



27 July 2020, Limassol, Cyprus

## **MHP SE**

### **Pre-close trading update for the second quarter and six months ended 30 June 2020**

MHP SE (LSE: MHPC), the parent company of a leading international agro-industrial group with headquarters in Ukraine, today announces its pre-close trading update for the second quarter and six months ended 30 June 2020. Hereinafter, MHP SE and its subsidiaries are referred to as “MHP”, “The Company” or “The Group”.

MHP’s operational results of Perutnina Ptuj (PP) are included into the results of activities and are shown separately (European operating segment).

### **POULTRY AND RELATED OPERATIONS (w/o PP)**

An outbreak of H5N1 avian influenza in Ukraine (the Vinnytsia region) was announced in Q1 2020 and caused a temporary cessation of exports from Ukraine to the EU (reopened at the beginning of March 2020), Saudi Arabia and other MENA markets (reopened in February and March 2020), and CIS countries (reopened in May 2020). In order to mitigate adverse impact on MHP’s operations and profitability, the Management of the Company decided to decrease capacity utilization of poultry production complexes by approximately 10% (since February until the end of March 2020). Since the beginning of April, all Company’s poultry production facilities continued to operate at full capacity again.

Poultry production volumes in Q2 2020 remained relatively stable and constituted 181,291 tonnes (Q2 2019: 182,306 tonnes) and by around 2% higher compared to Q1 2020 (178,640 tonnes). In H1 2020 poultry production volumes increased by 2% to 359,931 tonnes (H1 2019: 353,578 tonnes).

### **Poultry Sales & Prices**

During H1 2020 third parties sales amounted to 328,385 tonnes of poultry, which is 5% lower than in H1 2019, driven mainly by challenging situation with both domestic (mainly in Q2) and export markets as a result of avian influenza outbreak in Ukraine in Q1 2020 and COVID-19 pandemic since March 2020.

In Q2 2020 the volume of chicken meat exports totaled 88,505 tonnes and decreased by 9% compared to the second quarter of 2019 volume – 97,439 tonnes, and by around 8% higher compared to Q1 2020.

In H1 2020, poultry exports decreased by 10% and reached 170,553 tonnes compared to H1 2019 - 190,484 tonnes. Notwithstanding the turbulent times, MHP continued to follow its strategy

of both geographic diversification and of a product mix optimization building-up the export volumes of chicken meat across the MENA, CIS and Africa, predominantly. Total poultry exports in H1 2020 constituted around 52% vs 55% in H1 2019 of total poultry sales volumes.

<b>Poultry</b>	<b>Q2 2019</b>	<b>Q2 2020</b>	<b>% change</b>	<b>H1 2019</b>	<b>H1 2020</b>	<b>% change</b>
Sales volume, third parties, tonnes:	181,273	170,912	-6%	345,278	328,385	-5%
- Sales in Ukraine	83,835	82,407	-2%	154,794	157,832	2%
- Export Sales	97,439	88,505	-9%	190,484	170,553	-10%
- Average price per 1 kg net of VAT, UAH	40.06	34.16	-15%	39.63	34.30	-12%
- Average price per 1 kg net of VAT, USD	1.51	1.27	-16%	1.45	1.32	-9%
- Price per 1 kg net of VAT, UAH (Ukraine)	37.66	31.82	-16%	37.08	32.14	-13%
- Price per 1 kg net of VAT, USD (export)	1.59	1.35	-15%	1.53	1.40	-9%

\* Average official FX rate for Q2 2019 UAH/US\$ 26.56 and for Q2 2020 UAH/US\$ 26.91

Average official FX rate for H1 2019 UAH/US\$ 27.31 and for H1 2020 UAH/US\$ 25.98

Through the second quarter of 2020 the average chicken meat price (both domestic and export) constituted UAH 34.16 (US\$ 1.27) per 1 kg of natural weight (excluding VAT) and decreased by 15% in UAH terms year-on-year. H1 2020 average chicken meat price was UAH 34.30 (US\$ 1.32), which is 13% lower in UAH terms compared with chicken price in H1 2019. Both in Q2 and H1 2020 poultry prices decreased year-on-year mainly driven by the product mix change (significant decrease in sales of fillet to the EU and increased sales to MENA) and weaker prices on fillet in the EU.

### **Vegetable oils**

	<b>Q2 2019</b>	<b>Q2 2020</b>	<b>% change</b>	<b>H1 2019</b>	<b>H1 2020</b>	<b>% change</b>
Sales volume, tonnes						
Sunflower oil	86,661	82,646	-5%	186,487	163,356	-12%
Soybean oil	9,097	10,841	19%	24,249	21,609	-11%

In Q2 2020, MHP's sales of sunflower oil decreased by 5% to 82,646 tonnes compared to 86,661 tonnes in Q2 2019, mainly driven by a decrease in production of oil as a result of a decreased share of sunflower cake in fodder; in H1 2020 sunflower oil exports constituted 163,356 tonnes, which is 12% lower year-over-year. The decrease in volumes in H1 2020 is driven mainly by a decreased entry stock as of 01 January 2020 as a result of delivery terms change from DAP to FOB.

In Q2 2020, soybean oil exports were at 10,841 tonnes, 19% higher year-on-year, as a result of decreased stocks mainly, and accumulatively for the first six months of 2020 – 21,609 tonnes, 11% lower year-on-year, mainly as a result of a production decrease (decreased share of soybean cake in fodder and 3<sup>rd</sup> party sales).

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 2020 in grain growing operations the Company is to harvest around 365,000 hectares of land.

The Company’s harvesting campaign of winter rapeseeds, barley and wheat is on track, so that around 30% of land under winter crops is harvested with good yields in line with Company’s expectations taking into account weather condition, which are different this year: temperature was lower by 3-5C in May than usual, which extended the maturing period of crops.

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

## OTHER AGRI OPERATIONS

### MHP Results

<b>Meat processing products</b>	<b>Q2 2019</b>	<b>Q2 2020</b>	<i>% change</i>	<b>H1 2019</b>	<b>H1 2020</b>	<i>% change</i>
Sales volume, third parties tonnes	9,094	8,607	-5%	16,666	16,522	-1%
Price per 1 kg net VAT, UAH	66.75	70.77	6%	66.29	69.99	6%

<b>Convenience food</b>	<b>Q2 2019</b>	<b>Q2 2018</b>	<i>% change</i>	<b>H1 2019</b>	<b>H1 2018</b>	<i>% change</i>
Sales volume, third parties tonnes	4,400	4,361	-1%	8,467	8,537	1%
Price per 1 kg net VAT, UAH	40.61	38.63	-5%	40.67	39.91	-2%

Sales volumes of meat-processing products (sausages and smoked meat) in H1 2020 constituted 16,522 tonnes and remained relatively stable year-on-year. The average price in H1 2020 increased by 6% to UAH 69.99 per kg (excluding VAT) year-on-year driven mainly by SKU price increase strategy and increased share of expensive SKUs in product portfolio.

Sales volumes of convenience food in H1 2020 reached 8,537 tonnes and remained relatively stable year-on-year. The average price in H1 2020 decreased by 2% to UAH 39.91 per kg (excluding VAT) mainly due to the product mix change affected by HoReCa “freeze” (e.g. KFC, local fast food services etc) in operations due to the COVID-19 pandemic.

## Perutnina Ptuj (PP) Results

Poultry	Q2 2019	Q2 2020	% change			
			H1 2019*	H1 2020	% change	
Sales volume, third parties tonnes	15,835	15,855	0%	21,014	31,038	47%
Price per 1 kg net VAT, EUR	2.67	2.50	-6%	2.65	2.53	-4%

\*-results of PP from 21 February 2019 when the acquisition was completed. NOTE: 6M 2019 poultry (if calculated since 01 January 2019) sales were at 29,777 tonnes.

Following PP strategy of poultry production growth and increasing several facilities' capacity utilization in Serbia and Croatia, in Q2 2020 PP's poultry production facilities produced 26,101 tonnes of chicken and turkey meat (67% more than in Q2 2019), while poultry sales constituted 15,855 tonnes. In H1 2020 PP's poultry production facilities produced 49,959 tonnes of chicken and turkey meat (143% more than in H1 2019), while poultry sales constituted 31,038 tonnes.

Meat processing products*	Q2 2019	Q2 2020	% change			
			H1 2019**	H1 2020	% change	
Sales volume, third parties tonnes	8,430	8,292	-2%	11,092	17,498	58%
Price per 1 kg net VAT, EUR	2.70	2.69	0%	2.70	2.72	1%

\*-includes sausages and convenience foods

\*\* -results of PP from 21 February 2019 when the acquisition was completed. NOTE: 6M 2019 meat processing products sales (if calculated since 01 January 2019) were at 16,301 tonnes.

In Q2 2020 PP's meat-processing (including sausages, convenience foods) facilities produced 10,708 tonnes, while sales constituted 8,292 tonnes. In H1 2020 PP's meat-processing facilities produced 18,922 tonnes of meat-processing products, while sales constituted 17,798 tonnes.

### Next release

The financial results for Q2 and H1 2020 will be published on **03 September 2020**. There will be a conference call for investors and analysts on the day that will take place at 4pm Kyiv time (2 pm London/4 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 not only in Ukraine, but also in the Balkans (Perutnina Ptuj Group).

Ukraine: MHP has the greatest market share (over 30% of poultry consumption) 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). Complete vertical integration practically eliminates MHP's exposure to raw material price fluctuations since its grain production exceeds internal consumption requirements, allowing the Company to be an important participant in the international commodity trade. In addition to cost efficiency, vertical integration also enables MHP to maintain strict biosecurity and to control the quality of its inputs and the resulting quality and consistency of its products all the way to the point of sale. To support its sales, MHP maintains a distribution network consisting of nine distribution and logistical centers within major Ukrainian cities. MHP uses its own truck fleet to distribute its products, reducing overall transportation costs and delivery times.

MHP also has a leading grain cultivation business growing corn, soya and sunflower 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.

The Balkans: Perutnina Ptuj (PP) is a leading poultry and meat-processing producer in the Balkans, with production sites in four Balkan countries: Slovenia, Croatia, Serbia, Bosnia and Herzegovina. PP owns distribution companies in Austria, Macedonia and Romania and supplies products to fifteen countries in Europe. PP is vertically integrated across all states of chicken meat production - feed, hatching eggs production and hatching, breeding, slaughtering, sausage production and further poultry processing.

MHP trades 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 SE. Such statements do not guarantee that these are actions to be taken by MHP SE 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 SE. does not intend to change these statements to reflect actual results.