



30 January 2020, Limassol, Cyprus

MHP SE

TRADING UPDATE FOR THE FOURTH QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019

MHP SE (LSE: MHPC), the parent company of a leading international agro-industrial group with headquarters in Ukraine, focusing primarily on the production of poultry and cultivation of grain, as well as other agricultural operations (meat processing and meat products ready for consumption) today announces its trading update for the fourth quarter and twelve months ended 31 December 2019. Hereinafter, MHP SE and its subsidiaries are referred to as “MHP”, “The Company” or “The Group”.

The operating results of the recently-acquired Perutnina Ptuj are shown separately as the European Operating Segment.

POULTRY AND RELATED OPERATIONS (MHP, excluding Perutnina Ptuj)

In 2019, MHP continued to launch additional production sites as part of Phase 2 of the Vinnytsia Poultry Complex ('Vinnytsia') bringing the total number of rearing sites to six. The Company's other poultry production facilities continued to operate at full capacity during the period.

Poultry production volumes in Q4 2019 increased by 18% to 188,784 tonnes (Q4 2018: 159,431 tonnes) and for 12M 2019 increased by 18% to 728,917 tonnes (12M 2018: 617,943 tonnes). These increases were driven by the launch of new rearing sites at Vinnytsia as well as increases in production of heavier chicken and a decrease in thinning.

| Poultry | Q4 2019 | Q4 2018 | % change | 12M 2019 | 12M 2018 | % change |
|--|----------------|----------------|---------------------|-----------------|-----------------|---------------------|
| Sales volume to third parties, tonnes: | 158,624 | 144,183 | 10% | 669,964 | 593,527 | 13% |
| - Domestic | 70,972 | 71,253 | 0% | 312,531 | 306,680 | 2% |
| - Export | 87,651 | 72,929 | 20% | 357,433 | 286,846 | 25% |

Full year sales of chicken meat increased by 13% to 669,964 tonnes consistent with the Company's strategy of growing exports of poultry. However, due to the ban on exports to the Kingdom of Saudi Arabia (KSA) imposed in September 2019, exports were down around 5% on the total expected exports for the year. Full year poultry sales on the domestic market (both fresh and frozen) remained relatively stable and balanced year-on-year.

Poultry Exports

Despite the challenges presented by the temporary ban on exports to the KSA market, chicken meat exports in Q4 2019 increased by 20% to 87,651 tonnes and in 12M 2019 increased by 25% year-on-year to 357,433 tonnes, allowing the Company to almost meet the planned annual volumes. This was achieved through active management of both geographic diversification and product mix optimization to the countries of the EU, MENA, CIS and Africa. Of total poultry sales volumes in 12M 2019, exports constituted around 53% vs 48% in 12M 2018.

Update on sales to KSA market: On 29 January 2020, KSA reopened its market to the import of Ukrainian poultry products (excluding products from the Vinnytsia region), so that MHP's Myronivka poultry complex and meat-processing plant "Legko" have recommenced exports to KSA.

Poultry Prices

| Poultry | Q4 2019 | Q4 2018 | % change | 12M 2019 | 12M 2018 | % change |
|------------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Price per 1 kg net VAT | 34.69 | 40.56 | -14% | 38.06 | 39.86 | -5% |

* Average official FX rate for Q4 2019 UAH/US\$ 24.26 and for Q4 2018 UAH/US\$ 27.95
Average official FX rate for 12M 2019 UAH/US\$ 25.84 and for 12M 2018 UAH/US\$ 27.20

In Q4 2019 the average chicken meat price (blended domestic and export) decreased by 14% to UAH 34.69 per kilogram of natural weight (excluding VAT). In 12M 2019 average chicken meat price decreased by 5% year-on-year to UAH 38.06 per kilogram. The decrease in price year-over-year is mainly attributable to the substantial drops in poultry prices in the EU countries as well as revaluation of the local currency (UAH).

In USD terms, MHP's average poultry prices in Q4 2019 decreased by 12% year-on-year and in 12M 2019 decreased by 6% versus 2018.

Vegetable Oils

| Sales volume, tonnes | Q4 2019 | Q4 2018 | % change | 12M 2019 | 12M 2018 | % change |
|-----------------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Sunflower oil | 112,688 | 74,108 | 52% | 384,150 | 315,079 | 22% |
| Soybean oil | 11,764 | 12,268 | -4% | 51,771 | 50,044 | 3% |

In Q4 2019, MHP's sales of sunflower oil increased by 52% year-on-year to 112,688 tonnes. For 12M 2019, sunflower oil exports increased by 22% to 384,150 tonnes over 2018 due to the increase in production of fodder mill as well as a change in delivery terms from DAP to FOB.

In Q4 2019, soybean oil export sales decreased by 4% year-on-year to 11,764 tonnes, and for 12M 2019 increased by 3% to 51,771 tonnes.

MHP also sells soybean cake to third parties.

GRAIN GROWING OPERATIONS

The grain growing operations of the Company harvested around 363,000 hectares of land and 2,407,589 tonnes of crops in 2019, around 9% lower than in 2018 mainly because 2018 was a historic record for the harvest of corn.

MHP has around 75,000 ha of winter crops planted, of which approximately 56% is sowed with winter wheat and 43% with winter rapeseeds. All winter crops are currently in good condition.

| | 2019 | | 2018 | |
|----------------------|------------------|------------------|------------------|------------------|
| | Production, tons | Cropped hectares | Production, tons | Cropped hectares |
| Corn | 1,312,416 | 140,221 | 1,344,547 | 123,398 |
| Wheat | 300,396 | 46,797 | 295,640 | 48,379 |
| Sunflower | 237,755 | 65,447 | 235,245 | 72,981 |
| Rapeseed | 122,597 | 41,233 | 125,346 | 38,541 |
| Soya | 102,418 | 38,197 | 114,322 | 37,558 |
| Other ^[1] | 332,007 | 27,581 | 539,322 | 41,963 |
| Total: | 2,407,589 | 362,820 | 2,654,422 | 362,820 |

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

| | 2019 | | 2018 | |
|-----------|--------------|---------------------|--------------|---------------------|
| | MHP average* | Ukrainian average** | MHP average* | Ukrainian average** |
| Corn | 9.4 | 7.1 | 10.9 | 7.8 |
| Wheat | 6.4 | 4.3 | 6.1 | 3.7 |
| Sunflower | 3.6 | 2.6 | 3.2 | 2.3 |
| Rapeseed | 3.0 | 2.6 | 3.3 | 2.7 |
| Soya | 2.7 | 2.3 | 3.1 | 2.6 |

* - Tonnes per hectare

** - MHP yields are net weight, Ukraine – bunker weight

OTHER AGRI-OPERATIONS

| | Q4 2019 | Q4 2018 | % change | 12 M 2019 | 12 M 2018 | % change |
|--------------------------------|---------|---------|----------|-----------|-----------|----------|
| Processed meat products | | | | | | |
| Sales volume, tonnes | 8,699 | 7,978 | 9% | 35,458 | 33,975 | 4% |
| Price per 1 kg net VAT | 69.67 | 66.25 | 5% | 67.34 | 62.22 | 8% |

| | Q4 2019 | Q4 2018 | % change | 12M 2019 | 12M 2018 | % change |
|-------------------------|---------|---------|----------|----------|----------|----------|
| Convenience food | | | | | | |
| Sales volume, tonnes | 5,179 | 4,887 | 6% | 19,236 | 17,997 | 7% |
| Price per 1 kg net VAT | 41.94 | 41.20 | 2% | 40.97 | 42.53 | -4% |

In 12M 2019, sales volumes of processed meat products increased by 4% to 35,458 tonnes, while average prices increased by 8% year-on-year to UAH 67.34 per kilogram (net of VAT) driven mainly by the implementation of the improved sales and marketing strategy.

For 12M 2019, sales volumes of convenience foods increased by 7% to 19,236 tonnes with prices declining by 4% year-on-year to UAH 40.97 per kilogram (net of VAT) due to a high base effect, where salted fillet (a semi-final product) was included previously.

EUROPEAN OPERATING SEGMENT (operations of Perutnina Ptuj)

In Q4 2019, Perutnina Ptuj's (PP) poultry production facilities produced 23,597 tonnes of chicken and turkey meat, 9% above Q4 2018, while poultry sales constituted 14,173 tonnes, 8% more than in Q4 2018. Prices were relatively stable year-on-year at an average price of EUR 2.66 per kilogram (Q4 2018: EUR2.63).

For 12M 2019, PP's poultry production facilities produced 97,552 tonnes of chicken and turkey meat, 9% more than in 12M 2018, while poultry sales constituted 59,765 tonnes, 9% above 12M 2018. Prices were again relatively stable year-on-year at an average price of EUR 2.64 per kilogram (12M 2018: EUR2.63).

In Q4 2019, PP's meat-processing facilities (including sausages, convenience foods) produced 8,974 tonnes, 2% more than in Q4 2018, while sales constituted 9,241 tonnes, 6% more than in Q4 2018. Average prices were EUR 2.75 per kilogram (Q4 2018: EUR2.73).

In 12M 2019, PP's meat-processing facilities produced 35,661 tonnes of products, largely in line with 12M 2018, while sales constituted 35,428 tonnes, again in line with 12M 2018. Average prices were EUR 2.71 per kilogram (12M 2018: EUR2.70).

FULL YEAR 2019 TRADING UPDATE

Based on a preliminary estimate of results for the full year 2019, EBITDA is expected to be some 15% lower than the Company's previous guidance of US\$450 million provided in September 2019. Three factors contributed to the weakening of profitability in the fourth quarter of 2019:

- strengthening of the Ukrainian Hryvna (UAH) – as 54% of the Company's revenues are denominated in USD, whereas most costs are incurred in UAH, the 13% strengthening of the UAH in Q4 2019 adversely impacted profits, primarily in grain growing operations (accentuated by the seasonality of operations with major expenses incurred in H1 2019);
- weak export prices - prices of chicken exports (mainly to the EU) and crops (especially corn) decreased substantially; and
- the ban on exports to KSA – since September 2019, MHP has been banned from exporting poultry to Saudi Arabia, one of the Company's largest export markets.

Despite this, MHP ended the year with net debt at US\$1,143 million and more than US\$300 million in cash. With no major debt facilities maturing until 2024, very limited short-term borrowings (around 2%) and a modest CAPEX program, it remains MHP's policy to maintain robust cash reserves that are not materially affected by the weaker than expected financial performance. The 2019 dividend is subject to the Board of Directors' decision, however, taking into account the lower results, dividends are expected to be lower than last year.

MHP's full year 2019 results will be announced on 25 March 2020.

Q1 2020 OUTLOOK

Avian Influenza

As the Company reported on 23 January 2020, a case of avian influenza ("bird flu") was recorded on 18 January 2020 in the Vinnytsia region of Ukraine, at a third-party production site located some 20 kilometers away from MHP's nearest production facility. On 22 January 2020, the EU Directorate-General for Health and Food Safety informed the Ukrainian State Veterinary authorities that, following the confirmation of HPAI (highly pathogenic avian influenza) in poultry in Ukraine on 19 January 2020, the whole territory of Ukraine could not be considered free from this disease. Therefore, the Ukrainian Veterinary authorities could no longer certify poultry imports into the EU. As a result, on 23 January 2020, MHP's EU-certified Ukraine-based poultry production facilities ceased exports to EU countries.

The Ukrainian State Veterinary authorities are working with EU authorities to agree on and undertake all steps necessary to resolve this issue and to agree on the concept of compartmentation of Ukraine which, as yet, has not been ratified officially.

MHP's production and veterinarian teams, following the Group's established contingency plans, are taking all measures necessary at all of MHP's poultry production sites to prevent potential outbreaks. MHP is also assisting all other poultry producers (mainly egg layers) in the Vinnytsia region to strengthen their biosecurity. In its own operations, MHP continues to adhere to best-practice quality and biosecurity standards and is distributing its products both in the domestic market and to countries where the export ban is not applicable. Action has been taken to reduce production by temporarily decreasing placements of chicken in Q1 2020 by 10% to avoid building up excess stock while the export ban to the EU remains in effect.

Although the likely duration of the EU ban on exports is as yet unclear they, together with challenging macroeconomic conditions, are expected to have an adverse effect on MHP's export sales and profits in the first quarter of 2020. However, taking into account current uncertainty, the effect of the EU ban is yet to be quantified. Only limited impact is currently expected beyond Q1 2020.

The effect on cash is expected to be limited, as actions have been taken to control stock and defer expenditures.

As mentioned earlier, on 29 January 2020, KSA reopened its market to the import of Ukrainian poultry products (excluding products from the Vinnytsia region).

NEXT RELEASE

The financial results for Q4 2019 and 12M 2019 will be published on **25 March 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). Dialing instructions for the call will be published in due course.

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Notes to Editors:

About MHP

MHP is a leading producer of poultry products in Ukraine, the Balkans (through its wholly-owned subsidiary Perutnina Ptuj) and the EU.

Ukraine: In its domestic market, MHP has the largest market share (around 30% of poultry consumption in Ukraine) and highest brand recognition for its products. MHP owns and operates each of the key stages of the chicken production process, from feed grains and fodder production through egg hatching and grow-out to processing, marketing, distribution and sales (including through MHP's franchised 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. MHP maintains a distribution network of 15 distribution and logistical centres within major Ukrainian cities, and uses its own truck fleet to distribute its products, reducing 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.

The Balkans: Perutnina Ptuj is a leading poultry and meat-processing producer in the Balkans, with production assets in Slovenia, Croatia, Serbia, Bosnia and Herzegovina. It owns distribution companies in Austria, Macedonia and Romania and supplies products to 15 European countries. Perutnina Ptuj is vertically integrated across all stages of chicken meat production - feed, egg production and hatching, breeding, slaughtering, production of sausages 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.