



MHP

Pre-close trading update for the fourth quarter and twelve months of 2016 ended 31 December 2016

January 26, 2017, Kyiv, Ukraine

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, is pleased to announce today its pre-close trading update for the fourth quarter and twelve months ended 31 December 2016.

Poultry and Related Operations

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

Owing to the increasing production volumes at the Company’s poultry farms, poultry production volumes in Q4 2016 increased by 8% to 158,240 tonnes (Q4 2015: 145,880 tonnes) and in 12M 2016 increased by 6% to 601,240 tonnes (12M 2015: 566,600 tonnes).

Poultry	Q4 2016	Q4 2015	% change	12M 2016	12M 2015	% change
Sales volume, third parties, tonnes	142,580	129,610	10%	575,740	537,290	7%
Price per 1 kg net VAT, UAH	32.99	29.70	11%	30.54	27.77	10%

Sales: MHP’s sales to third parties in Q4 2016 increased by 10% year-over-year and in 12M 2016 increased by 7% year-over-year in line with production increase and driven by growth of export sales.

The Company’s domestic sales volumes in Q4 and 12M 2016 decreased by around 5% and 6% year-on-year accordingly, as the Company followed its export strategy growing poultry export volumes.

Export Sales: Exceeding our forecast and expectations in export sales volumes, exports remained the main driver in total poultry sales growth during the reporting periods. In Q4 2016 the volume of chicken meat export was 54% higher than in Q4 2015 constituting 48,390 tonnes. In 12M 2016, poultry export sales increased by 47% to 193,680 tonnes compared to 132,080 tonnes in 12M 2015. Currently, in 2016 export share constituted appx. 33% of total poultry sales volumes.

MHP continues to follow a strategy of diversification and geography expansion, therefore, is exploring new business opportunities in the countries of the Middle East, the EU and Africa building-up the export volumes of chicken meat in those regions. Moreover, following the strategy of control over export volumes, in 2016 we established a sales office in UAE and opened a joint venture in the Netherlands.

According to press release, published on December 08, 2016: <http://www.mhp.com.ua/library/file/communique-on-ban-to-eu.pdf>, import ban on poultry meat is still in place. The country and the company is expecting regionalization to be introduced in the nearest time and import will be resumed.

Despite different challenges on different markets, MHP's exports (12M 2016/12M 2015) to the Middle East increased by 67%, to the EU – by 29%, to Africa – by almost 4 times. These are currently our main targeted markets, where we see our potential for a future growth.

Prices: The average chicken price (weighted average domestic and export) increased by 11% year-over-year to UAH 32.99 per kg in Q4 2016 and by 10% to UAH 30.54 per kg in 12M 2016 compared to 12M 2015 due to a substantial share of export and depreciation of local currency during the reporting periods. The increase in price year-over-year is mainly driven by bigger share of export sales and increased prices on the domestic market.

The average chicken meat price on the domestic market increased by 10% in Q4 2016 compared to Q4 2015 and by 14% in 12M 2016 compared to 12M 2015, mostly as a result of an overall increase in consumer prices in the Ukrainian economy. Export prices for chicken meat denominated in US\$ decreased in Q4 2016 by 9% compared to Q4 2015 and by 16% in 12M 2016 compared to 12M 2015, in line with global commodity trends.

Vegetable Oils

Sales volume, tonnes	Q4 2016	Q4 2015	% change	12M 2016	12M 2015	% change
Sunflower oil	88,200	69,035	28%	342,240	286,745	19%
Soybean oil	9,810	3,710	164%	34,150	13,950	144%

Driven mainly by increased sales of sunflower cake to third parties and increased % of oil extraction:

- in Q4 2016, MHP's sales of sunflower oil increased by 28% to 88,200 tonnes compared to 69,035 tonnes in Q4 2015;
- in 12M 2016 sunflower oil exports constituted 342,240 tonnes, which is 19% higher year-over-year.

Having launched MHP's soybean extraction plant into operations in Q2 2015, it now works at 80% capacity and covers all MHP's needs in soybean cake for fodder production. MHP also sells soybean cake to third parties. In Q4 2016, soybean oil export sales reached 9,810 tonnes, 164% increase year-over-year and 34,150 tonnes in 12M 2016, a 144% increase year-over-year.

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 2016 the Company harvested around 355,000 hectares of land in line with our forecast.

In 2017 sowing campaign, MHP has around 90,565 ha under winter crops, of which around 53% is sowed with winter wheat, 31% with winter rapeseeds, and 12% with winter barley. All winter crops are in good conditions currently despite lack of rains during sowing campaign and frost in December 2016 and January 2017.

	2016		2015	
	Production volume	Cropped land	Production volume	Cropped land
	<i>in tonnes</i>	<i>in hectares</i>	<i>in tonnes</i>	<i>in hectares</i>
Corn	1,058,150	123,350	841,745	125,994
Wheat	379,050	58,815	322,055	53,752
Sunflower	218,050	67,400	176,170	57,541
Rapeseed	68,325	20,070	76,385	22,653
Soya	99,460	41,165	56,650	35,831
Other ^[1]	547,515	44,200 ^[1]	418,690	44,229
Total	2,370,550	355,000	1,891,695	340,000

^[1] Including barley, rye, sugar beet and other and excluding land left fallow as part of crop rotation.

	2016		2015	
	MHP's average ^[1]	Ukraine's average ^[1]	MHP's average ^[1]	Ukraine's average ^[1]
	<i>tonnes per hectare</i>		<i>tonnes per hectare</i>	
Corn	8.6	6.6	6.7	5.7
Wheat	6.5	4.6	6.0	3.9
Sunflower	3.2	2.2	3.1	2.2
Rapeseed	3.4	2.6	3.4	2.6
Soya	2.4	2.3	1.6	1.9

^[1] MHP yields and Ukraine yields are net weight (Data for Ukraine yields is sourced by AgroPerspektiva, based on January 01, 2017 data, Ukraine's preliminary forecast)

Other Agricultural Operations

Meat processing products	Q4 2016	Q4 2015	% change	12M 2016	12M 2015	% change
Sales volume, third parties tonnes	10,225	8,900	15%	38,780	29,845	30%
Price per 1 kg net VAT, UAH	48.32	44.84	8%	47.00	43.49	8%

In Q4 2016 production volumes increased by 15% year-over-year to 10,225 tonnes, and in 12M 2016 grew by 30% to 38,780 tonnes mainly as a result of a continuous product promotion and advertising campaign not only for the product range, but also for the brand.

Average processed meat prices increased by 8% year-over-year to UAH 48.32 per kg in Q4 2016 and by 8% to UAH 47.00 per kg in 12M 2016 in line with an increase in raw materials (mainly poultry meat) prices.

MHP is currently one of the leading meat processing products producers in Ukraine. The Company uses internally produced chicken meat, enhancing its profitability in meat processing business segment.

Exchange Rate

Average official FX rate for Q4: UAH/US\$ 25.89 in 2016 and UAH/US\$ 22.85 in 2015

Average official FX rate for full year: UAH/US\$ 25.55 in 2016 and UAH/US\$ 21.83 in 2015

Next Release

The financial results for Q4 and 12M 2016 will be published on March 15, 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). Dialing instructions for the call will be published in a due course.

For investors and analysts queries:

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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 (currently cultivating around 370,000 ha of land) 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 15 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.