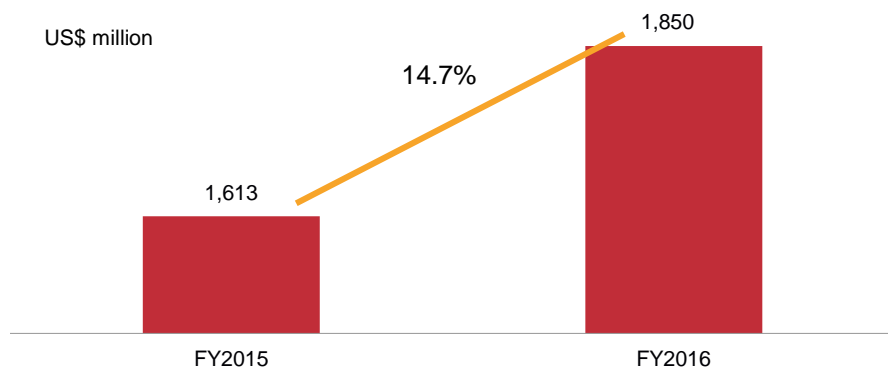
Note:

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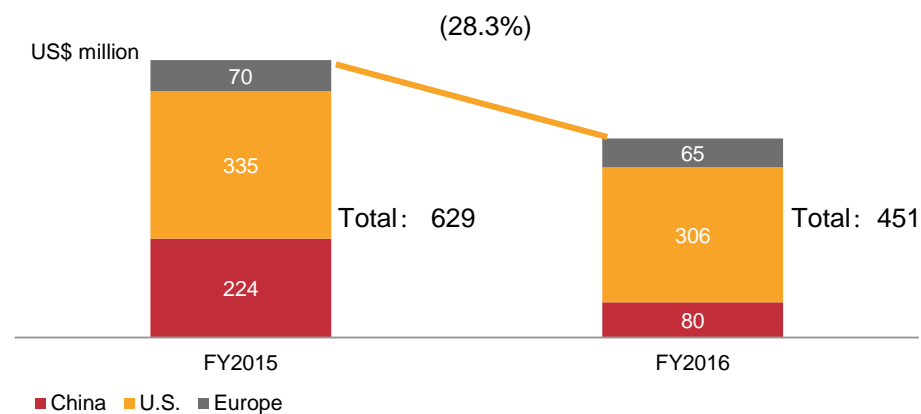
Strong Cash Flow and Optimized Capital Structure



Operating Cash Flow

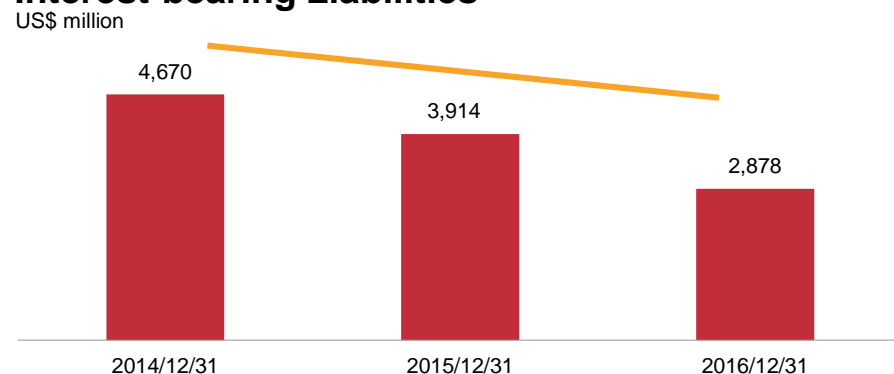


Capital Expenditures

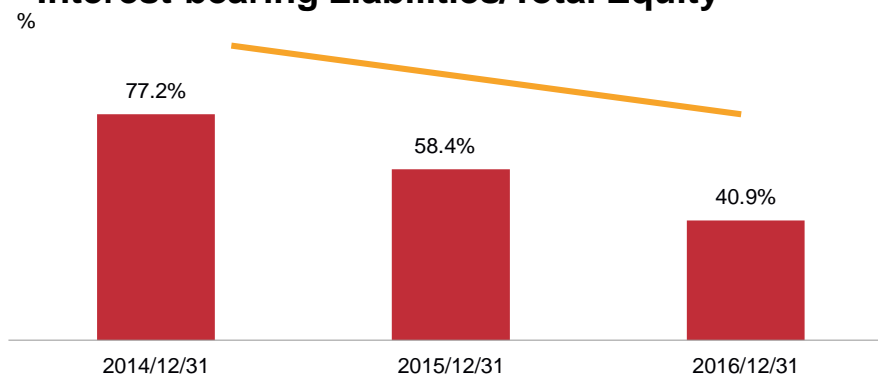


Capital Structure

Interest-bearing Liabilities



Interest-bearing Liabilities/Total Equity





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Major Achievements



Shuanghui seized developing opportunity under double pressures from economic downturn in China and higher raw materials cost, and achieved stable business growth

Further enhanced market share through continuous optimization of network coverage and supply chain

Product mix strategy is moving towards new milestones through reorganization of R&D team



Efficiency improvement and cost reduction through “One Smithfield” initiative

Business growth through continuous innovation on packaged meat products

Effective hedging strategy to mitigate risk of industry volatility



Achieved synergies with remarkable growth in trade between China and the U.S.

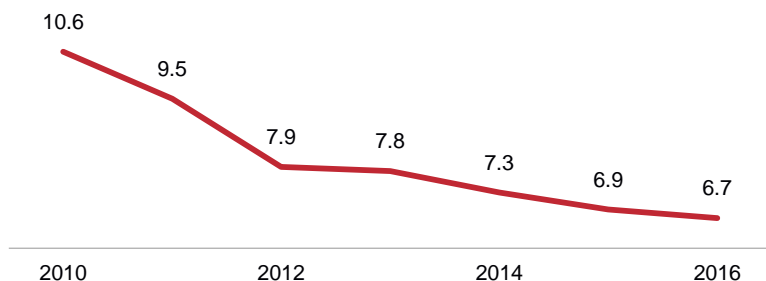


Shuanghui seized developing opportunity under double pressures from economic downturn in China and higher raw materials cost, and achieved stable business growth



China's GDP growth is slowing down...

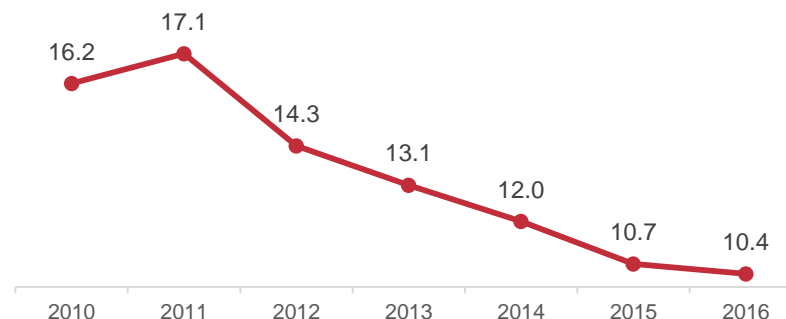
2010-2016 GDP Y-o-Y Growth Rate, %



Source National Statistics Bureau

...And retail sales have witnessed declining growth

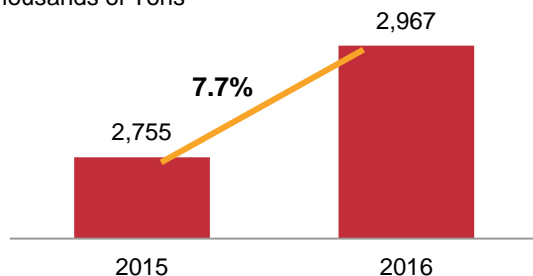
2010-2016 China Retail Sales of Consumer Goods Volume Y-o-Y Growth, %



Source National Statistics Bureau

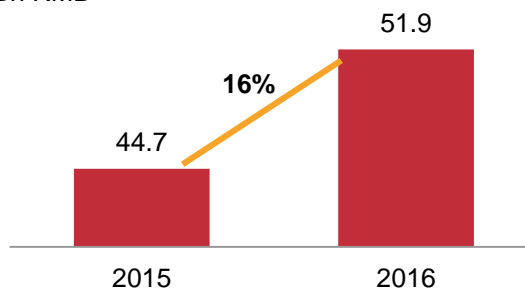
External Sales Volume

Thousands of Tons



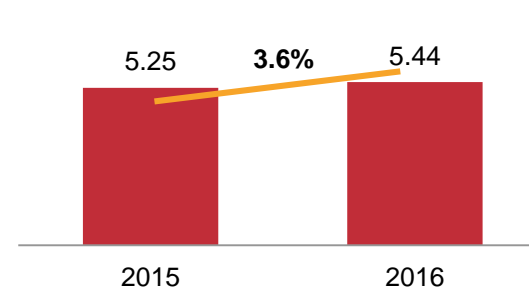
Revenue (1)

Bn RMB



Shuanghui Operating Profit (1)

Bn RMB



Note: (1) Data of Shuanghui is under China GAAP

Further enhanced market share through continuous optimization of network coverage and supply chain



Further tapped into the market and expanded points of sale to 970,000 at the end of the year under the “Optimizing Product Mix, Expanding Network, Accelerating Transformation and Growing through Scale” strategy

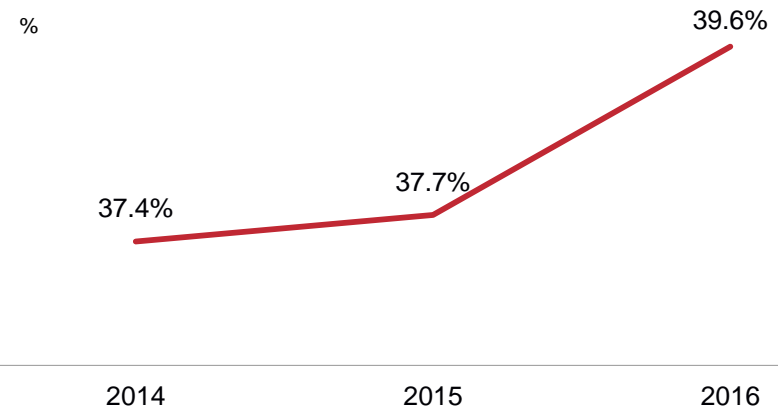


Competitive advantages over nationwide supply chain, distribution network, cold chain logistics and sales network

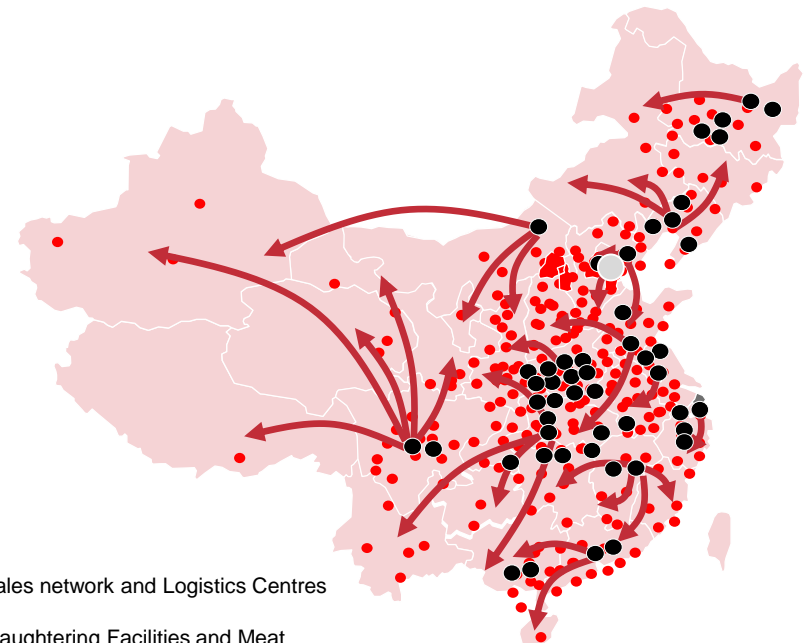


Smithfield packaged meat products were launched since early 2016. Its market share continues to increase with great potential

Packaged meat products of Shuanghui continue to improve its market share in national supermarket channel (1)



Note: (1) National Supermarket Channel Share (CICC Data)



- Sales network and Logistics Centres
- Slaughtering Facilities and Meat Processing Facilities
- ➔ Logistics Coverage



Product mix strategy is moving towards new milestones through reorganization of R&D team



- Reorganized the R&D team to expand from 1 R&D center to 8 R&D centers. Tailoring products to local consumer preferences
- 150 products were developed under 6 categories over a 6-month period and 80 products were launched
- New product sales volume achieved 192,000 tonnes, representing 12% of the total sales volume

Western style



Chinese feature



Food Service



Leisure Snacks



American style



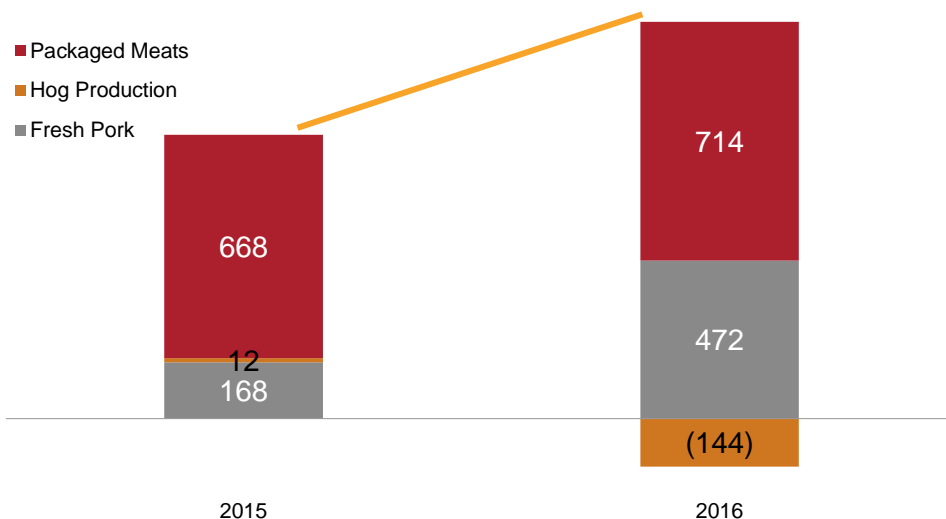


Efficiency improvement and cost reduction through “One Smithfield” initiative

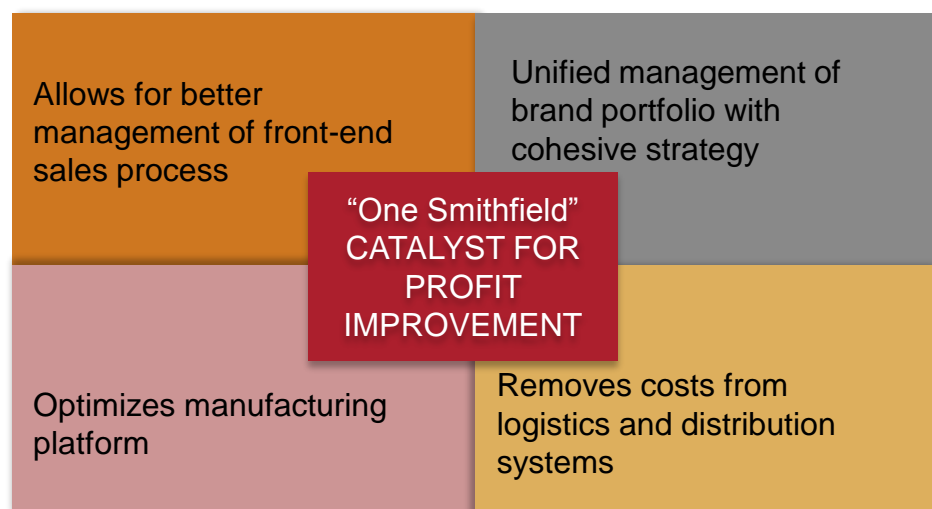


1. Vertically integrated value chain of offset against industry volatility and increase competitiveness

US\$MM



2. Optimized capacity, reduced cost and improved efficiency



Set a record high for Smithfield

- In 2016, the average hog price decreased 7.6% over the last year, operating profit for the hog production segment decreased by US\$156MM Y-o-Y, but the operating profit for the fresh pork segment and packaged meats segment increased by US\$304MM and US\$46MM Y-o-Y, respectively. The impact of price volatility in the upstream business was well mitigated through remarkable performance in the downstream.

3. Seized opportunities to expand production and hence sustainable growth

Continuous Improvement

Organic Growth

New Plant Capacity

Strategy Pivots

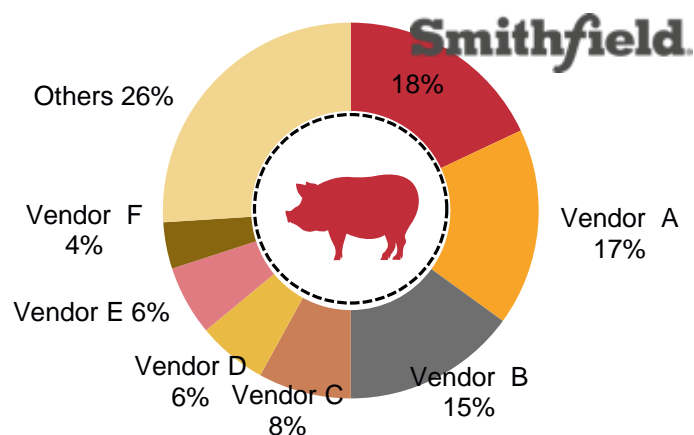
Mergers & Acquisitions



Business growth through continuous innovation on packaged meat products



#1 U.S. PACKAGED PORK COMPANY

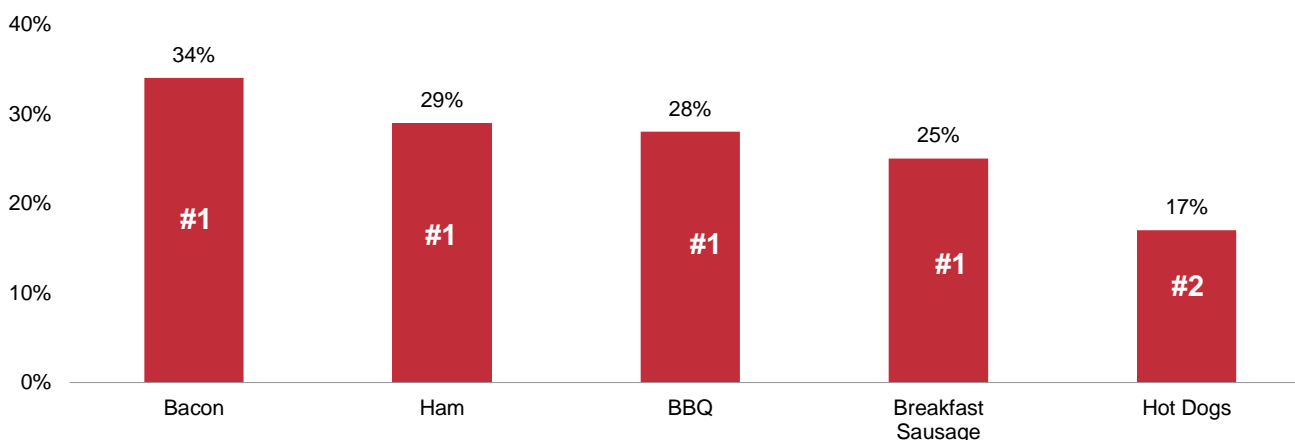


- #1 Supplier to retail and foodservice
- Brands ranked #1 in numerous product categories

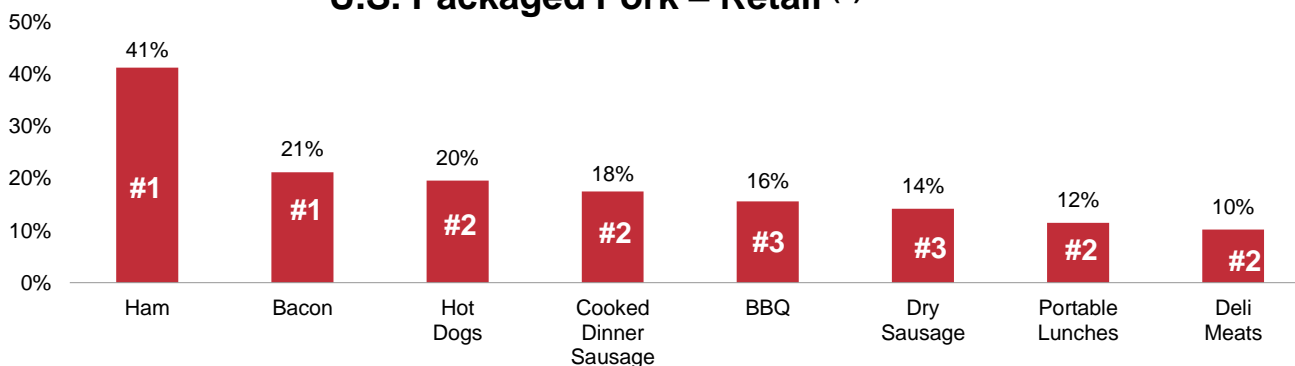
Note: IRI 52 weeks ending 12/25/16, Nielsen Perishables Group 52 weeks ending 12/31/16.

U.S packaged meats segment is #1 across several Retail & Foodservice categories

U.S. Packaged Pork – Foodservice ⁽¹⁾ %



U.S. Packaged Pork – Retail ⁽²⁾



Smithfield





Business growth through continuous innovation on packaged meat products

Expanding into the frozen section



Owning the Grill, Skillet, & Breakfast Market

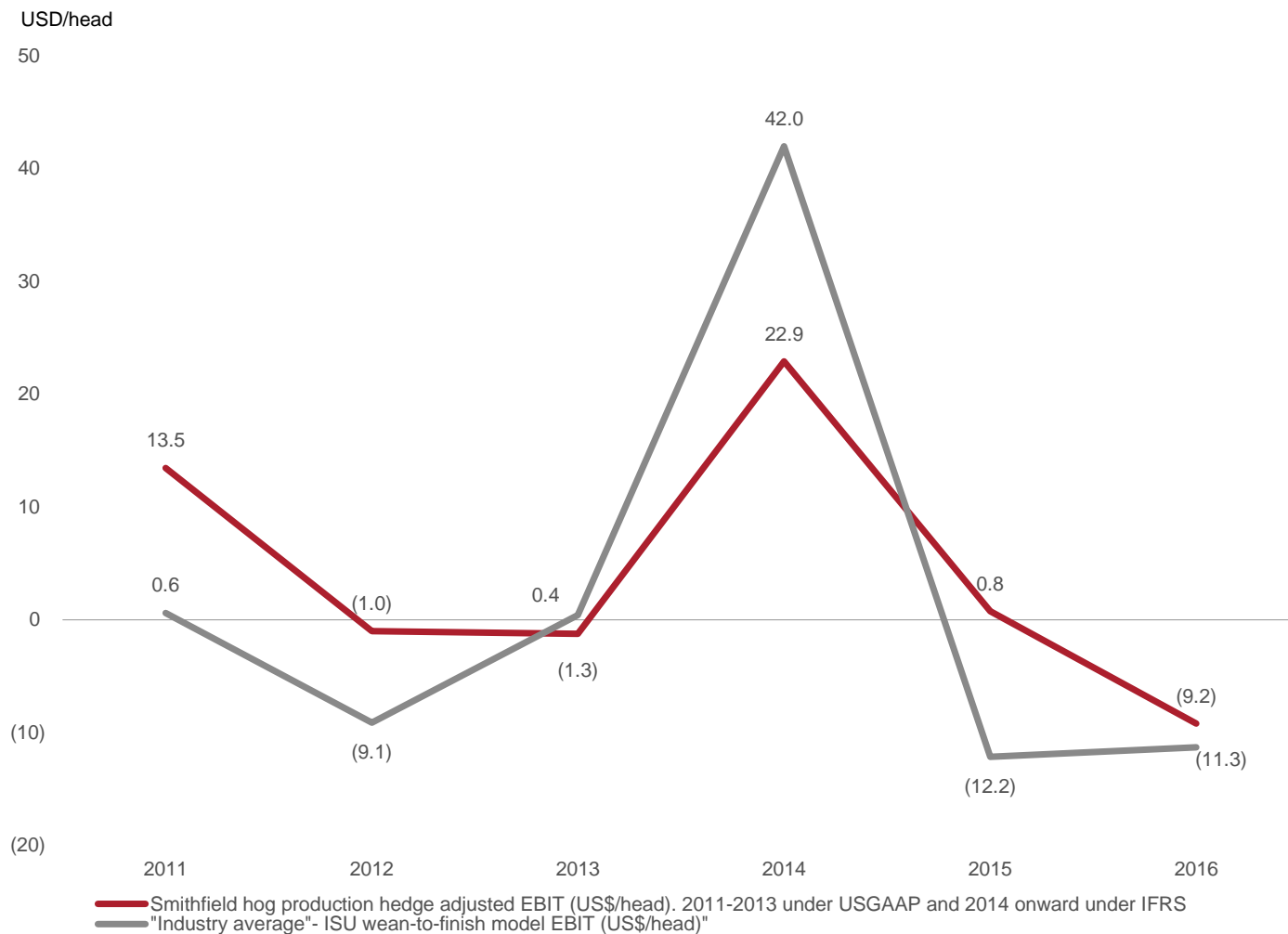




Effective hedging strategy to mitigate risk of industry volatility



Hedging program effectively managed price volatility



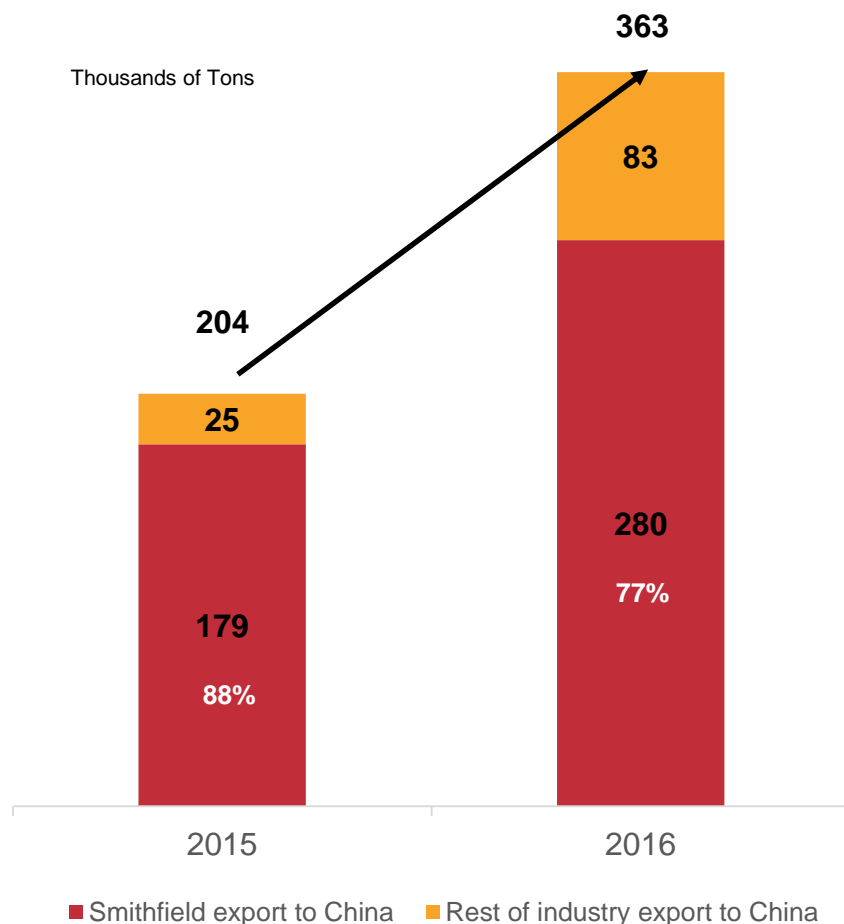
- The average hog price in the U.S market was US\$1.1 /kg, decreased by 7.6%Y-o-Y .Smithfield's hog production segment has outperformed its peers, largely attributable to proper hedging strategy



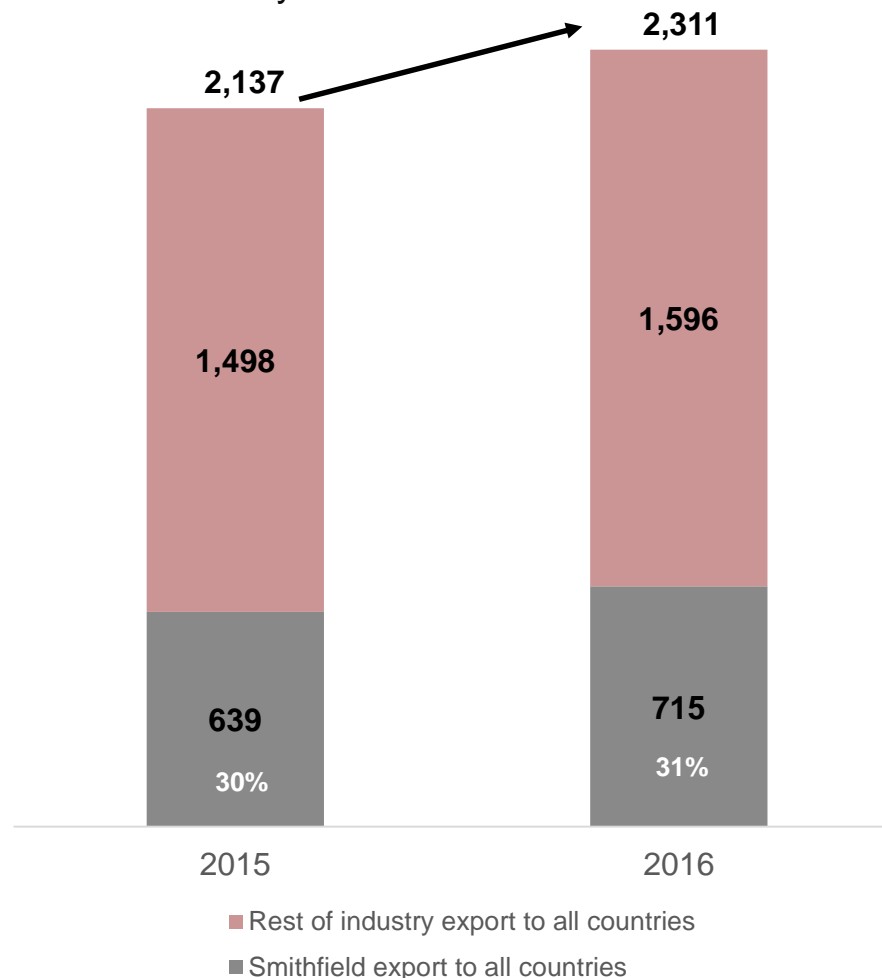
Achieved synergies with remarkable growth in trade between China and the U.S.



Smithfield pork ⁽³⁾ export to China continues to grow ⁽¹⁾, ⁽²⁾ , taking a leading position in the U.S. market



The total volume of Smithfield pork ⁽³⁾ export to all countries continues to grow ⁽²⁾ , ranks #1 among all the industry in the U.S.



Note :

1. China, not includes Hong Kong
2. Percentage marked in white on the bars represent market share
3. Pork : pork & pork products

Source: USDA



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Strategies and Outlook

Major Changes Post Acquisition of Smithfield



Profit increased

USD Million

737 866 1,014

737

866

1,014

2014 2015 2016

■ Net Profit Attributable to Owners of the Company

Net assets increased

USD Million

2,912 3,138 6,050 6,703 7,038

2,912

3,138

6,050

6,703

7,038

Acquisition completed 2013/9/26 2013/12/31 2014/12/31 2015/12/31 2016/12/31

■ Net Assets

Capital structure improved

USD Million

7,988

274%

7,432

237%

4,670

77.2%

3,914

58.4%

2,878

40.9%

Acquisition completed 2013/9/26 2013/12/31 2014/12/31 2015/12/31 2016/12/31

■ Interest-bearing Liability

— Leverage ratio%

Strategies and Outlook



Group Development Strategies

Adhere to Globalization Strategy - Develop trading platform and business network in a global perspective to form the competitive advantage, to realize further development, and to create long-term value for the company, employees, society, investors and other stakeholders.

- Leverage complementary advantages and realize synergies by integrating global resources
- Integrate global brands to enhance brand influence and product competitiveness
- Bring together global talents to build an elite team
- Expand business scope and diversify animal protein exposure as appropriate

Business Development Goals

- Growth through realizing synergies, integrating global resources and accelerating the expansion of international trade
- U.S. business: Continue "One Smithfield" and "Operational Excellence" initiatives, and progressing towards being a leading consumer goods company. Initiate the "Earnings Improvement and Growth Plan" to lay the foundation for long-term growth.
- China business: China Strategy continues – "Optimizing Product Mix, Expanding Network, Accelerating Transformation and Growing through Scale". Accelerating the expansion of slaughtering business, optimizing product mix, expanding downstream business to realize further development.



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Results Overview – Shuanghui (China GAAP)



RMB\$ million

	Packaged meats		Fresh pork		Others		Total ⁽³⁾	
	2016	change(%)	2016	change(%)	2016	change(%)	2016	change(%)
Turnover ⁽¹⁾	22,577	(0.27%)	28,029	32.55%	1,239	35.88%	51,845	15.99%
Operating profit	4,783	(1.67%)	437	(10.59%)	220	N/A	5,440	3.62%
Operating margin ⁽²⁾ (%)	21.2	down 30 bps	1.4	down 6 bps	9.9	N/A	10.5	down 130 bps

Note:

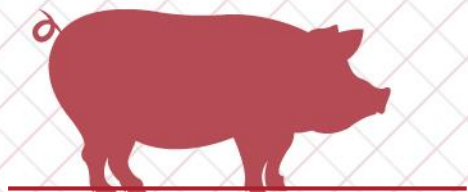
1. External sales

2. Segment operating margin = segment operating profit / internal and external sales

3. Inter-segment deductions are included in 'Total'.



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Thank You

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