



28 January 2021, Limassol, Cyprus

MHP SE

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

After a temporary decrease in utilization of poultry production capacity in Q1 (by c.10% from February to the end of March 2020 as a result of the avian influenza outbreak in Ukraine), since the beginning of Q2 all the Company’s poultry production facilities have been operating at full capacity. There were several outbreaks of the avian influenza in Ukraine in December 2020, however, the Company continued to export poultry meat to its major markets (except to the EU banned market). None of MHP poultry complex were affected with avian influenza by the time of pre-close trading update release.

Poultry production volumes in Q4 2020 remained relatively stable, constituting 189,687 tonnes (Q4 2019: 188,784 tonnes). In 12M 2020 poultry production volumes were relatively stable and constituted 731,279 tonnes (12M 2019: 728,917).

Poultry Sales & Prices

During 12M 2020 third parties sales amounted to 698,020 tonnes of poultry, which is 4% higher than in 12M 2019, driven mainly by substantial increase in exports in H2 2020 – 37% and 8% year-on-year in Q3 and Q4 2020, respectively (following the strategy to decrease poultry stocks), mainly due to the increased sales predominantly to MENA region as well as to Africa and Asia.

Overall chicken meat sales volumes in Q4 2020 increased by 10% compared to 174,260 tonnes in Q4 2019 (but by 11% lower compared to Q3 2020), following the Company’s strategy to decrease its poultry stocks accumulated during the preceding periods – in late 2019 and in Q1 2020.

Notwithstanding the turbulent times, MHP continued to follow its strategies of both geographic diversification and of a product mix optimization developing partnerships across the MENA, CIS,

EU and Africa countries. Total poultry exports in 12M 2020 constituted around 54% and 53% in 12M 2019 of total poultry sales volumes.

Poultry	Q4 2019	Q4 2020	% change	12M 2019	12M 2020	% change
Sales volume, third parties, tonnes:	158,624	174,260	10%	669,865	698,020	4%
- Sales in Ukraine	70,972	79,551	12%	312,541	324,286	4%
- Export Sales	87,651	94,709	8%	357,324	373,734	5%
- Average price per 1 kg net of VAT, UAH	34.69	38.49	11%	38.06	36.11	-5%
- Average price per 1 kg net of VAT, USD*	1.43	1.36	-5%	1.47	1.34	-9%
- Price per 1 kg net of VAT, UAH (Ukraine)	37.17	37.12	-1%	37.49	34.57	-8%
- Price per 1 kg net of VAT, USD (export)	1.35	1.37	2%	1.45	1.40	-6%

* Average official FX rate for Q4 2019 UAH/US\$ 24.26 and for Q4 2020 UAH/US\$ 28.27

Average official FX rate for 12M 2019 UAH/US\$ 25.84 and for 12M 2020 UAH/US\$ 26.96

Through the fourth quarter of 2020 the average chicken meat price (both domestic and export) constituted UAH 38.49 (US\$ 1.36) per 1 kg of natural weight (excluding VAT), which increased by 11% in UAH terms (-5% in USD). However, in the fourth quarter of 2020, the average export price remained relatively stable in USD terms, despite adverse significant product mix change, but in UAH terms was higher by 19% than the average price in 12M 2019 as a result of devaluation of the local currency mainly.

12M 2020 average chicken meat price was UAH 36.11 (US\$ 1.34), which is 5% lower in UAH terms (-9% in USD) compared to chicken price in 12M 2019, mainly driven by the product mix change in exports (significant decrease in sales of fillet to the EU and increased sales to MENA) and weaker prices on breast fillet in EU as many global competitors experienced reduced demand, which resulted in excess stocks. Prices on the domestic market in 12M 2020 decreased by 8% year-on-year, mainly for the same reasons as export prices as well as a higher proportion of lower-priced frozen chicken sales in Ukraine.

In general, for 2020, the situation in export markets deteriorated significantly due to several outbreaks of avian influenza at the beginning and at the end of the year 2020 and COVID-19 pandemic adverse effect throughout the year. As a result, in 12M 2020 the average export price in USD terms decreased by 6% to USD 1.40 per 1 kg compared to 12M 2019 (USD 1.49 per 1 kg) mainly driven by negative price dynamic for animal proteins in different parts of the world, especially in the EU (weaker prices on fillet in the EU) and chicken quarters worldwide. At the same time, export volumes in 12M 2020 increased by 5% and reached 373,733 tonnes.

Vegetable oils

Sales volume, tonnes	Q4 2019	Q4 2020	% change	12M 2019	12M 2020	% change
Sunflower oil	112,688	82,590	-27%	384,150	330,823	-14%
Soybean oil	11,764	7,783	-34%	51,771	40,904	-21%

In Q4 2020, MHP's sales of sunflower oil decreased by 27% and resulted in 82,590 tonnes compared to 112,688 tonnes in Q4 2019. In 12M 2020 sunflower oil exports constituted 330,823 tonnes, which is 14% lower year-over-year, mainly driven by a decrease in production of oil as a result of decreased production of fodder and share of sunflower cake in fodder and partially as a result of delivery terms change from DAP to FOB.

In Q4 2020, soybean oil exports were at 7,783 tonnes, 34% lower year-on-year and in 12M 2020 were at 40,904 tonnes, 21% lower year-on-year, mainly as a result of decreased production of fodder and share of soya cake in fodder and partially as a result of delivery terms change from DAP to FOB.

GRAIN GROWING OPERATIONS

In 2020 in grain growing operations the Company harvested around 356,046 hectares of land and gathered over 1.7 million tonnes of crops, 30% less versus 2019 mainly related to unusually hot and arid weather conditions in the final weeks of the growing season, particularly in the central regions of Ukraine, which have led to significantly lower yields across most crops compared to 2019.

	2020		2019	
	Production, tons	Cropped hectares	Production, tonnes	Cropped hectares
Corn	864,537	155,094	1,312,416	140,221
Wheat	208,143	40,827	300,396	46,797
Sunflower	261,886	93,713	237,755	65,447
Rapeseed	80,708	30,857	122,597	41,233
Soya	43,192	19,118	102,418	38,197
Other ^[1]	248,476	16,437	332,007	27,581
Total:	1,706,942	356,046	2,407,589	359,476

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

	2020**		2019	
	MHP's average*	Ukraine's average	MHP's average*	Ukraine's average*
Corn	5.6	5.4	9.4	7.2
Wheat	5.1	3.7	6.4	4.2
Sunflower	2.8	2.0	3.6	2.6
Rapeseed	2.6	2.2	3.0	2.6
Soya	2.3	2.0	2.7	2.3

* - Tonnes per hectare

** - MHP and Ukraine yields are net weight

*** - MHP's forecast

OTHER AGRI OPERATIONS

	Q4 2019	Q4 2020	% change	12M 2019	12M 2020	% change
Meat processing products						
Sales volume, third parties tonnes	8,699	7,234	-17%	35,554	32,626	-8%
Price per 1 kg net VAT, UAH	69.67	74.72	7%	67.34	70.78	13%
Convenience food						
Sales volume, third parties tonnes	5,179	5,314	3%	19,251	19,905	3%
Price per 1 kg net VAT, UAH	41.94	46.45	11%	40.97	39.94	-3%

Sales volumes of meat-processing products (sausages and smoked meat) in 12M 2020 decreased by 8% to 25,392 tonnes, mainly driven by 13% and 17% decreased sales volume in Q3 and Q4 2020, respectively, year-on-year as a result of challenging environment in HoReCa and open market trade connected with COVID-19 lockdowns. At the same time the average price in 12M 2020 increased by 13% to UAH 70.78 per kg (excluding VAT) year-on-year.

Sales volumes of convenience food in 12M 2020 increased by 3% (however, lower increase than expected) and reached 19,905 tonnes. The average price in 12M 2020 decreased by 3% to UAH 39.94 per kg (excluding VAT).

EUROPEAN OPERATING SEGMENT

	Q4 2019	Q4 2020	% change	12M 2019*	12M 2020	% change
Poultry						
Sales volume, third parties tonnes	14,162	15,165	7%	51,157	63,007	23%
Price per 1 kg net VAT, EUR	2.66	2.48	-6%	2.63	2.52	-4%

Following PP strategy of poultry production growth and increasing several facilities' capacity utilization in Serbia and Croatia, in Q4 2020 PP's poultry production facilities produced 24,583 tonnes** of chicken and turkey meat (3% more than in Q4 2019), while poultry sales constituted 15,165 tonnes. In 12M 2020 PP's poultry production facilities produced 102,157 tonnes** of chicken and turkey meat (48% more than in 12M 2019*), while poultry sales constituted 63,219 tonnes.

*Results of PP from 21 February 2019 when the acquisition was completed. NOTE: 12M 2019 poultry (if calculated since 01 January 2019) sales were at 59,804 tonnes.

**Share of poultry meat both in 4Q and 12M was not only sold as poultry products but also was processed and realized in PP meat processing products segment.

Meat processing products*	Q4 2019	Q4 2020	% change	12M 2019**	12M 2020	% change
Sales volume, third parties tonnes	9,242	9,918	7%	30,254	38,771	28%
Price per 1 kg net VAT, EUR	2.76	2.75	-0%	2.70	2.72	1%

*Includes sausages and convenience foods

**Results of PP from 21 February 2019 when the acquisition was completed. NOTE: 12M 2019 meat processing products sales (if calculated since 01 January 2019) were at 35,430 tonnes.

In Q4 2020 PP's meat-processing (including sausages, convenience foods) facilities produced 9,805 tonnes, while sales constituted 9,918 tonnes. In 12M 2020 PP's meat-processing facilities produced 39,026 tonnes of meat-processing products, while sales constituted 38,771 tonnes. Prices relatively remained stable in both periods compared to the same periods in 2019.

Next release

The financial results for Q4 and 12M 2020 will be published on **24 March 2021**. 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.

BREXIT AND ITS CONSEQUENCES FOR MHP

From 01 January 2021, as a result of the end of the transitional period following the United Kingdom's exit from the European Union, the Takeover Panel will no longer exercise shared jurisdiction over transactions involving the Company which would otherwise be subject to the Takeover Code, including takeover bids, merger transactions, or schemes of arrangement resulting the change or consolidation of control over the Company. In addition, from 01 January 2020, the London Stock Exchange (where the Company's Global Depositary Receipts are admitted to trading) will no longer be a regulated market as defined in Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments; as a result, the legislation in Cyprus regulating takeovers implementing the provisions of Directive 2004/25/EC of the European Parliament and of the Council on takeover bids requiring mandatory takeover offers in certain situations, will no longer be applicable to the Company.

BOARD CHANGES

On 18 January 2021, the Company announced that Mr Roger Wills, an independent non-executive director, had resigned from the MHP Board. In his letter of resignation to the Chairman, Mr Wills drew attention to a number of concerns which had been discussed by the independent directors regarding corporate governance and the role of the Board in general. In response to these concerns, some of which had been raised during the Board's annual review of its performance in early 2020, the Board has tasked its Senior Independent Director with developing proposals to further improve its governance practices. The MHP Board remains committed to complying with the UK Corporate Governance Code to the extent practical and to continuous improvement in its governance practices.

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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.