Изображение выглядит как логотип

Автоматически созданное описание

11 April 2023, Limassol, Cyprus

**MHP SE**

**Financial Results for the Fourth Quarter and Twelve Months ended 31 December 2022**

MHP SE (LSE:MHPC), the parent company of a leading international food & agrotech group with headquarters in Ukraine, today announces its audited results for the fourth quarter and twelve months ended 31 December 2022. Hereinafter, MHP SE and its subsidiaries are referred to as “MHP”, “The Company” or “The Group”.

MHP today also publishes its first integrated Annual Report for 2022 (the period ended 31 December 2022). You can find the Report following the link: <https://mhp.com.ua/en/mhp-se/financial-reports>

**WAR IN UKRAINE**

The war in Ukraine continues and may escalate further in the coming months. There are ongoing risks to the Company’s operations due to recurring attacks on the critical infrastructure of Ukraine; however, as of today all MHP’s production facilities in Ukraine continue to operate at close to full capacity. After transforming its logistics arrangements in response to evolving wartime circumstances, the Company is again exporting to over 70 countries, providing grain, vegetable oils and poultry meat worldwide. The Company’s management and operational teams continually seek new ways to adjust to the rapidly changing environment and to exploit opportunities that arise.

To date, MHP’s own facilities have not sustained any physical damage as a result of war. In the event of any adverse impact to its operations, the Company has in place comprehensive contingency plans, ensuring that it is ready to take any actions necessary to rebuild, restore and re-start production in the shortest time possible.

The Group has incurred substantial war-related costs since the Russian invasion on 24 February 2022. For the year ended 31 December 2022 these amounted to US$ 69 million, including community support donations, write-offs of inventories and biological assets, and other specific war-related expenses. Working with volunteers, since the beginning of the War the Group has provided extensive humanitarian aid, including the free supply of around 12,000 tonnes of poultry products to the population of Ukraine.

**OPERATIONAL HIGHLIGHTS**

***Q4 2022***

* Poultry production volume in Ukraine decreased 10% y/y to 181,583 tonnes (Q4 2021: 202,657 tonnes). Poultry production volumes for the European Operating Segment (Perutnina Ptuj, “PP”) increased by 11% to 31,147 tonnes (Q4 2021:28,043 tonnes).
* MHP average chicken meat price increased by 6% to US$ 1.87 per kg (Q4 2021: US$ 1.77 per kg) excluding VAT. The average price of chicken meat produced by PP increased by 25% to EUR 3.38 per kg (Q4 2021: EUR 2.70 per kg).
* Chicken meat export volumes from Ukraine increased by 6% to 111,130 tonnes (Q4 2021: 104,841 tonnes).

***12M 2022***

* Poultry production volume in Ukraine decreased by 8% y/y to 697,071 tonnes (12M 2021: 754,387 tonnes). Poultry production volumes for PP increased by 11% to 124,040 tonnes (12M 2021:111,973 tonnes).
* MHP average chicken meat price increased by 17% y/y to US$ 1.95 per kg (12M 2021: US$ 1.67 per kg) excluding VAT. The average price of poultry meat produced by PP also increased by 25% to EUR 3.24 per kg (12M 2021: EUR 2.59 per kg).
* Chicken meat export volumes from Ukraine declined by 8% y/y to 368,379 tonnes (12M 2021: 402,388 tonnes).

**FINANCIAL HIGHLIGHTS**

***Q4 2022***

* Revenue increased by 6% y/y to US$ 766 million, (Q4 2021: US$ 725 million).
* Export revenue of US$ 491 million, representing 64% of total Group revenue (Q4 2021: US$ 422 million, 58% of total Group revenue).
* Operating profit of US$ 79 million, an decrease of 12% y/y (Q4 2021: US$ 90); operating margin decreased to 10% (Q4 2021: 12%).
* Adjusted EBITDA (net of IFRS 16) decreased 16% y/y to US$ 109 million (Q4 2021: US$ 129 million); adjusted EBITDA margin (net of IFRS 16) decreased to 14% (Q4 2021: 18%).
* Net profit of US$ 38 million (Q4 2021: US$ 16 million).

***12M 2022***

* Revenue increased by 11% y/y to US$ 2,642 million (12M 2021: US$ 2,372 million).
* Export revenue increased by 26% y/y to US$ 1,601 million, representing 61% of total Group revenue (12M 2021: US$ 1,265 million, 53% of total Group revenue).
* Operating profit decreased to US$ 255 million, down by 49% y/y (12M 2021: US$ 503 million) and operating margin decreased from 21% to 10%.
* Adjusted EBITDA (net of IFRS 16) decreased by 41% y/y to US$ 384 million (12M 2021: US$ 648 million); adjusted EBITDA margin (net of IFRS 16) decreased from 27% to 15%.
* Net loss of US$ 231 million (12m 2021: profit of US$ 393 million), primarily reflecting a US$ 365 million non-cash foreign exchange loss in 12M 2022 (12M 2021: US$ 40 million foreign exchange gain).

**FINANCIAL OVERVIEW**

| *(in mln. US$, unless indicated otherwise)* |  | **Q4 2022** |  | **Q4 2021** | *% change1)* |  | **12M 2022** | **12M 2021** | *% change1)* |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |
| **Revenue** |  | **766** |  | **725** | **6%** |  | **2,642** | **2,372** | **11%** |
| IAS 41 standard losses |  | (9) |  | 9 | -200% |  | (128) | 185 | -169% |
|  |  |  |  |  |  |  |  |  |  |
| **Gross profit** |  | **210** |  | **172** | **22%** |  | **608** | **745** | **-18%** |
| *Gross profit margin* |  | *27%* |  | *24%* | *3 pps* |  | *23%* | *31%* | *-8 pps* |
| War-related expenses |  | (24) |  | - | -100% |  | (69) | - | -100% |
|  |  |  |  |  |  |  |  |  |  |
| **Operating profit** |  | **79** |  | **90** | **-12%** |  | **255** | 503 | **-49%** |
| *Operating profit margin* |  | *10%* |  | *12%* | *-2 pps* |  | *10%* | *21%* | *-11 pps* |
|  |  |  |  |  |  |  |  |  |  |
| **Adjusted EBITDA** |  | **138** |  | **157** | **-12%** |  | **443** | **709** | **-38%** |
| *Adjusted EBITDA margin* |  | *18%* |  | *22%* | *-4 pps* |  | *17%* | *30%* | *-13 pps* |
| **Adjusted EBITDA** *(net of IFRS 16)* |  | **109** |  | **129** | **-16%** |  | **384** | **648** | **-41%** |
| *Adjusted EBITDA margin (net of IFRS 16)* |  | *14%* |  | *18%* | *-4 pps* |  | *15%* | *27%* | *-12 pps* |
|  |  |  |  |  |  |  |  |  |  |
| **Net profit /(loss)** |  | **38** |  | **16** | **138%** |  | **(231)** | **393** | **-159%** |
| *Net profit/(loss) margin* |  | *5%* |  | *2%* | *3 pps* |  | *-9%* | *17%* | *-26 pps* |

*1) pps – percentage points*

*Average official FX rate for Q4: UAH/US$ 36.57 in 2022 and UAH/US$ 26.68 in 2021.*

*Average official FX rate for 12M 2022 UAH/US$ 32.37 and UAH/US$ 27.28 for 12M 2021.*

**DIAL-IN DETAILS**

MHP’s management will host a conference call for investors and analysts followed by Q&A on the day of the results.

The dial-in details are:

Time: 14.00 London / 16.00 Kyiv / 09.00 New York

Title: Financial results for Q4 and 12M 2022

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Ukraine: +380 89 324 0624

USA: +1 718 866 4614

PIN code: 645982

To follow the presentation with the management team, please use the following link:

<https://mm.closir.com/slides?id=645982>

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**Segment Performance**

**Poultry and Related Operations Segment**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Q4 2022** | **Q4 2021** | *% change y/y* | **Q3 2022** | *% change q/q* | **12M 2022** | **12M 2021** | *% change* |
| **Poultry** |  |  |  |  |  |  |  |  |  |
| **Sales volume1), third party tonnes** |  | **188,907** | **180,028** | **5%** | **177,387** | **6%** | **665,975** | **704,010** | **-5%** |
| *Export sales volume, tonnes* |  | *111,130* | *104,841* | *6%* | *99,250* | *12%* | *368,379* | *402,388* | *-8%* |
| *Domestic sales volume, tonnes* |  | *77,777* | *75,187* | *3%* | *78,137* | *0%* | *297,596* | *301,622* | *-1%* |
| *Portion of export sales, %* |  | *59%* | *58%* | *2%* | *56%* | *5%* | *55%* | *57%* | *-4%* |
| **Average price per 1 kg net of VAT, USD** |  | **1.87** | **1.77** | **6%** | **2.00** | **-6%** | **1.95** | **1.67** | **17%** |
| *Average price per 1 kg net of VAT, UAH (Ukraine)* |  | *48.80* | *46.76* | *4%* | *47.30* | *3%* | *47.01* | *45.37* | *4%* |
| *Average price per 1 kg net of VAT, US$ (Ukraine)* |  | *1.33* | *1.75* | *-24%* | *1.35* | *-1%* | *1.45* | *1.66* | *-13%* |
| *Average price per 1 kg net of VAT, US$ (export)* |  | *2.22* | *1.77* | *25%* | *2.49* | *-11%* | *2.33* | *1.67* | *40%* |
| **Sunflower oil** |  |  |  |  |  |  |  |  |  |
| Sales volume, tonnes |  | 95,895 | 79,480 | 21% | 95,436 | 0% | 272,807 | 207,240 | 32% |
| **Soybeans oil** |  |  |  |  |  |  |  |  |  |
| Sales volume, tonnes |  | 13,583 | 9,622 | 41% | 7,716 | 76% | 40,845 | 45,209 | -10% |

*1) Total poultry sales include domestic sales, export sales and sales of culinary products; data for 2021 has been adjusted accordingly to this approach*

***Chicken meat***

The total volume of chicken meat sold to third parties in 12M 2022 decreased by 5% to 665,975 tonnes (12M 2021: 704,010 tonnes) mainly due to logistical challenges for export sales and lower demand in Ukraine due to the effects of the War.

Poultry exports in Q4 2022 increased by 6% y/y and by 12% q/q mainly driven by an intentional decrease of poultry stocks in non-resident warehouses, which have been accumulated in significant volumes during 2022 to secure stable export contracts taking into account logistics challenges driven by the War in Ukraine. Poultry export prices in Q4 2022 increased by 25% y/y, mainly driven by product mix optimisation of sales as well as by substantial international price increases across all markets (particularly fillet prices in the EU and MENA and small bird prices in the MENA region).

Driven by War-related news and challenges as well as by seasonality, in Q2 2022, poultry prices increased significantly. However, from September 2022, due to changes in the economic environment in the EU and UK and increased competition in the MENA region poultry prices across all export markets (MENA, EU and CIS) from September 2022 started to decline sharply, which resulted in an 11% q/q decrease in price in Q4. Current prices remain substantially lower than in Q3 2022. Moreover, MHP has, since March 2022, been facing significant y/y increase in its export logistic cost, unlike our international competitors which have considerably lower logistics costs.

In Q4 2022 poultry prices in the domestic market (US$ terms) decreased by 24% y/y, and by 1% q/q, predominantly driven by the significant depreciation of the UAH. In UAH terms, in Q4 2022, poultry prices remained stable y/y, while slightly increasing q/q.

***Vegetable oil***

In Q4 2022, sunflower oil sales volumes amounted to 95,895 tonnes, up 21% y/y. For the 12M 2022, MHP’s sales of sunflower oil increased by 32% to 272,807 tonnes (12M 2021: 207,240 tonnes), mainly driven by an increase in production of sunflower cake (a change in the recipe), which was substantially lower in Q4 2021 ( when the fodder recipe was based more on soyabean cake) as well as positive changes (in logistic with faster ships turnaround).

Sales of soybean oil were 13,583 tonnes in Q4 2022, 41% higher y/y, and 40,845 tonnes in 12M 2022, 10% lower y/y, mainly as a result of lower production volumes of soyabean cake required for the fodder recipe substituted by sunflower cake since Q2 2022, and challenges associated with export logistics because of the War in Ukraine.

**Financial result and trends**

| *(in mln. US$, unless indicated otherwise)* |  | **Q4 2022** | **Q4 2021** | *% change y/y1)* | **Q3 2022** | *% change q/q1)* | **12M 2022** | **12M 2021** | *% change1)* |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |
| **Revenue** |  | **537** | **467** | **15%** | **541** | **-1%** | **1,887** | **1,607** | **17%** |
| *- Poultry and other* |  | *382* | *357* | *7%* | *392* | *-3%* | *1,425* | *1,305* | *9%* |
| *- Vegetable oil* |  | *155* | *110* | *41%* | *149* | *4%* | *462* | *302* | *53%* |
|  |  |  |  |  |  |  |  |  |  |
| IAS 41 standard gain |  | (11) | 7 | -257% | 9 | -222% | 13 | 14 | -7% |
|  |  |  |  |  |  |  |  |  |  |
| **Gross profit** |  | **123** | **66** | **86%** | **105** | **17%** | **375** | **285** | **32%** |
| *Gross margin* |  | *23%* | *14%* | *9 pps* | *19%* | *4 pps* | *20%* | *18%* | *2 pps* |
|  |  |  |  |  |  |  |  |  |  |
| War-related expenses |  | (3) | - | -100% | (4) | 23% | (38) | - | -100% |
|  |  |  |  |  |  |  |  |  |  |
| **Adjusted EBITDA** |  | **86** | **57** | **51%** | **84** | **2%** | **270** | **267** | **1%** |
| *Adjusted EBITDA margin* |  | *16%* | *12%* | *4 pps* | *16%* | *0 pps* | *14%* | *17%* | *-3 pps* |
| *Adjusted EBITDA per 1 kg (net of IAS 41)* |  | *0.51* | *0.28* | *82%* | *0.42* | *21%* | *0.39* | *0.36* | *8%* |

*1) pps – percentage points*

In 12M 2022, revenue increased by 17% y/y driven by price increases in export markets, and partly offset by lower sales volumes of meat. A 15% q/q increase of revenue in Q4 2022 was primary attributable to a substantial increase in sales volumes of vegetable oil due to the change in fodder recipe.

IAS 41 standard loss in Q4 2022 amounted to US$ 11 million mainly due to a downward trend in export prices which continued during Q1 2022 and which resulted in a lower revaluation of chicken meat held on stock abroad.

Gross profit for 12M 2022 increased by 32% y/y to US$ 375 million. The increase was mainly driven by an increase in the price of chicken meat and a higher sales volume and price of sunflower oil.

In 12M 2022, adjusted EBITDA remained unchanged y/y, mainly due to the impact of War-related expenses (including donations, damages and asset write-offs) which offset the price increases in export markets. The increase in Adjusted EBITDA in Q4 2022 compared to the same period last year is mainly related to the increased export price and sales volumes.

**Grain Growing Segment**

In 2022 MHP harvested around 341,000 hectares of land in Ukraine and gathered around 1.9 million tonnes of crops, 26% less than in 2021, mainly due to unfavorable weather condition during the summer and the harvesting season in autumn. MHP’s average yields remain well above the average for Ukraine for all crops due to operational efficiency and employment of best practices.

**Harvest results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | ***2022 [1]*** | |  | ***2021 [1]*** | |
|  | ***Production volume*** | ***Cropped***  ***land*** |  | ***Production volume*** | ***Cropped***  ***land*** |
|  |
|  | *in tonnes* | *in hectares* |  | *in tonnes* | *in hectares* |
| Corn | 1,088,476 | 151,850 |  | 1,624,173 | 163,295 |
| Wheat | 224,391 | 40,711 |  | 216,007 | 36,773 |
| Sunflower | 159,357 | 62,585 |  | 279,822 | 88,256 |
| Rapeseed | 104,849 | 27,520 |  | 71,055 | 21,522 |
| Soya | 109,240 | 44,953 |  | 57,208 | 22,879 |
| Other ***[2]*** | 248,334 | 13,129 |  | 348,590 | 18,715 |
| **Total** | **1,934,647** | **340,748** |  | **2,596,855** | **351,440** |

***[1]*** *Only land of Grain Growing Segment;*

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

**Yields**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | ***2022*** | |  | ***2021*** | |
|  |  | ***MHP’s***  ***average[1]*** | ***Ukraine’s average[1]*** |  | ***MHP’s***  ***average[1]*** | ***Ukraine’s average[1]*** |
|  |  | *tonnes per hectare* | |  | *tonnes per hectare* | |
|  |  |  |  |  |  |  |
| Corn |  | 7.2 | 6.6 |  | 10.0 | 8.0 |
| Wheat |  | 5.5 | 4.1 |  | 5.9 | 4.6 |
| Sunflower |  | 2.5 | 2.2 |  | 3.2 | 2.5 |
| Rapeseed |  | 3.8 | 2.9 |  | 3.3 | 3.0 |
| Soya |  | 2.4 | 2.4 |  | 2.5 | 2.7 |

*1) MHP yields are net weight, Ukraine yields are bunker weight.*

**Financial result and trends**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| *(in mln. US unless indicated otherwise)* |  | **12M 2022** |  | **12M 2021** |  | *% change* |
|  |  |  |  |  |  |  |
| **Revenue** |  | **158** |  | **188** |  | **-16%** |
| IAS 41 standard gain/(loss) |  | (142) |  | 169 |  | -184% |
|  |  |  |  |  |  |  |
| **Gross profit** |  | **105** |  | **336** |  | **-69%** |
| War-related expenses |  | (6) |  | - |  | -100% |
|  |  |  |  |  |  |  |
| Adjusted EBITDA |  | 150 |  | 397 |  | -62% |
| **Adjusted EBITDA (net of IFRS 16)** |  | **93** |  | **338** |  | **-72%** |
| *Adjusted EBITDA (net of IFRS 16) per 1 hectare* |  | *273* |  | *962* |  | *-72%* |

The Grain Growing Segment’s revenue for 12M 2022 was US$ 158 million (12M 2021: US$ 188 million). The 16% y/y decrease was mainly attributable to the lower volumes sold, as a result of the late finishing of the harvesting campaign and lower yields of corn, sunflower and wheat.

IAS 41 standard loss in 12M 2022 was US$ 142 million (12M2021: a gain of US$ 169 million), with the loss representing the net effect of the revaluation of agricultural produce (sunflower, corn, wheat and soya), as well as a revaluation of fields due to lower expected results from winter crops.

12M 2022 Adjusted EBITDA (net of IFRS 16) of the Segment decreased by 72% year-on-year, mainly due to the weaker harvest in 2022 compared to the one in 2021, as well as higher grain production costs due to increased prices for main raw materials.

**Meat Processing and Other Agricultural Segment**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Meat processing products** |  | **Q4 2022** | **Q4 2021** | *% change y/y* | **Q3 2022** | *% change q/q* | **12M 2022** | **12M 2021** | % change |
|  |  |  |  |  |  |  |  |  |  |
| Sales volume, third party tonnes |  | 2,872 | 8,507 | -66% | 3,108 | -8% | 14,284 | 33,954 | -58% |
| Price per 1 kg net VAT, UAH |  | 123.68 | 88.29 | 40% | 106.27 | 16% | 99.06 | 82.20 | 21% |

Sales volumes of meat processing products decreased by 58% y/y to 14,284 tonnes in 12M 2022 (12M 2021: 33,954 tonnes) driven by War-related challenges that resulted in the temporary suspension of production facilities at “Ukrainian Bacon” in the Donetsk region and the subsequent partial redeployment of its operations to Central Ukraine. The average price increased by 21% y/y to UAH 99.06 per kg in 12M 2022, driven mainly by an increase in raw material prices (spices, packaging and other components).

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Convenience food** |  | **Q4 2022** | **Q4 2021** | *% change y/y* | **Q3 2022** | *% change q/q* | **12M 2022** | **12M 2021** | % change |
|  |  |  |  |  |  |  |  |  |  |
| Sales volume, third party tonnes |  | 5,327 | 4,750 | 12% | 5,421 | -2% | 18,159 | 18,857 | -4% |
| Price per 1 kg net VAT, UAH |  | 70.05 | 52.58 | 33% | 61.91 | 13% | 61.90 | 48.62 | 27% |

Sales volumes of convenience food in 12M 2022 decreased by 4% to 18,159 tonnes (12M 2021: 18,857 tonnes), mainly driven by significant disruptions in HoReCa (both KFC and McDonalds temporarily ceased its operations in Ukraine in Q2 2022 because of the War). The average price in 12M 2022 increased by 27% to UAH 61.90 per kg (excluding VAT) mainly driven by raw material price increases as well as a focus on increased sales of higher-margin products.

**Financial result and trends**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *(in mln. US$, except margin data)* |  | **Q4 2022** | **Q4 2021** | *% change y/y1)* | **Q3 2022** | *% change q/q1)* | **12M 2022** | **12M 2021** | % change |
|  |  |  |  |  |  |  |  |  |  |
| **Revenue** |  | **39** | **49** | **-20%** | **32** | **22%** | **134** | **176** | **-24%** |
| *- Meat processing and convenience food* |  | *30* | *40* | *-25%* | *24* | *25%* | *102* | *143* | *-29%* |
| *- Other2)* |  | *9* | *9* | *0%* | *8* | *13%* | *32* | *33* | *-3%* |
| IAS 41 standard losses |  | (2) | (4) | 50% | - | -100% | (1) | (1) | 0% |
|  |  |  |  |  |  |  |  |  |  |
| **Gross profit** |  | **4** | **-** | **100%** | **5** | **-20%** | **15** | **17** | **-12%** |
| *Gross margin* |  | *10%* | *0%* | *10 pps* | *16%* | *-6 pps* | *11%* | *10%* | *1 pps* |
| War-related expenses |  | (1) | - | -100% | - | -100% | (5) | - | -100% |
|  |  |  |  |  |  |  |  |  |  |
| **Adjusted EBITDA** |  | **4** | **(1)** | **-500%** | **4** | **0%** | **8** | **11** | **-24%** |
| *Adjusted EBITDA margin* |  | *10%* | *-2%* | *12 pps* | *13%* | *-3 pps* | *6%* | *6%* | *0 pps* |

*1) pps – percentage points;*

*2) includes milk, cattle and feed grains.*

The Segment’s 12M 2022 revenue decreased by 24% y/y to US$ 134 million. Adjusted 12M 2022 EBITDA was US$ 8 million (12M 2021: US$ 11 million), mainly due to the effects of the War and significant disruptions in demand for HoReCa segment.

**European Operating Segment (PP)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Poultry** |  | **Q4 2022** | **Q4 2021** | *% change y/y* | **Q3 2022** | *% change q/q* | **12M 2022** | **12M 2021** | % change y/y |
|  |  |  |  |  |  |  |  |  |  |
| Sales volume, third party tonnes |  | 19,141 | 17,924 | 7% | 21,263 | -10% | 77,766 | 72,841 | 7% |
| Price per 1 kg net VAT, EUR |  | 3.38 | 2.70 | 25% | 3.34 | 1% | 3.24 | 2.59 | 25% |

In Q4 2022, poultry sales volumes of the European Operating Segment increased by 7% y/y to 19,141 tonnes, while decreasing by 10% q/q. This was driven by an increased production of chicken meat following the expansion of facilities in Croatia and Serbia. The average price of chicken meat increased by 25% y/y in Q4 2022 to EUR 3.38 (Q4 2021: EUR 2.70).

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Meat processing products1)** |  | **Q4 2022** | **Q4 2021** | *% change y/y* | **Q3 2022** | *% change q/q* | **12M 2022** | **12M 2021** | % change y/y |
|  |  |  |  |  |  |  |  |  |  |
| Sales volume, third party tonnes |  | 11,162 | 10,321 | 8% | 11,960 | -7% | 43,277 | 40,366 | 7% |
| Price per 1 kg net VAT, EUR |  | 3.19 | 2.83 | 13% | 3.11 | 3% | 3.09 | 2.78 | 11% |

*1) includes sausages and convenience foods*

Meat processing product sales at the European Operating Segments increased by 8% y/y to 11,162 tonnes in Q4 2022 (Q4 2021: 10,321 tonnes), but decreased 7% when compared with Q3. The average price of meat processing products in Q4 2022 increased by 13% to EUR 3.19.

**Financial result and trends**

| *(in mln. US$, except margin data)* |  | **Q4 2022** | **Q4 2021** | *% change y/y1)* | **Q3 2022** | *% change q/q1)* | **12M 2022** | **12M 2021** | % change y/y |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |
| **Revenue** |  | **118** | **100** | **18%** | **121** | **-2%** | **464** | **401** | **16%** |
| IAS 41 standard gains |  | (2) | 2 | -200% | (1) | -100% | 2 | 3 | -33% |
|  |  |  |  |  |  |  |  |  |  |
| **Gross profit** |  | **23** | **21** | **10%** | **29** | **-21%** | **113** | **106** | **7%** |
| *Gross margin* |  | *19%* | *21%* | *-2 pps* | *24%* | *-5 pps* | *24%* | *26%* | *-2 pps* |
|  |  |  |  |  |  |  |  |  |  |
| **Adjusted EBITDA** |  | **7** | **13** | **-46%** | **21** | **-67%** | **65** | **66** | **-2%** |
| *Adjusted EBITDA margin* |  | *6%* | *13%* | *-7 pps* | *17%* | *-11 pps* | *14%* | *16%* | *-2 pps* |
|  |  |  |  |  |  |  |  |  |  |
| **Adjusted EBITDA** *(net of IFRS 16)* |  | **7** | **13** | **-46%** | **20** | **-65%** | **63** | **63** | **0%** |
| *Adjusted EBITDA margin*  *(net of IFRS 16)* |  | *6%* | *13%* | *-7 pps* | *17%* | *-11 pps* | *14%* | *16%* | *-2 pps* |

*1) pps – percentage points.*

The European Operating Segment’s revenue for 12M 2022 increased by 16% to US$ 464 million (12M 2021: US$ 401 million), mainly driven by an increase in poultry sales volumes and prices.

12M 2022 adjusted EBITDA (net of IFRS 16) was flat y/y at US$ 63 million (12M 2021: US$ 63 million), with the adjusted EBITDA margin (net of IFRS 16) declining from 16% to 14%.

**Current Group cash flow**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *(in mln. US$)* |  | **Q4 2022** |  | **Q4 2021** |  | **12M 2022** |  | **12M 2021** |
| **Cash from operations** |  | **101** |  | **91** |  | **479** |  | **370** |
| Change in working capital |  | (93) |  | (224) |  | (341) |  | (245) |
| **Net Cash from operating activities** |  | **8** |  | **(133)** |  | **138** |  | **125** |
| **Cash used in investing activities** |  | **(49)** |  | **(3)** |  | **(174)** |  | **(100)** |
| *Including:* |  |  |  |  |  |  |  |  |
| CAPEX1) |  | (54) |  | (51) |  | (160) |  | (143) |
| **Cash from financing activities** |  | **14** |  | **130** |  | **57** |  | **35** |
| **Total change in cash2)** |  | **(27)** |  | **(6)** |  | **21** |  | **60** |

*1)Calculated as cash used for purchases of property, plant and equipment plus cash used for purchases of other non-current assets.*

*2)Calculated as net cash from operating activities plus cash used in investing activities plus cash used in financing activities.*

Cash flow from operations for 12M 2022 amounted to US$ 479 million (12M 2021: US$ 370 million). Higher cash generation compared to EBITDA is mainly attributable to a non-cash IAS 41 gain/(loss) on revaluation of crops that will be realized the next year (in 2023). Despite an increase in сash obtained from operations, MHP needed to invest it in working capital.

Investment in working capital are mostly related to:

* An increase in trade accounts receivable for sunflower oil due to longer settlement periods as a result of increased delivery periods;
* Lower advances received for grains and meat; and
* Higher volumes of oils as at the end of 2022 designated for sale as well as increased investments in fertilizers and fuel before the spring sowing campaign.

In 12M 2022 total CAPEX was 12% higher compared to 2021 and amounted to US$ 160 million. The increase in CAPEX year-on-year is mainly attributable to the expansion of operations and modernization of Perutnina Ptuj production facilities (including facilities for environmental friendly production and compliance) as well as the War-resilience CAPEX (barges to facilitate exports, diesel generators etc).

**Debt Structure and Liquidity**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| *(in mln. US$)* |  | **31 December 2022** |  | **30 September 2022** |  | **31 December 2021** |
|  |  |  |  |  |  |  |
| **Total Debt1) 2)** |  | **1,537** |  | **1,503** |  | **1,505** |
| LT Debt**1)** |  | 1,507 |  | 1,480 |  | 1,489 |
| ST Debt **1)** |  | 182 |  | 168 |  | 126 |
| Trade credit facilities2) |  | (152) |  | (145) |  | (110) |
| Cash and bank deposits |  | (300) |  | (317) |  | (275) |
| **Net Debt1)** |  | **1,237** |  | **1,186** |  | **1,230** |
|  |  |  |  |  |  |  |
| LTM Adjusted EBITDA**1)** |  | 384 |  | 404 |  | 648 |
| *Net Debt / LTM Adjusted EBITDA***1)** |  | *3.22* |  | *2.94* |  | *1.90* |

*1) Net of IFRS 16 adjustments: as if any lease that would have been treated as an operating lease under IAS 17 as was in effect before the 1 January 2019, is treated as an operating lease for the purposes of this calculation. In accordance with covenants in MHP’s bond and loan agreements, these data exclude the effects of IFRS 16 on accounting for operating leases.*

*2)  Indebtedness under trade credit facilities that is required to be repaid within 12 months of drawdown should be excluded for the purposes of this calculation*

As of 31 December 2022, the share of long-term debt in the total outstanding debt remained unchanged at 98%.

As of 31 December 2022, MHP’s cash and cash equivalents amounted to US$ 300 million. Net debt remained broadly stable y/y at US$ 1,237 million, compared to US$ 1,230 million as at 31 December 2021, but increased compared to US$ 1,186 as at 30 September 2022.

The Net Debt / LTM adjusted EBITDA (net of IFRS 16) ratio was 3.22 as of 31 December 2022, higher than the limit of 3.0 defined in the Eurobond agreement.

To reiterate the principles underlying its approach to balance sheet structure and funding mix, the Company remains committed to maintaining a robust liquidity position as well as sustainable debt leverage.

The Company’s debt management strategy extends to both its private and public debt instruments. While the Company’s bond, loan and revolving credit facilities remain largely unchanged from before the War, the Company expects to manage its debt portfolio proactively in response to evolving market conditions subject to the NBU restrictions.

**Currency Risk**

As a hedge for currency risks, revenue from the exports of grain, sunflower and soybean oil, sunflower husks and chicken meat which, are denominated in US Dollars and Euros, are more than sufficient to cover debt service expenses. Export revenue for 12M 2022 amounted to US$ 1,601 million or 61% of total revenue (US$ 1,265 million or 53% of total sales in 12M 2021).

**Dividends**

Taking into account the current risks and uncertainties following the Russian invasion of Ukraine, and the resulting need to preserve liquidity to support the Company’s ongoing business operations and to help sustain the population of the country, the Board of MHP has decided that no dividend are likely to be paid for as long as the War continues.

**Subsequent Events**

***Facility agreement with the EBRD***

In February 2023, the Group entered into a facility agreement with the European Bank for Reconstruction and Development (EBRD) in the amount of US$ 100 million (EBRD - US$ 90 million and a third party lender - US$ 10 million). The loan is for the purposes of financing the needs of the Poultry and Related Operations Segment. It is a seasonal loan, secured by sunflower seeds and oil stocks, with maturity in August 2023, and will be used to finance the purchase of sunflower seeds and other operational expenses associated with production of sunflower oil and related products. The loan includes a number of covenants and other terms and conditions, including a requirement that the Group maintain certain financial ratios consistent with those in the Group's Eurobond agreements. The loan also contains a number of reporting requirements.

***Appointment of a new Non-Executive Director***

Mr. Oscar Chemerinski was appointed as an Independent Non-Executive Director at the EGM held on 7 March 2023. On 04 April 2023, the Board appointed Mr. Chemerinski to become a member of the Sustainability & International Committee and a member of the Audit & Risk Committee.

**Outlook**

In Q1 2023, the Group was successful in maintaining operations at close to full capacity.

As the overall situation in Ukraine continues to be fluid, we are unable to provide any meaningful guidance as to the outlook for the Poultry segment for the 2023 full year. In the Grain growing segment, the Spring sowing campaign will start this month. With all our land located outside war zones, we are hopeful that we will be able to harvest the same 360,000 hectares as in 2022.

**Notes to Editors:**

**About MHP**

MHP SE is the parent company of a leading international food & agrotech group with headquarters in Ukraine and also in the Balkans (Perutnina Ptuj Group).

**Ukraine:** MHP has the greatest market share and 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 nine 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 since 2008.

**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.