



## PRESS RELEASE

April 18, 2017, Kyiv, Ukraine

### MHP S.A.

#### Pre-close trading update for the first quarter ended 31 March 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, announces its pre-close trading update for the three months ended 31 March 2017.

#### General Information

As of 21 February 2017, MHP has disposed its entire shareholding in all its Crimean subsidiaries, (<http://www.mhp.com.ua/library/file/crimean-assets-disposal.pdf>). The Crimean assets have been classified as a discontinued operations as of 31 December 2016. In this release, comparative information as well as results for the current period have been adjusted to exclude the results of the Crimean subsidiaries.

#### POULTRY AND RELATED OPERATIONS

**NOTE:** From the beginning of Q1 2017 and thereafter, the Company will report its poultry volumes sold/produced based on real physical weight of meat, including all meat products produced from a whole chicken (without offal). From the reporting point of view, offal products are by-products and will not be reported as part of meat sales.

Before 2017 the Company used adjusted weight when reporting on chicken meat sale/ production – a whole chicken equivalent weight, incl. both meat and offal – with adjustments to the price ratio between each product and whole chicken.

For ease of comparison, in 2017 the Company will disclose 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 reporting period.

MHP’s overall production volumes of chicken meat in Q1 2017 decreased by 1% and constituted 141,874 tonnes (Q1 2016: 143,751 tonnes), as a result of increased production of small broiler carcasses for exports.

<b>Poultry Sales</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>% change</b>
Sales volume, third parties tonnes	123,931	107,329	15%
- Domestic sales	74,780	76,617	-2%
- Exports	49,151	30,812	60%

Sales of chicken meat to third parties in Q1 2017 increased by 15% and constituted 123,931 tonnes of chicken meat compared to 107,329 tonnes in Q1 2016 as a result of increased exports. Domestic sales volumes decreased by 2% year-on-year.

**Note:** in adjusted weight, poultry production volumes in Q1 2017 constituted 141,838 tonnes (Q1 2016: 143,194 tonnes); sales of poultry to third parties in Q1 2017 constituted 125,456 tonnes (Q1 2016: 106,050 tonnes).

### **Poultry Exports**

The Company continues to implement its strategy of targeting products to specific markets and export sales diversification.

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

In Q1 2017 MHP's exports of chicken meat constituted 49,151 tonnes, which is 60% higher than in the same period last year (Q1 2016: 30,812 tonnes), having exported its poultry to 46 countries worldwide. Export sales represented around 40% of total poultry sales volumes in Q1 2017.

During the reporting period, following its export strategy, the Company has been developing its exports mainly in the countries of: the Middle East – representing over 24%, the EU – around 21%, Northern Africa – over 14% of total poultry exports.

**New Developments/News:** On January 30, 2017 the Agrarian Policy and Food Ministry of Ukraine reported, that poultry exports from Ukraine to the countries of the EU have been resumed (import ban was previously introduced in December 2016) due to mutual recognition of the regionalization principle between Ukraine and the EU as it relates to avian influenza.

In furtherance of its export strategy, the Company has established a processing plant in Slovakia in close cooperation with one of its EU distributors. MHP's total capital expenditures on the project in Slovakia are expected to be around US\$ 3 million and will enable MHP to provide its European customers with both commodity and packaged products.

### **Poultry Prices**

The average chicken meat price through the first quarter of 2017 increased by 15% to UAH 31.52 per kg (excluding VAT) compared to the same period last year and increased by around 4% compared to Q4 2016. In USD term, average MHP's poultry prices in Q1 2017 increased by 8% year-on-year.

<b>Price per 1 kg net of VAT</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>% change</b>
Average Poultry Prices (UAH)	31.52	27.50	15%

\* Average official FX rate for Q1 2017 UAH/US\$ 27.0611 and for Q1 2016 UAH/US\$ 25.6537

At the same time, MHP's poultry prices on the domestic market increased by 12% year-on-year and remained almost at the level of Q4 2016 domestic poultry prices, mainly driven by increased poultry prices on the Ukrainian market, and for exports – by 11% year-on-year, mainly as a result of MHP's export product mix change to more profitable markets and market targeting in general.

**Note:** in adjusted weight, average chicken meat price in Q1 2017 increased by 12% year-on-year. MHP's poultry prices on the domestic market increased by 12% year-on-year, and for exports – 7% growth year-on-year.

## Oil Sales

	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>% change</b>
Sales volume, tonnes			
Sunflower oil	82,133	82,745	-1%
Soybean oil	7,780	8,150	-5%

In Q1 2017, MHP's sales of sunflower oil remained relatively stable and constituted 82,133 tonnes compared to 82,745 tonnes in Q1 2016. In Q1 2017, soybean oil export sales decreased by 5% to 7,780 tonnes compared to 8,150 tonnes sold in Q1 2016.

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

Around 94,000 hectares of MHP's land are under winter crops (winter wheat, rapeseeds and barley), which is around 26% of the land cultivated in the grain growing segment of the Company in 2017 (around 357,500 hectares). Currently, all crops are in good condition. As a result, MHP expects good harvest of winter crops in 2017.

MHP's 2017 spring sowing campaign is ongoing now with no significant change in crops structure.

## OTHER AGRI OPERATIONS

<b>Meat processing products</b>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>% change</b>
Sales volume, third parties tonnes	8,136	6,971	17%
Price per 1 kg net VAT, UAH	44.38	40.83	9%

Sales volumes of sausage and cooked meat in Q1 2017 increased by 17% reaching 8,136 tonnes compared to 6,971 tonnes in Q1 2016 as a result of a new product promotion strategy and advertisement campaign not only for the product range but also for the brand.

The average sausage and cooked meat price in Q1 2017 increased by 9% to UAH 44.38 per kg (excluding VAT) compared to UAH 40.83 in Q1 2016 mainly as a result of poultry price increase.

### **Next Release**

Financial results for Q1 2017 will be disclosed in **May-June 2017**. The exact date of the release of the financial results will be announced in advance and 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.