



23 April 2020, Limassol, Cyprus

**MHP SE**  
**Pre-close trading update for the first quarter ended 31 March 2020**

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, today announces its pre-close trading update for the first quarter ended 31 March 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 (expected to reopen from 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.

MHP’s overall production volumes of chicken meat in Q1 2020 increased by 4% and constituted 178,640 tonnes (Q1 2019: 171,272 tonnes), as a result of new rearing sites launched into operations during 2019 (Phase 2 (1 line) of the Vinnytsia poultry complex) as well as due to the increased share of heavier chicken production.

	<b>Q1 2019</b>	<b>Q1 2020</b>	<i>% change</i>
<b>Poultry</b>			
<b>Sales volume, third parties, tonnes</b>	164,004	157,729	-4%
- <i>Sales in Ukraine, third parties, tonnes</i>	70,959	75,681	7%

- <i>Export sales volume, third parties, tonnes</i>	93,045	82,048	-12%
Average price per 1 kg net of VAT, UAH	38.62	34.41	-11%
Average price per 1 kg net of VAT, USD	1.41	1.37	-3%
Price per 1 kg net of VAT, UAH (Ukraine)	36.39	32.38	-11%
Price per 1 kg net of VAT, USD (export)	1.48	1.45	-2%

\* Average official FX rate for Q1 2020 UAH/US\$ 25.05 and for Q1 2019 UAH/US\$ 27.31

Due to the challenging/decreased exports (banned markets), total sales of chicken meat to third parties in Q1 2020 decreased by 4% and constituted 157,729 tonnes of chicken meat compared to 164,004 tonnes in Q1 2019. Domestic sales volumes increased by 7% year-on-year to 75,681 tonnes, driven by an increased share of frozen chicken (following the strategy to decrease stocks).

### Poultry Exports

Due to the sales restrictions (bans) imposed by the EU and MENA region countries governments predominantly, the Company had to redirect its sales volumes to the continues, which remained open at the time. It became almost impossible to follow the strategy of market and product targeting. At the same time, MHP continued to follow its strategy of export sales diversification as much as it could.

In Q1 2020 MHP's exports of chicken meat constituted 82,048 tonnes, which is 12% lower than in the same period last year (Q1 2019: 93,045 tonnes), with significant decrease of countries in export portfolio. Export sales represented around 52% vs 57% of total poultry sales volumes in Q1 2020 and Q1 2019, respectively.

### Poultry Prices

The average chicken meat price for chicken meat in Q1 2019 constituted UAH 34.41 (US\$ 1.37) per kg, net of VAT, and decreased by 11% (3% in US\$, respectively) compared to the same period last year, mainly driven by the dilution of profitability per kg affected by banned exports and increased sales of frozen chicken in Ukraine. However, at the same time, average poultry prices in Q1 2020 remained relatively stable compared to average poultry prices in Q4 2019 – UAH 34.69 (US\$ 1.43) per kg, net of VAT.

### Oil Sales

	Q1 2019	Q1 2020	% change
Sunflower oil	99,826	80,710	-19%
Soybean oil	15,152	10,768	-29%

In Q1 2020, MHP's sales of sunflower oil decreased by 19% to 80,710 tonnes compared to 99,826 tonnes in Q1 2019, mainly as a result of delivery terms change. In Q1 2020, soybean oil exports decreased by 29% to 10,768 tonnes compared to 15,152 tonnes sold in Q1 2019, mainly due to decrease in production as well as a result of delivery terms change.

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

MHP has around 72,140 ha under winter crops, of which approximately 56% is sowed with winter wheat and 43% with winter rapeseeds. All winter crops are currently in good condition. This year MHP is going to harvest around 360,000 hectares.

MHP’s 2020 spring sowing campaign is ongoing now.

## MEAT-PROCESSING AND OTHER AGRI OPERATIONS

	Q1 2019	Q1 2020	% change
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Sales volume, third parties tonnes	7,572	7,860	4%
Price per 1 kg net VAT, UAH	65.73	68.90	5%

	Q1 2019	Q1 2020	% change
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Sales volume, third parties tonnes	4,067	4,039	-1%
Price per 1 kg net VAT, UAH	43.43	40.29	-7%

Sales volumes of sausage and cooked meats in Q1 2020 remained relatively stable and constituted 7,860 tonnes compared to 7,572 tonnes in Q1 2019. The average sausage and cooked meat price in Q1 2020 increased by 5% to UAH 68.90 per kg, net of VAT, compared to UAH 65.73 in Q1 2019.

Sales volumes of convenience food in Q1 2020 remained relatively stable and reached 4,039 tonnes. The average price in Q1 2020 decreased by 7% to UAH 40.29 per kg, net of VAT, due to the increased sales of more affordable SKUs.

## EUROPEAN OPERATING SEGMENT (operations of Perutnina Ptuj)

Poultry	Q1 2019*	Q1 2020
Sales volume, third parties tonnes	5,205	15,183
Price per 1 kg net VAT, EUR	2.57	2.56

\* result of PP from 21 February 2019 when the acquisition was completed

In Q1 2020, Perutnina Ptuj’s (PP) poultry production facilities produced 23,858 tonnes of chicken and turkey meat, while poultry sales constituted 15,183 tonnes. Prices were relatively stable year-on-year and in Q1 2020 constituted EUR 2.56 per kilogram (Q1 2019: EUR 2.57).

Meat processing products	Q1 2019*	Q1 2020
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Sales volume, third parties tonnes	2,662	9,206
Price per 1 kg net VAT, EUR	2.69	2.75

*\* result of PP from 21 February 2019 when the acquisition was completed*

In Q1 2020, PP's meat-processing facilities (including sausages, convenience foods) produced 8,214 tonnes, while sales constituted 9,206 tonnes. Average prices were at EUR 2.75 per kilogram (Q1 2019: EUR 2.69).

## **BOARD OF DIRECTORS APPOINTMENT**

On 24 March 2020, Mr Philip J Wilkinson OBE was appointed as an Independent Non-Executive Director to the Board for a period ending with the annual general meeting of the shareholders of the Company to be held in June 2020. Mr Wilkinson has significant experience in large poultry companies and has a deep understanding of international food and agriculture industries.

## **SUBSEQUENT EVENTS**

### *DIVIDENDS*

On 13 April 2020, the Board of Directors of MHP SE approved payment of an interim dividend of US\$ 0.2803 per share, equivalent to US\$ 30 million, to be paid to shareholders on 28<sup>th</sup> of April 2020 according to the announcement the Company made on 16<sup>th</sup> of April 2020.

### *COVID-19*

As of beginning of April, the impact of COVID-2019 is insignificant. The company is legally able to operate and operates normally.

The level of absenteeism of employees at MHP Group's enterprises is at the same level as previous year. The company management organised a range of measures for preventing sicknesses and spread of infection within the company (remote works, additional medical screenings, corporate transfers, using protective masks etc.). In particular, at production the work is organised in shifts of small numbers of people that allows limiting contact and minimising the potential massive spread of infection. In addition to this, wait list of potential workers have been accumulated, for the case if replacement of infected persons and of those who will be on quarantine will be required.

We have enough raw materials on stock to continue normal operations (grain growing business, poultry production etc.) Although the company has high dependency on imports, we have effectively managed our supply and have enough stock to ensure continuity of our production and operations for Q2 2020.

We are able to finance our needs by cash from operations, but in the case that additional liquidity is required we will be able to finance it by short-term loans. Having good long-term relationship with the banks, we have preconfirmed limits for financing with several banks.

## **NEXT RELEASE**

Financial results for Q1 2020 will be disclosed on 2 June 2020. More information you can find here: <https://www.mhp.com.ua/en/investor-relations/calendar>.

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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) and in the EU.

Ukraine: MHP is a market leader in Ukraine and has the 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 9 distribution and logistical centers, 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.

The Balkans: Perutnina Ptuj is a leading poultry and meat-processing producer in the Balkans, has production assets in four Balkan countries: Slovenia, Croatia, Serbia, Bosnia and Herzegovina; owns distribution companies in Austria, Macedonia and Romania and supply products to 15 countries in Europe. Perutnina Ptuj is a vertically integrated company across all states of chicken meat production - feed, hatching eggs production and hatching, breeding, slaughtering, sausages and further poultry processing production.

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.