



## PRESS RELEASE

July 18, 2017, Kyiv, Ukraine

### MHP S.A. Pre-close trading update for the second quarter and first half of 2017

MHP S.A. (LSE: MHPC) (“MHP” or “The Company”), one of the leading agro-industrial companies in Ukraine, focusing on the production of poultry and the cultivation of grain, today announces its pre-close trading update for the second quarter and the first six months of the year ending 30 June 2017.

#### POULTRY AND RELATED OPERATIONS

**NOTE:** As of Q1 2017 and thereafter, the Company reports its poultry volumes sold/produced based on real physical weight of meat, including all meat products produced from a whole chicken (without offal). Please find detailed about change in disclosure of information in MHP’s Q1 2017 pre-close trading update dated April 18, 2017: <http://www.mhp.com.ua/library/file/tu-q1-2017.pdf>. For ease of comparison, in 2017 the Company discloses data in both real physical weight and adjusted weight of meat.

As usual, the Company’s poultry production facilities continued to operate at full capacity during the period.

Poultry production volumes in Q2 2017 increased by 2% to 145,820 tonnes (Q2 2016: 142,591 tonnes) and in H1 2017 remained relatively stable at 287,694 tonnes (H1 2016: 286,342 tonnes).

Poultry	Q2 2017	Q2 2016	% change	H1 2017	H1 2016	% change
Sales volume, third parties tonnes:	157 245	141,097	11%	283 972	248,426	14%
- Domestic	85,912	86,646	-1%	160,930	163,163	-1%
- Exports	71,332	54,451	31%	123,042	85,263	44%

As a result of an increase of exports (driven by both decreasing stocks and increased % of total sales) during the second quarter of 2017 the sales volume of chicken meat to external consumers increased to 157,245 tonnes, which is 11% higher than in Q2 2016 and 24% higher than in Q1 2017. During the first six months of 2017 third parties sales amounted to 283,972 tonnes of poultry, which is 14% higher than in H1 2016. Due to high demand on international market, MHP’s stocks

of chicken meat during H1 2017 decreased by 11,000 tones, while during the same period of last year they increased by more than 20,000 tones.

**Note:** in adjusted weight, poultry production volumes in Q2 2017 constituted 146,935 tonnes (Q2 2016: 142,395 tonnes) with 3% growth and in H1 2017 – 288,815 tonnes (H1 2016: 285,590 tonnes) with 1% growth; sales of poultry to third parties in Q2 2017 constituted 157,049 tonnes (Q2 2016: 140,660 tonnes) with 12% growth and in H1 2017 – 285,302 tonnes (H1 2016: 246,710 tonnes) with 16% growth.

## Poultry Exports

The main driver in total poultry sales growth was export. During the second quarter of 2017 the volume of chicken meat exports totaled 71,332 tonnes, which is by 31% higher compared to Q2 2016. During the first half of 2017, poultry exports increased by 44% compared to H1 2016 and reached 123,042 tonnes. MHP continued to follow a strategy of both geographic diversification and in a product mix optimization building-up the export volumes of chicken meat mainly in the MENA, the EU and African countries. Total poultry exports in H1 2017 constituted around 43% vs 34% in H1 2016.

The Dutch and Slovakian processing plants and sales/distribution office in the UAE have been performing in accordance with expectations and their business plans.

## Poultry Prices

Poultry	Q2 2017	Q2 2016	%	H1 2017	H1 2016	%
			change			change
Price per 1 kg net VAT	32.92	27.37	20%	32.35	27.42	18%

\* Average official FX rate for Q2 2017 UAH/US\$ 26.55 and for Q2 2016 UAH/US\$ 25.27  
Average official FX rate for H1 2017 UAH/US\$ 26.75 and for H1 2016 UAH/US\$ 25.52

Through the second quarter of 2017 the average chicken meat price (both domestic and export) constituted UAH 32.92 per 1 kg of natural weight (excluding VAT), increased by 20% year-on-year and by 4% compared to Q1 2017. H1 2017 average chicken meat price was UAH 32.35, which is 18% higher than in H1 2016. The increase in price year-over-year is mainly driven by export price growth as a result of product mix optimization undertaken by the Company in line with its export strategy as well as by domestic price increase.

In USD term, average MHP's poultry prices in Q2 2017 increased by 15% year-on-year and in H1 2017 increased by 13% year-on-year.

In Q2 2017 MHP's poultry prices on the domestic market in UAH term increased by 15% year-on-year and in H1 2017 increased by 14% year-on-year, mainly driven by price growth started in H2 2016; and for exports – by 23% year-on-year in Q2 2017 and by 19% year-on-year in H1 2017, mainly as a result of MHP's export product mix optimization as well as geography diversification and slight upward trends in price on international commodity market.

**Note:** in adjusted weight, average chicken meat price in Q2 2017 increased by 21% year-on-year. MHP's poultry prices on the domestic market increased by 18% year-on-year, and for exports – 23% growth year-

on-year. In H1 2017, average chicken meat price increased by 17% year-on-year. MHP's poultry prices on the domestic market increased by 15% year-on-year, and for exports – 17% growth year-on-year.

## **Vegetable oils**

Sales volume, tonnes	Q2 2017	Q2 2016	% change	H1 2017	H1 2016	% change
Sunflower oil	84,880	81,690	4%	167,015	164,430	2%
Soybean oil	6,520	5,640	16%	14,300	14,030	2%

In Q2 2017, MHP's sales of sunflower oil increased by 2% to 84,880 tonnes compared to 81,690 tonnes in Q2 2016. In H1 2017 sunflower oil exports constituted 167,015 tonnes, which is 2% higher year-over-year.

In Q2 2017, soybean oil export sales were at 6,520 tonnes, 16% higher year-on-year, and accumulatively for the first six months of 2017– 14,300 tonnes, 2% higher year-on-year. MHP also sells soybean cake to third parties.

The Company considers vegetable oils exports as one of the “natural hedge” routes accumulating additional hard currency revenues and protecting the Company from volatilities in local currency.

## **GRAIN GROWING OPERATIONS**

In 2017 in grain growing operations the Company is to harvest around 360,000 hectares of land.

The Company's harvesting campaign of winter rapeseeds, barley and wheat is on track, so that 14% of land under winter crops is harvested with good yields in line with Company's expectations taking into account weather condition.

Spring crops (corn, soybeans and sunflower) are in good condition.

## **OTHER AGRI OPERATIONS**

Meat processing products	Q2 2017	Q2 2016	% change	H1 2017	H1 2016	% change
Sales volume, tonnes	8,990	8,410	7%	17,250	15,380	12%
Price per 1 kg net VAT	46.24	41.50	11%	45.31	41.20	10%

In the second quarter of 2017, sausage and cooked meat sales volumes increased by 7% to 8,990 tonnes compared to 8,410 tonnes in the second quarter of 2016. In the first half of 2017 sausage and cooked meat sales volumes increased by 12% to 17,250 tonnes compared to 15,380 tonnes in H1 2016 as a result of a product promotion strategy and advertisement campaign both for the product range and for the brand.

Average sausage and cooked meat prices during the second quarter of 2017 increased by 11% to UAH 46.24 per kg excluding VAT. In H1 2017 the average price increased by 10% to UAH 45.31 per kg excluding VAT.

### **Next release**

The financial results for Q2 and H1 2017 will be published on **August 17, 2017**. There will be a conference call for investors and analysts on the day that will take place at 4pm Kyiv time (2 pm London/5 pm Moscow). Dialing instructions for the call will be published in a due course.

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### **Notes to Editors:**

#### **About MHP**

MHP is the leading producer of poultry products in Ukraine with the greatest market share and highest brand recognition for its products. MHP owns and operates each of the key stages of chicken production processes, from feed grains and fodder production to egg hatching and grow out to processing, marketing, distribution and sales (including through MHP's franchise outlets). Vertical integration reduces MHP's dependence on suppliers and its exposure to increases in raw material prices. In addition to cost efficiency, vertical integration also allows MHP to maintain strict biosecurity and to control the quality of its inputs and the resulting quality and consistency of its products through to the point of sale. To support its sales, MHP maintains a distribution network consisting of 11 distribution and logistical centres, within major Ukrainian cities. MHP uses its trucks for the distribution of its products, which Management believes reduces overall transportation costs and delivery times.

MHP also has a leading grain cultivation business growing corn to support the vertical integration of its chicken production and increasingly other grains, such as wheat and rape, for sale to third parties. MHP leases agricultural land located primarily in the highly fertile black soil regions of Ukraine.

Since May 15, 2008, MHP has traded on the London Stock Exchange under the ticker symbol MHPC.

#### **Forward-Looking Statements**

This press release might contain forward-looking statements that refer to future events or forecast financial indicators for MHP S.A. Such statements do not guarantee that these are actions to be taken by MHP S.A. in the future, and estimates can be inaccurate and uncertain. Actual final

indicators and results can considerably differ from those declared in any forward-looking statements. MHP S.A. does not intend to change these statements to reflect actual results.