22 May 2018, Kyiv, Ukraine

MHP SE

Financial Results for the First Quarter Ended 31 March 2018

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 results for the first quarter ended 31 March 2018. Hereinafter, MHP SE and its subsidiaries are referred to as “MHP”, “The Company” or “The Group”.

OPERATIONAL HIGHLIGHTS

- Poultry production volumes reached 152,167 tonnes, increased by 7% (Q1 2017: 141,874 tonnes)
- The average chicken meat price increased by 23% year-on-year to UAH 38.78 per kg (Q1 2017: UAH 31.52 per kg) (excluding VAT). In USD terms, the average MHP’s poultry prices in 1Q 2018 increased by 22% year-on-year
- Chicken meat exports increased by 28% to 63,144 tonnes (Q1 2017: 49,151 tonnes) as a result of increased exports to the countries of the MENA and the EU

FINANCIAL HIGHLIGHTS

- Revenue of US$ 306 million, increased by 10% year-on-year (Q1 2017: US$ 279 million)
- Export revenue amounted to US$ 162 million, 53% of total revenue (Q1 2017: US$ 164 million, 59% of total revenue)
- Operating profit of US$ 62 million decreased by 16%; overall adjusted operating profit margin was 20%
- Adjusted EBITDA decreased by 4% to US$ 89 million (Q1 2017: US$ 93 million); adjusted EBITDA margin declined to 29% (Q1 2017: 33%)

FINANCIAL OVERVIEW

(in mln. US$, unless indicated otherwise)	**Q1 2018**	**Q1 2017**	*% change**
Revenue	**306**	**279**	**10%**
IAS 41 standard (loss)/gain	(5)	10	-150%
Gross profit	**81**	**86**	**-6%**
Gross profit margin	*26%*	*31%*	*-5pps*
Operating profit	**62**	**74**	**-16%**
Operating profit margin	*20%*	*27%*	*-7 pps*
Adjusted EBITDA	**89**	**93**	**-4%**
Adjusted EBITDA margin	*29%*	*33%*	*-4 pps*
Net profit before foreign exchange differences	**35**	**50**	**-30%**
Net profit margin before forex gain	*11%*	*18%*	*-7 pps*
Foreign exchange gain	55	7	*686%*
Net profit	**90**	**57**	**58%**
Net profit margin	*29%*	*20%*	*9 pps*

** pps – percentage points*
Average official FX rate for Q1 2018 UAH/US$27.3203 and for Q1 2017 UAH/US$27.0611

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:	09.00 New York / 14.00 London / 16.00 Kyiv
Title:	Financial results for Q1 2018
International/UK Dial in:	+44 2071943759
USA free call:	+1 6467224916
Conference ID	**EV00072997**
Participant PIN code	19785356#

In order to follow the presentation together with the management, please register using the following link: http://event.onlineseminarsolutions.com/r.htm?e=1664674&s=1&k=DE197AC01BE49A58F9E6D3FA0625272D

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Segment Performance

Poultry and related operations

	Q1 2018	Q1 2017	% change
Poultry			
Sales volume, third parties tonnes	135,307	123,931	9%
Incl. Export sales volume, tonnes	*63,144*	*49,151*	*28%*
Price per 1 kg net of VAT, UAH	38.78	31.52	23%
Sunflower oil			
Sales volume, third parties tonnes	47,506	82,133	-42%
Soybeans oil			
Sales volume, third parties tonnes	18,255	7,780	135%

Aggregate volume of chicken meat sold to third parties in Q1 2018 increased by 9%. Domestic sales decreased by 4% to 72,163 tonnes (Q1 2017: 74,780 tonnes).

Export sales of Q1 2018 increased by 28% to 63,144 tonnes (Q1 2017: 49,151 tonnes). During the reporting period, following its export diversification strategy, the Company has been developing its exports mainly in the countries of the MENA and the EU. Export sales represented around 47% of total poultry sales volume in Q1 2018.

Through Q1 2018 the aggregate average chicken meat price was UAH 38.78, 23% higher in Hryvnia terms than the corresponding price for Q1 2017, mainly as a result of MHP's export product mix change and increased sales to more profitable markets in line with its market targeting strategy. The average chicken meat price on the domestic market increased by 23% during Q1 2018 compared to Q1 2017. At the same time the US$ denominated export price for chicken meat increased by 17% during Q1 2018 compared to Q1 2017.

During Q1 2018 MHP's sunflower oil sales decreased by 42% compared to Q1 2017 to 47,506 tonnes, due to changes in delivery terms from DAP to FOB that led to a temporary increase in stock. Soybean oil sales increased by 135% to 18,255 tonnes (including 6,000 tonnes of oil pushed back in Q4 2017).

(in mln. US$, unless indicated otherwise)	Q1 2018	Q1 2017	*% change**
Revenue	**268**	**236**	**14%**
- Poultry and other	*217*	*168*	*29%*
- Vegetable oil	*51*	*68*	*-25%*
IAS 41 standard gains	**2**	**22**	**-91%**
Gross profit	**73**	**78**	**-6%**
Gross margin	*27%*	*33%*	*-6 pps*
Adjusted EBITDA	**77**	**85**	**-9%**
Adjusted EBITDA margin	*29%*	*36%*	*-7 pps*
Adjusted EBITDA per 1 kg (net of IAS 41)	*0.55*	*0.51*	*8%*

** pps – percentage points*

Revenue from Poultry and related operations segment for Q1 2018 increased by 14% year-on-year as a result of an increase in price and sales of chicken meat, partly offset by decreased sales volume of sunflower oil.

IAS 41 standard gain reflects net change in fair value of biological assets and agricultural produce. IAS 41 standard gain for Q1 2018 decreased by 91% compared to Q1 2017 to US$ 2 million mainly due to poultry prices, which remained almost at the same level as in Q4 2017, instead of growth in 1Q 2017 compared to 4Q 2016.

Gross profit of Poultry and related operations segment for Q1 2018 decreased by 6% to US$ 73 million, as a result of a decrease in IAS 41 gain which was partly offset by an increase in revenue, resulting from the higher sales volume and higher price of poultry meat.

Adjusted EBITDA has decreased by 9%, mostly in line with change in gross profit. An additional negative impact was attributable to a decrease in government grants income due to the Government not allocating the budget for subsidies for 2018.

Grain growing segment

(in mln. US$)	**Q1 2018**	**Q1 2017**
Revenue	**7**	**18**
IAS 41 standard loss	(11)	(14)
Gross profit	1	**2**
Adjusted EBITDA	**6**	**6**

Grain growing segment's revenue for Q1 2018 amounted to US$ 7 million compared to US$ 18 million in Q1 2017. The decrease was mainly attributable to the lower amount of crops in stock designated for sale as of 31 December 2017, compared to stock for sale as of 31 December 2016 mainly as a result of lower yields in 2017.

IAS 41 standard loss for Q1 2018 amounted to US$ 11 million. The loss represents the net change in effect of revaluation of agricultural produce (sunflower, corn, wheat and soya) as a result of decrease of grain in stock due to internal consumption as a result of the harvest cycle and seasonality.

MHP has around 87,000 ha under winter crops, of which 56% is sown with winter wheat, 35% with winter rapeseeds and 6% with winter barley. The rest is triticale and rye. Total land bank of MHP's grain growing segment constituted 370,000 hectares as of which around 363,000 hectares are going to be harvested in 2018.

Spring sowing campaign is finished with no significant changes in the crops structure.

Other agricultural operations

Meat processing products	**Q1 2018**	**Q1 2017**	% change
Sales volume, third parties tonnes	8,162	8,136	0%
Price per 1 kg net VAT, UAH	58.66	44.38	32%

Sales volumes of meat processing products have remained relatively stable compared to Q1 2017 and reached 8,162 tonnes in Q1 2018.

The average processed meat price increased by 32% year-over-year to UAH 58.66 per kg in Q1 2018 mostly in line with poultry price increase.

(in mln. US$, except margin data)	**Q1 2018**	**Q1 2017**	*% change**
Revenue	**31**	**25**	***24%***
- Meat processing	*17*	*13*	*28%*
*- Other***	*14*	*12*	*19%*
IAS 41 standard gains	**4**	**2**	***100%***
Gross profit	**7**	**6**	***17%***
Gross margin	*23%*	*24%*	*-1 pps*
Adjusted EBITDA	**8**	**5**	***60%***
Adjusted EBITDA margin	*26%*	*20%*	*6 pps*

** pps – percentage points*

*** includes convenience food products, milk, cattle, goose meat, foie gras and feed grains .*

Segment revenue of Q1 2018 increased by 24% year-on-year to US$ 31 million, mainly as a result of an increase in price of meat processing as well as price and sales volume of convenience food products.

The segment's Adjusted EBITDA increased to US$ 8 million in 1Q 2018 compared to US$ 5 million in 1Q 2017, mainly due to higher returns earned from meat processing, convenience food and milk operations.

Current Group financial position and cash flow

(in mln. US$)	**Q1 2018**	**Q1 2017**
Cash from operations	69	39**
Change in working capital	(40)	(25)
Net Cash from operating activities	**29**	**14**
CAPEX	**(52)**	**(17)**
Net cash inflow on disposal of subsidiaries	-	76
Net cash used in investing activities	**(52)**	**59**
Cash from financing activities	35	(45)
Dividends	-	(53)
Total financial activities	**35**	**(98)**
Total change in cash*	**12**	**(25)**

**Calculated as Net Cash from operating activities plus Cash used in investing activities plus Total financial activities*

*** Cash from operations for 1Q 2017 includes an upfront payment of interest on Senior Notes in amount of US$ 31 million that is normally due in Q2, however as a result of non-banking days on 1-2 April 2017 payment was settled in Q1.*

Cash flow from operations before changes in working capital for Q1 2018 amounted to US$ 69 million (Q1 2017: US$ 39 million). Excluding an upfront payment of interest on Senior Notes, cash from operations before working capital changes for Q1 2017 amounted to US$ 70 million.

Use of funds in working capital during Q1 2018 is mainly attributable to higher investment in inventories, related primarily to grain growing entities in respect of forthcoming spring sowing campaign (seeds, fertilizers, plant protection products, etc.), partly offset by an decreased stock of crops (corn, sunflower and soya) as a result of internal consumption.

In Q1 2018 total CAPEX amounted to US$ 52 million, mainly related to preparation of construction related to Phase 2 of the Vinnytsia poultry complex.

Debt Structure and Liquidity

(in mln. US$)	**31 March 2018**	**31 December 2017**	**31 March 2017**
Total Debt	**1,194**	**1,157**	**1,195**
LT Debt	1,094	1,115	924
ST Debt	100	42	271
Cash and bank deposits	(136)	(126)	(132)
Net Debt	**1,058**	**1,031**	**1,063**
LTM Adjusted EBITDA	455	459	417
Net Debt / LTM Adjusted EBITDA	*2.33*	*2.25*	*2.55*

As at 31 March 2018, the Company's debt structure remained relatively unchanged compared to 31 December 2017: the share of long-term debt in the total outstanding debt is about 92%. The weighted average interest rate is around 7.4%.

At the end of Q1 2018, MHP's cash and cash equivalents amounted to US$ 136 million. Net debt decreased to US$ 1,058 million, compared to US$ 1,063 million as at 31 March 2017.

The Net Debt / LTM Adjusted EBITDA ratio was 2.33 as at 31 March 2018, well within the Eurobond covenant limit of 3.0.

As a hedge for currency risks, revenues from the export of grain, sunflower and soybean oil, sunflower husks, and chicken meat are denominated in US Dollars, covering debt service expenses in full. Export revenue for Q1 2018 amounted to US$ 162 million or 53% of total revenue (US$ 164 million or 59% of total sales in Q1 2017).

Subsequent Events

In April 2018, the Group issued US$ 550,000 thousand of 6.95% Senior Notes due in 2026. As part of the transaction, US$ 416,183 thousand of existing 8.25% Senior Notes due in 2020 were redeemed and exchanged with the new issued Notes.

Dividends

On 6 March 2018, the Board of Directors of MHP SE approved payment of an interim dividend of USD 0.7492 per share, equivalent to approximately US$ 80,000 thousand, on 26 April 2018 to shareholders on the register as of 20 April 2018. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury.

The Board of Directors of MHP SE also acknowledged the consent of WTI Trading Limited (the Company's major shareholder) to be paid later than on the declared dividend payment date (but not later than 01 November 2018), with no interest accrued on the amount of dividend paid later.

Outlook

Winter crops are experiencing good conditions that provide the Company with a positive outlook for its 2018 harvest of winter wheat and winter rapeseeds. Spring sowing campaign has been completed on time.

The main drivers for profitable growth in 2018 are expected to be:

- An increase in production volume of chicken meat by around 40,000 tonnes as a result of capital investments in the expansion of the Vinnytsia poultry complex (Phase 2);
- An increase in exports of chicken meat across all regions to an expected 260,000-270,000 tonnes; and
- Construction of Phase 1 of an alternative-energy biogas project of 12MW capacity at the Vinnytsia poultry complex.

We are confident that, with our vertically integrated business model, we will continue to deliver strong financial results, supported by a significant and growing share of hard currency revenues from exports of chicken, oils and grain.

Notes to Editors:

About MHP

MHP is the leading producer of poultry products in Ukraine with the greatest market share 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. 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 11 distribution and logistical centers, within major Ukrainian cities. MHP mainly 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 (around 370,000 ha) located primarily in the highly fertile black soil regions of Ukraine.

Since May 15, 2008, MHP has traded 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.

MHP SE AND ITS SUBSIDIARIES

Interim condensed consolidated Financial Statements

As of and for the three-month period ended 31 March 2018

CONTENT

MANAGEMENT STATEMENT

To the best of our knowledge, the unaudited interim condensed consolidated financial statements prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

21 May 2018

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

MANAGEMENT REPORT

Key financial highlights

During the three-month period ended 31 March 2018 consolidated revenue increased by 10% and amounted to USD 305,576 thousand, compared to USD 278,795 thousand for the three-month period ended 31 March 2017. Export sales for the three-month period ended 31 March 2018 constituted 53% of total revenue and amounted to USD 162,338 thousand, compared to USD 163,946 thousand, 59% of total revenue for the three-month period ended 31 March 2017. Overall increase in revenue is mainly attributable to the increased price and exports volume of chicken meat partly offset by a decrease in sales of sunflower oil.

Gross profit has decreased by 6% and amounted to USD 81,039 thousand for the three-month period ended 31 March 2018 compared to USD 86,257 thousand for the three-month period ended 31 March 2017.

In line with the decrease in gross profit, operating profit decreased by 16% to USD 61,954 thousand for the three-month period ended 31 March 2018 compared to USD 73,629 thousand for the three-month period ended 31 March 2017. An additional negative impact was attributable to a decrease in government grants income (Note 5).

Profit for the period from continuing operations for three-month period ended 31 March 2018 amounted to USD 89,784 thousand, including foreign exchange gain of USD 54,633 thousand, compared to USD 56,839 thousand, including foreign exchange gain of USD 6,903 thousand, for the three-month period ended 31 March 2017. Unrealized foreign exchange gain is mainly related to bank borrowings and bonds issued in foreign currency as a result of UAH appreciation against USD and EUR during the three-month period ended 31 March 2018.

Dividends

On 6 March 2018, the Board of Directors of MHP SE approved a payment of the interim dividend of USD 0.7492 per share, equivalent to approximately USD 80,000 thousand, on 26 April 2018 to shareholders on the register as of 20 April 2018. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury.

The Board of Directors of MHP SE also acknowledged the consent of WTI Trading Limited (the Company's major shareholder) to be paid later than on the declared dividend payment date (but not later than November 1, 2018), with no interest accrued on the amount of dividend paid later (Note 10).

Subsequent events

In April 2018, the Group issued USD 550,000 thousand of 6.95% Senior Notes due in 2026. As part of the transaction, USD 416,183 thousand of existing 8,25% Senior Notes due in 2020 were redeemed and exchanged with the new issued notes.

21 May 2018

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three-month period ended 31 March 2018
(in thousands of US dollars, unless otherwise indicated)

Continuing operations	*Notes*	*Three-month period ended 31 March 2018*	*Three-month period ended 31 March 2017*
Revenue	3	305,576	278,795
Net change in fair value of biological assets and agricultural produce	3, 4	(5,385)	10,002
Cost of sales		(219,152)	(202,540)
Gross profit		81,039	86,257
Selling, general and administrative expenses		(19,026)	(16,271)
Government grants income	5	-	4,145
Other operating expenses, net		(59)	(502)
Operating profit		61,954	73,629
Finance income		516	483
Finance costs		(23,740)	(24,140)
Foreign exchange gain, net	13	54,633	6,903
Other expenses, net		(4,030)	(523)
Other expenses, net		27,379	(17,277)
Profit before tax		89,333	56,352
Income tax benefit		451	487
Profit for the period from continuing operations	4	89,784	56,839
Discontinued operations			
Loss for the period from discontinued operations		-	(19,824)
Profit for the period		89,784	37,015
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Cumulative translation difference		59,571	3,352
Other comprehensive income for the period		59,571	3,352
Total comprehensive income for the period		149,355	40,367
Profit/(Loss) attributable to:			
Equity holders of the Parent		89,777	37,100
Non-controlling interests		7	(85)
		89,784	37,015
Total comprehensive income/(loss) attributable to:			
Equity holders of the Parent		146,981	40,624
Non-controlling interests		2,374	(257)
		149,355	40,367
Earnings per share from continuing and discontinued operations			
Basic and diluted earnings per share (USD per share)		0.84	0.35
Earnings per share from continuing operations			
Basic and diluted earnings per share (USD per share)		0.84	0.53

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 10 to 22 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 31 March 2018
(in thousands of US dollars, unless otherwise indicated)

	Notes	31 March 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,477,968	1,383,102
Land lease rights		50,626	45,410
Deferred tax assets		128	121
Non-current biological assets		25,924	20,405
Long-term bank deposits		3,643	2,524
Other non-current assets		28,699	24,817
		1,586,988	1,476,379
Current assets			
Inventories	7	302,723	226,368
Biological assets		168,458	141,028
Agricultural produce	7	152,449	183,407
Other current assets, net		30,991	25,327
Taxes recoverable and prepaid, net		61,548	37,767
Trade accounts receivable, net		66,087	62,305
Cash and cash equivalents		136,242	125,554
		918,498	801,756
TOTAL ASSETS		2,505,486	2,278,135
EQUITY AND LIABILITIES			
Equity			
Share capital		284,505	284,505
Treasury shares		(48,503)	(48,503)
Additional paid-in capital		175,291	175,291
Revaluation reserve		680,945	661,454
Retained earnings		924,916	925,978
Translation reserve		(972,955)	(1,030,159)
Equity attributable to equity holders of the Parent		1,044,199	968,566
Non-controlling interests		19,515	17,141
Total equity		1,063,714	985,707
Non-current liabilities			
Bank borrowings	8	123,777	138,817
Bonds issued	9	963,598	970,088
Finance lease obligations		6,889	7,410
Deferred tax liabilities		24,507	23,730
		1,118,771	1,140,045
Current liabilities			
Trade accounts payable		52,159	43,175
Other current liabilities		155,011	50,296
Bank borrowings	8	96,135	36,917
Accrued interest	8,9	16,083	17,955
Finance lease obligations		3,613	4,040
		323,001	152,383
TOTAL LIABILITIES		1,441,772	1,292,428
TOTAL EQUITY AND LIABILITIES		2,505,486	2,278,135

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 10 to 22 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three-month period ended 31 March 2018
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Parent								
	Share capital	*Treasury shares*	*Additional paid-in capital*	*Revaluation reserve*	*Retained earnings*	*Translation reserve*	*Total*	*Non-controlling interests*	*Total equity*
Balance as of 1 January 2018	284,505	(48,503)	175,291	661,454	934,630	(1,030,159)	977,218	17,141	994,359
Profit for the period	-	-	-	-	89,777	-	89,777	7	89,784
Other comprehensive income	-	-	-	-	-	57,204	57,204	2,367	59,571
Total comprehensive income for the period	-	-	-	-	89,777	57,204	146,981	2,374	149,355
Transfer from revaluation reserve to retained earnings	-	-	-	(17,954)	17,954	-	-	-	-
Dividends declared by the Parent *(Note 14)*	-	-	-	-	(80,000)	-	(80,000)	-	(80,000)
Translation differences on revaluation reserve	-	-	-	37,445	(37,445)	-	-	-	-
Balance as of 31 March 2018	284,505	(48,503)	175,291	680,945	924,916	(972,955)	1,044,199	19,515	1,063,714

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 10 to 22 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three-month period ended 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Parent								
	Share capital	*Treasury shares*	*Additional paid-in capital*	*Revaluation reserve*	*Retained earnings*	*Translation reserve*	*Total*	*Non-controlling interests*	*Total equity*
Balance as of 1 January 2017	284,505	(48,503)	175,291	570,649	719,340	(1,024,916)	676,366	16,698	693,064
Profit for the period	-	-	-	-	37,100	-	37,100	(85)	37,015
Other comprehensive income	-	-	-	-	-	3,524	3,524	(172)	3,352
Total comprehensive income for the period	-	-	-	-	37,100	3,524	40,624	(257)	40,367
Transfer from revaluation reserve to retained earnings	-	-	-	(16,078)	16,078	-	-	-	-
Dividends declared by the Parent					(80,001)		(80,001)		(80,001)
Derecognition of interests in subsidiaries	-	-	-	(24,841)	24,841	17,800	17,800	(2,489)	15,311
Translation differences on revaluation reserve	-	-	-	5,781	(5,781)	-	-	-	-
Balance as of 31 March 2017	284,505	(48,503)	175,291	535,511	711,577	(1,003,592)	654,789	13,952	668,741

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 10 to 22 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the three-month period ended 31 March 2018
(in thousands of US dollars, unless otherwise indicated)

	Notes	Three-month period ended 31 March 2018	Three-month period ended 31 March 2017
Operating activities			
Profit before tax		89,333	36,528
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expense	3	27,285	19,464
Loss on disposal of subsidiaries		-	19,823
Net change in fair value of biological assets and agricultural produce	3, 4	5,385	(10,002)
Change in allowance for irrecoverable amounts and direct write-offs		(31)	263
Gain on disposal of property, plant and equipment and other non-current assets		(85)	(284)
Finance income		(516)	(483)
Finance costs		23,740	24,140
Withholding tax related to interest and payment of dividends		3,086	-
Non-operating foreign exchange gain, net		(54,633)	(6,903)
Operating cash flows before movements in working capital		93,564	82,546
Working capital adjustments			
Change in inventories	7	(58,639)	(8,762)
Change in biological assets		(17,796)	(19,569)
Change in agricultural produce	7	37,001	19,588
Change in other current assets		(4,677)	(5,922)
Change in taxes recoverable and prepaid		(20,985)	(18,232)
Change in trade accounts receivable		(1,717)	3,716
Change in other liabilities		23,495	9,402
Change in trade accounts payable		3,648	(4,829)
Cash generated by operations		53,894	57,938
Interest received		479	450
Interest paid		(25,088)	(43,699)
Income taxes paid		(112)	(63)
Net cash flows from operating activities		29,173	14,626
Investing activities			
Purchases of property, plant and equipment	6	(42,568)	(11,504)
Purchases of other non-current assets		(3,956)	(3,681)
Purchase of land lease rights		(4,133)	(1,369)
Proceeds from disposals of property, plant and equipment		145	142
Purchases of non-current biological assets		(800)	(373)
Net cash inflow on disposal of subsidiaries		-	75,558
Investments in short-term deposits		(1,053)	(158)
Withdrawals of short-term deposits		-	85
Loans provided to employees, net		(149)	(42)
Loans provided to related parties, net		(26)	-
Net cash flows used in investing activities		(52,540)	58,658
Financing activities			
Proceeds from bank borrowings		98,335	40,404
Repayment of bank borrowings		(57,842)	(83,343)
Repayment of finance lease obligations		(1,287)	(2,732)
Dividends paid		-	(52,556)
Transaction costs related to bank loans received		(835)	(255)
Withholding tax related to dividends paid		(3,086)	-
Net cash flows from financing activities		35,285	(98,482)
Net increase/(decrease) in cash and cash equivalents		11,918	(25,198)
Net foreign exchange difference		(1,230)	4,266
Cash and cash equivalents attributable to disposal group classified as held for sale		-	2,099
Cash and cash equivalents at 1 January		125,554	150,982
Cash and cash equivalents at 31 March		136,242	132,149

The accompanying notes on the pages 10 to 22 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(continued)*
for the three-month period ended 31 March 2018
(in thousands of US dollars, unless otherwise indicated)

	Notes	*Three-month period ended 31 March 2018*	*Three-month period ended 31 March 2017*
Non-cash transactions			
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor	*6*	3,287	-
Additions of property, plant and equipment under finance leases	*6*	195	677

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2018

(in thousands of US dollars, unless otherwise indicated)

1. Corporate information

MHP SE (the “Parent” or “MHP SE”), a limited liability company (Societas Europaea) registered under the laws of Cyprus, was formed on 30 May 2006. MHP SE serves as the ultimate holding company of PJSC “Myronivsky Hliboproduct” (“MHP”) and its subsidiaries. Hereinafter, MHP SE and its subsidiaries are referred to as the “MHP SE Group” or the “Group”. The registered address of MHP SE is 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus.

The controlling shareholder of MHP SE is Mr. Yuriy Kosyuk (“Principal Shareholder”), who owns 100% of the shares of WTI Trading Limited (“WTI”), which is the immediate majority shareholder of MHP SE.

The principal business activities of the Group are poultry and related operations, grain growing, as well as other agricultural operations (meat processing and meat products ready for consumption). The Group’s poultry and related operations integrate all functions related to the production of chicken, including hatching, fodder manufacturing, raising chickens to marketable age (“grow-out”), processing and marketing of branded chilled products and include the production and sale of chicken products, vegetable oil, mixed fodder. Grain growing comprises the production and sale of grains. Other agricultural operations comprise the production and sale of cooked meat, sausages, convenience food products, milk, goose meat, foie gras and feed grains. During the three-month period ended 31 March 2018 the Group employed about 27,649 people (31 December 2017: 27,589 people).

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent’s effective ownership interest as of 31 March 2018 and 31 December 2017 were as follows:

Name	*Country of registration*	*Year established acquired*	*Principal activities*	*31 March 2018*	*31 December 2017*
Raftan Holding Limited	Cyprus	2006	Sub-holding Company	99.9%	99.9%
Larontas Limited	Cyprus	2015	Sub-holding Company	100.0%	100.0%
MHP	Ukraine	1998	Management, marketing and sales	99.9%	99.9%
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	Ukraine	1998	Fodder and vegetable oil production	88.5%	88.5%
Vinnytska Ptahofabryka	Ukraine	2011	Chicken farm	99.9%	99.9%
Peremoga Nova	Ukraine	1999	Breeder farm	99.9%	99.9%
Oril-Leader	Ukraine	2003	Chicken farm	99.9%	99.9%
Myronivska Ptahofabryka	Ukraine	2004	Chicken farm	99.9%	99.9%
Starynska Ptahofabryka	Ukraine	2003	Breeder farm	100.0%	100.0%
Ptahofabryka Snyatynska Nova	Ukraine	2005	Geese breeder farm	99.9%	99.9%
Zernoproduct	Ukraine	2005	Grain cultivation	99.9%	99.9%
Katerynopilsky Elevator	Ukraine	2005	Fodder production and grain storage, vegetable oil production	99.9%	99.9%
NPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	99.9%
Agrofort	Ukraine	2006	Grain cultivation	86.1%	86.1%
Urozhayna Krayina	Ukraine	2010	Grain cultivation	99.9%	99.9%
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9%	79.9%
AgroKryazh	Ukraine	2013	Grain cultivation	99.9%	99.9%
Zernovyi kray	Ukraine	2013	Grain cultivation	51.0%	51.0%
Zakhid-Agro MHP	Ukraine	2015	Grain cultivation	100.0%	100.0%
Scylla Capital Limited	British Virgin Islands	2014	Trading in sunflower oil and poultry meat	100.0%	100.0%

The Group’s operational facilities are located in different regions of Ukraine, including Kyiv, Cherkasy, Dnipropetrovsk, Donetsk, Lviv, Ternopil, Ivano-Frankivsk, Vinnytsia, Sumy and Khmelnitsk regions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the three-month period ended 31 March 2018
(in thousands of US dollars, unless otherwise indicated)

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the three-month period ended 31 March 2018 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been condensed or omitted. However, such information reflects all adjustments (consisting of normal recurring adjustments), which are, in the opinion of the Group management, necessary to fairly state the results of interim periods. Interim results are not necessarily indicative of the results to be expected for the full year.

The 31 December 2017 statement of financial position was derived from the audited consolidated financial statements.

Adoption of new and revised International Financial Reporting Standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers

In accordance with the transitional provisions, IFRS 9 was generally adopted without restating comparative information. The adjustments arising from the new requirements of recognition and measurement of financial liabilities are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The adoption of these standards and the new accounting policies did not have any material effect on the financial position or performance of the Group. The other standards did not result in any changes to the Group’s accounting policies and the amounts reported in the three-month period ended 31 March 2018 or prior periods.

For the Standards and Interpretations, as well as amendments to the Standards that were in issue but not yet effective management anticipates that their adoption will not have a material effect on the consolidated financial statements of the Group in future periods, except those disclosed in the Group’s annual financial statements for the year ended 31 December 2017. The Management are currently assessing it’s potential impact. It is not practicable to provide a reasonable financial estimate of the effect until the such detailed analysis will be completed.

Functional and presentation currencies

The functional currency of Ukrainian companies of the Group is the Ukrainian Hryvnia (“UAH”); the functional currency of the Cyprus companies of the Group is US Dollars (“USD”). Transactions in currencies other than the functional currency of the entities concerned are treated as transactions in foreign currencies. Such transactions are initially recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. All realized and unrealized gains and losses arising on exchange differences are recognized in the consolidated statement of comprehensive income for the period.

These consolidated financial statements are presented in US Dollars (“USD”), which is the Group’s presentation currency.

The results and financial position of the Group are translated into the presentation currency using the following procedures:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate as of the reporting date of that statement of financial position;
- Income and expenses for each consolidated statement of comprehensive income are translated at exchange rates at the dates of the transactions;
- All resulting exchange differences are recognized as a separate component of equity;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2018

(in thousands of US dollars, unless otherwise indicated)

2. Basis of preparation and accounting policies *(continued)*

Functional and presentation currency *(continued)*

- All equity items, except for the revaluation reserve, are translated at the historical exchange rate. The revaluation reserve is translated at the closing rate as of the date of the statement of financial position.

For practical reasons, the Group translates items of income and expenses for each period presented in the financial statements using the quarterly average exchange rates, if such translations reasonably approximate the results translated at exchange rates prevailing at the dates of the transactions.

The following exchange rates were used:

Currency	*Closing rate as of 31 March 2018*	*Average for three months ended 31 March 2018*	*Closing rate as of 31 December 2017*	*Average for three months ended 31 March 2017*
UAH/USD	26.5435	27.3203	28.0672	27.0611
UAH/EUR	32.7042	33.5633	33.4954	28.8089

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017, except those adopted starting from 1 January 2018 as described above in this note.

Seasonality of operations

Poultry and related operations as well as other agricultural operations are not significantly exposed to seasonal fluctuations.

Grain growing segment, due to seasonality and implications of IAS 41, in the first half of the year mainly reflects sales of carried forward agricultural produce and the effect of biological assets revaluation, while during the second half of the year it reflects sales of crops and the effect of revaluation of agricultural produce harvested during the year. Also, grain growing segment has seasonal requirements for working capital increase during November to May, due to the sowing campaign.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2018

(in thousands of US dollars, unless otherwise indicated)

3. Segment information

The following table presents revenue and profit information regarding the Group's operating segments for the three-month period ended 31 March 2018:

	Poultry and related operations	*Grain growing*	*Other agricultural operations*	*Eliminations*	*Consolidated*
External sales	267,547	7,461	30,568	-	305,576
Sales between business segments	10,039	46,032	53	(56,124)	-
Total revenue	277,586	53,493	30,621	(56,124)	305,576
Segment results	56,503	1,225	6,727	-	64,455
Unallocated corporate expenses					(2,501)
Other expenses, net [1)]					27,379
Profit before tax					89,333
Other information:					
Depreciation and amortization expense [2)]	20,409	5,070	1,305	-	26,784
Net change in fair value of biological assets and agricultural produce (Note 4)	2,301	(11,110)	3,424	-	(5,385)

[1)] Includes finance income, finance costs, foreign exchange gain (net) and other expenses (net).

[2)] Depreciation and amortization for the three-month period ended 31 March 2018 does not include unallocated depreciation and amortization in the amount of USD 501 thousand.

The following table presents revenue and profit information regarding the Group's operating segments for the three-month period ended 31 March 2017:

	Poultry and related operations	*Grain growing*	*Other agricultural operations*	*Eliminations*	*Consolidated*
External sales	235,619	18,455	24,721	-	278,795
Sales between business segments	5,943	42,140	64	(48,147)	-
Total revenue	241,562	60,595	24,785	(48,147)	278,795
Segment results	70,744	2,117	4,633	-	77,494
Unallocated corporate expenses					(3,865)
Other expenses, net [1)]					(17,277)
Profit before tax					56,352
Other information:					
Depreciation and amortization expense [2)]	13,556	3,787	795	-	18,138
Net change in fair value of biological assets and agricultural produce (Note 4)	21,768	(13,886)	2,120	-	10,002

[1)] Includes finance income, finance costs, foreign exchange gain (net) and other expenses (net).

[2)] Depreciation and amortization for the three-month period ended 31 March 2017 does not include unallocated depreciation and amortization in the amount of USD 1,326 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the three-month period ended 31 March 2018
(in thousands of US dollars, unless otherwise indicated)

4. Profit for the period

The Group's gross profit for the three-month period ended 31 March 2018 decreased compared to the three-month period ended 31 March 2017 and amounted to USD 81,039 thousand and USD 86,257 thousand, respectively. The decrease was primarily as a result of lower net change in fair value of poultry and related operations segment due to poultry prices remained almost at the same level as at 31 December 2017.

Net change in fair value reflects IAS 41 adjustment relating to revaluation of poultry and breeder stock and other biological assets balances to the fair value as of 31 March 2018 as well as revaluation of agricultural produce to the fair value at the date of harvest.

The Group's operating profit decreased at a higher rate compared to decrease in gross profit mainly due to reduction in government grants income (Note 5).

The Group's profit for the period from continuing operations for the three-month period ended 31 March 2018 increased compared to the three-month period ended 31 March 2017 from USD 56,839 thousand to USD 89,784 thousand, respectively. An increase is mainly attributed to unrealized foreign exchange gain amounted to USD 54,633 thousand for the three-month period ended 31 March 2018 compared to USD 6,903 thousand for the three-month period ended 31 March 2017. Unrealized foreign exchange gain mostly attributable to bonds and bank borrowings denominated in foreign currencies due to UAH appreciation against USD and EUR.

5. Government grants income

On 30 December 2016, the President of Ukraine signed the Law No. 1791 "On Amendments to the Tax Code of Ukraine Regarding the Balancing of Budget Revenues in 2017" (the "Law No. 1791"). The Law No. 1791 introduced changes to VAT administration for agricultural companies which previously enjoyed a special VAT regime. In order to continue state support for agricultural companies, the Law No. 1791 introduced budget subsidies for agricultural companies. From 2017 onwards, budget subsidy will be provided for five consecutive years until 1 January 2022. The agricultural producers eligible for the subsidies include those involved in poultry production and animal farming, as well as fruit and vegetable farmers. For each agricultural producer, the amount of the subsidy is not to exceed the amount of VAT tax paid by the producers, and is distributed on a monthly basis.

As of the date of the authorization of these interim condensed consolidated financial statements, the Government has not allocated the specific amount for the state subsidies for qualifying agricultural companies in 2018. Therefore, during the three-month period ended 31 March 2018 the Group was not able to receive state subsidies from the budget.

6. Property, plant and equipment

During the three-month period ended 31 March 2018, the Group's additions to property, plant and equipment amounted to USD 46,050 thousand (three-month period ended 31 March 2017: USD 12,181 thousand).

There were no significant disposals of property, plant and equipment during the three-month period ended 31 March 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the three-month period ended 31 March 2018
(in thousands of US dollars, unless otherwise indicated)

7. Inventories and agricultural produce

An increase in inventory balance as of 31 March 2018 compared to 31 December 2017 is mainly attributable to costs incurred by grain growing entities in respect of forthcoming spring sowing campaign, partly offset by internal consumption of sunflower for chicken feed.

A decrease of agricultural produce for three-month period ended 31 March 2018 was mainly as a result of internal consumption of corn, sunflower and soya.

8. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 31 March 2018 and 31 December 2017:

		31 March 2018		*31 December 2017*	
Bank	*Currency*	*WAIR [1)]*	*USD' 000*	*WAIR [1)]*	*USD' 000*
Non-current					
Foreign banks	USD	7.79%	86,232	7.72%	121,576
Foreign banks	EUR	2.23%	37,545	2.57%	17,241
			123,777		138,817
Current					
Ukrainian banks	UAH	-	-	13.00%	9,620
Ukrainian banks	EUR	2.83%	24,470	-	-
Ukrainian banks	USD	4.30%	12,800	-	-
Current portion of long-term bank borrowings			58,865		27,297
			96,135		36,917
Total bank borrowings			219,912		175,734

[1)] WAIR represents the weighted average interest rate on outstanding borrowings.

The Group's borrowings are drawn from various banks as term loans, credit line facilities and overdrafts. Repayment terms of principal amounts of bank borrowings vary from monthly repayment to repayment on maturity depending on the agreement reached with each bank. The interest on the borrowings drawn with the Ukrainian banks is payable on a monthly or quarterly basis. Interest on borrowings drawn with foreign banks is payable semi-annually.

As of 31 March 2018 and 31 December 2017, all of the Group's bank term loans and credit lines bear floating and fixed interest rates.

Bank borrowings and credit lines outstanding as of 31 March 2018 and 31 December 2017 were repayable as follows:

	31 March 2018	*31 December 2017*
Within one year	96,135	36,917
In the second year	79,802	72,950
In the third to fifth year inclusive	33,143	58,719
After five years	10,832	7,148
	219,912	175,734

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2018

(in thousands of US dollars, unless otherwise indicated)

8. Bank borrowings *(continued)*

As of 31 March 2018, the Group had available undrawn facilities of USD 209,619 thousand (31 December 2017: USD 264,895 thousand). These undrawn facilities expire during the period from October 2018 until August 2020.

The Group, as well as particular subsidiaries of the Group have to comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied with by the Group are liability to equity; net debt to EBITDA ratio; EBITDA to interest expenses ratio; and current ratio. The Group subsidiaries are also required to obtain approval from lenders regarding property to be used as collateral.

As of 31 March 2018 and 31 December 2017, the Group has complied with all covenants imposed by banks granted the loans.

As of 31 March 2018, the Group had borrowings of USD 6,628 that were secured. These borrowings were secured by inventories with a carrying amount of USD 8,286 thousand.

As of 31 March 2018, the deposit with carrying amount of USD 3,643 thousand (31 December 2017: USD 2,524 thousand) was restricted as collateral to secure bank borrowings.

As of 31 March 2018 and 31 December 2017, accrued interest on bank borrowings was USD 1,302 thousand and USD 2,578 thousand, respectively.

9. Bonds issued

Bonds issued and outstanding as of 31 March 2017 and 31 December 2016 were as follows:

	31 March 2018	*31 December 2017*
8.25% Senior Notes due in 2020	495,600	495,600
7.75% Senior Notes due in 2024	500,000	500,000
Unamortized debt issue cost and modification gain	(32,002)	(25,512)
Total long-term portion of bonds issued	963,598	970,088

As of 31 March 2018 and 31 December 2017 amount of accrued interest on bonds issued was USD 14,781 thousand and USD 15,377 thousand, respectively.

7.75% Senior Notes

On 10 May 2017, MHP SE issued USD 500,000 thousand 7.75% Senior Notes due in 2024 at par value. Out of the total issue amount USD 245,200 thousand were designated for redemption and exchange of existing 8.25% Senior Notes due in 2020.

Early redemption of 8.25% Senior Notes due in 2020 out of issue of 7.75% Senior Notes due in 2024, which were placed with the same holders and where the change in the net present value of the future cash flows discounted using the original effective interest rate was less than 10% was accounted as an exchange and thus, all the related expenses, including part of consent fees, were capitalized and will be amortized over the maturity period of the 7.75% Senior Notes due in 2024 in the amount of USD 9,830 thousand. Other related expenses, including part of consent fees, in the amount of USD 4,599 thousand were expensed as incurred.

The carrying amount of the Senior Notes was adjusted on transition to IFRS 9. Under IFRS 9, as a result of a non-substantial modification, the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate should be recognized as a gain at the date of modification. The difference between the carrying amount of the Senior Notes under IAS 39 and IFRS 9 was recognized in opening retained earnings in the amount of USD 5,548 thousand.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Ptahofabryka Peremoga Nova, Oril-Leader, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Katerynopilsky Elevator, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Scylla Capital Limited, Raftan Holding Limited.

Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by the indenture, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2018

(in thousands of US dollars, unless otherwise indicated)

9. Bonds issued *(continued)*

7.75% Senior Notes *(continued)*

If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may, upon written notice to the Group, declare all outstanding Senior Notes to be due and payable immediately. If a change of control occurs, the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

8.25% Senior Notes

On 8 April 2013, MHP SE issued USD 750,000 thousand 8.25% Senior Notes due in 2020 at an issue price of 100% of the principal amount. USD 350,000 thousand out of issued USD 750,000 thousand 8.25% Senior Notes were used to early redemption and exchange of its existed 10.25% Senior Notes due in 2015.

Early redemption of 10.25% Senior Notes due in 2015 out of issue of 8.25% Senior Notes due in 2020, which were placed with the same holders and where the change in the net present value of the future cash flows discounted using the original effective interest rate was less than 10% was accounted as an exchange and thus all the related expenses, including consent fees, were capitalized and will be amortized over the maturity period of the 8.25% Senior Notes due in 2020 in the amount of USD 28,293 thousand.

Other related expenses, including consent fees, in the amount of USD 16,515 thousand were expensed as incurred.

The carrying amount of the Senior Notes was adjusted on transition to IFRS 9. Under IFRS 9, as a result of a non-substantial modification, the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate should be recognized as a gain at the date of modification. The difference between the carrying amount of the Senior Notes under IAS 39 and IFRS 9 was recognized in opening retained earnings in the amount of USD 3,104 thousand.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Ptahofabryka Peremoga Nova, Oril-Leader, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Snyatynska Ptahofabryka, Katerynopilsky Elevator, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Scylla Capital Limited, Raftan Holding Limited, Merique Holding Limited.

Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by the indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may, upon written notice to the Group, declare all outstanding Senior Notes to be due and payable immediately. If a change of control occurs the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

Consent solicitation

On 7 March 2016, the Group received consent from the Holders of the outstanding USD 750,000 thousand 8.25% Senior Notes for certain proposed amendments to the Indenture and the Notes. Amendments were obtained before the Consent Expiration Date (7 March 2016). The Amendments were implemented by way of execution of the Supplemental Indenture on 8 March 2016, and became effective from the Consent Settlement Date (9 March 2016).

In relation to the Notes, the Company has, on the Consent Settlement Date, paid to those Holders from whom valid Consents were delivered and not revoked on or prior to the Consent Expiration Date and which Consents are accepted by the Company the Consent Payment of USD 12.50 for each USD 1 thousand in principal amount of the Notes that were subject of the relevant Electronic Instructions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2018

(in thousands of US dollars, unless otherwise indicated)

9. Bonds issued *(continued)*

During the reporting periods ended 31 March 2018 and 31 December 2017 the Group has complied with all covenants defined by indebtedness agreement.

The weighted average effective interest rate on the Senior Notes is 9.35% per annum and 9.25% per annum for the nine-months ended 31 March 2018 and 31 December 2017, respectively.

10. Related party balances and transactions

For the purposes of these financial statements, parties are considered to be related if one party controls, is controlled by, or is under common control with the other party, or exercises significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties.

Transactions with related parties under common control

The Group enters into transactions with related parties that are under common control of the Principal Shareholder of the Group (Note 1) in the ordinary course of business for the purchase and sale of goods and services.

Terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction. Management believes that amounts receivable due from related parties do not require an allowance for irrecoverable amounts and that the amounts payable to related parties will be settled at cost.

Transactions with related parties during the three-month periods ended 31 March 2018 and 2017 were as follows:

	2018	*2017*
Loans provided to key management personnel	185	259
Purchases from related parties	13	9

The balances owed to and due from related parties were as follows as of 31 March 2018 and 31 December 2017:

	31 March 2018	*31 December 2017*
Payables for dividends declared, included in *Other current liabilities*	47,853	-
Advances and finance aid receivable	3,395	3,188
Loans to key management personnel	745	956
Trade accounts receivable	116	109
Payables due to related parties	18	17

Compensation of key management personnel

Total compensation of the Group’s key management personnel (including compensation to Mr. Yuriy Kosyuk), which consists of contractual salary and performance bonuses amounted to USD 2,848 thousand and USD 1,591 thousand for the three-month periods ended 31 March 2018 and 2017, respectively.

11. Contingencies and contractual commitments

Operating environment

In the recent years, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. In 2017-2018, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions.

For the three-month periods ended 31 March 2018 average inflation amounted to 3.5% comparing to 3.9% for the three-month periods ended 31 March 2017. The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in real GDP smooth growth of around 2.2% year on year for the three-month periods ended 31 March 2018 and stabilization of national currency.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2018

(in thousands of US dollars, unless otherwise indicated)

11. Contingencies and contractual commitments *(continued)*

***Operating environment** (continued)*

From trading perspective, the economy was demonstrating refocusing on the European Union ("EU") market, which was a result of the signed Association Agreement with the EU in January 2016 that established the Deep and Comprehensive Free Trade Area ("DCFTA"). Under this agreement, Ukraine has committed to harmonize its national trade-related rules, norms, and standards with those of the EU, progressively reduce import customs duties for the goods originating from the EU member states, and abolish export customs duties during a 10-year transitional period. Implementation of DCFTA began on 1 January 2017. As a result, the Russian Federation implemented a trade embargo or import duties on key Ukrainian export products. In response, Ukraine implemented similar measures against Russian products.

In terms of currency regulations, the National Bank of Ukraine ("NBU") decreased the required share of mandatory sale of foreign currency proceeds from 65% to 50% from April 2017, increased settlement period for export-import transactions in foreign currency from 120 to 180 days from May 2017, and allowed companies to pay the 2013 (and earlier) dividends with a limit of USD 2 million per month from November 2017 (from June 2016, companies were allowed to pay dividends for 2014–2016 to non-residents with a limit of USD 5 million per month).

In March 2015, Ukraine signed four-year Extended Fund Facility ("EFF") with the International Monetary Fund ("IMF") that will last until March 2019. The total program amounted to USD 17.5 billion, while Ukraine has so far received only USD 8.7 billion from the entire amount. In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amount aimed to refinance the bonds due in 2019. The NBU expects that Ukraine will receive another USD 3.5 billion from the IMF in 2018. To receive next tranches, the government of Ukraine has to implement certain key reforms, including in such areas as pension system, anti-corruption regulations, and privatization.

Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently difficult to predict.

The management of the Group believes that the negative impact of the political and economic turmoil at the Group's entities is reasonably limited due to the Group's significant portion of export sales, its access to the international financial markets and the significant distance of its main production sites from any conflict zones.

Taxation and legal issues

Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. The local and national tax environment is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and fines. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and fines, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

Facing current economic and political issues, the Government has implemented certain reforms in the tax system of Ukraine by adopting the Law of Ukraine 'On Amending the Tax Code of Ukraine and Certain Laws of Ukraine', which is effective from 1 January 2015, except for certain provisions which will take effect at a later date.

Management believes that the Group has been in compliance with all requirements of effective tax legislation and currently is assessing the possible impact of the introduced amendments.

The Group exports vegetable oil, chicken meat and related products, and performs intercompany transactions, which may potentially be in the scope of the Ukrainian transfer pricing ("TP") regulations. The Group has submitted the controlled transaction report for the year ended 31 December 2016 within the required deadline, and has prepared all necessary documentation on controlled transactions for the year ended 31 December 2017 as required by legislation and plans to submit report.

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(in thousands of US dollars, unless otherwise indicated)

11. Contingencies and contractual commitments *(continued)*

Taxation and legal issues *(continued)*

As of 31 March 2018, the Group's management assessed its possible exposure to tax risks for a total amount of USD 4,644 thousand related to corporate income tax (31 December 2017: USD 4,392 thousand). No provision was charged of such possible tax exposure.

As of 31 March 2018, companies of the Group were engaged in ongoing litigation with tax authorities for the amount of USD 2,263 (31 December 2017: USD 2,273 thousand), including USD 1,622 thousand (31 December 2017: USD 1,534 thousand) of litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. Out of this amount, USD 1,412 thousand as of 31 March 2018 (31 December 2017: USD 1,457 thousand) relates to cases where court hearings have taken place and where the court in either the first or second instance has already ruled in favour of the Group.

Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

Contractual commitments on purchase of property, plant and equipment

During the three-month period ended 31 March 2018, the companies of the Group entered into a number of contracts with foreign suppliers for the purchase of property, plant and equipment for development of agricultural operations. As of 31 March 2018, purchase commitments on such contracts were primarily related to expansion of the Vinnytsya poultry complex and amounted to USD 27,627 thousand (31 December 2017: USD 17,412 thousand).

12. Fair value of financial instruments

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair value measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value is estimated to be the same as the carrying value for cash and cash equivalents, short-term bank deposits, trade accounts receivables, and trade accounts payable due to the short-term nature of the financial instruments.

Set out below is the comparison by category of carrying amounts and fair values of all the Group's financial instruments, excluding those discussed above, that are carried in the consolidated statement of financial position:

	Carrying amount		*Fair value*	
	31 March 2018	*31 December 2017*	*31 March 2018*	*31 December 2017*
Financial liabilities				
Bank borrowings *(Note 8)*	221,214	178,312	208,474	168,627
Senior Notes due in 2020, 2024 *(Note 9)*	978,379	985,465	1,071,298	1,085,693
Finance lease obligations	10,502	11,450	10,754	11,691

The carrying amount of Bank borrowings and Senior Notes issued includes interest accrued at each of the respective dates.

The fair value of bank borrowings and finance lease obligations was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings: market rate of interest for bank borrowings 7.8% (31 December 2017: 7.7%) and for finance lease obligations 9.4% (31 December 2017: 9.3%), and is within Level 2 of the fair value hierarchy.

The fair value of Senior Notes was estimated based on market quotations and is within Level 1 of the fair value hierarchy.

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13. Risk management policy

During the three-month period ended 31 March 2018 there were no changes to objectives, policies and processes for credit risk, capital risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk and commodity price and procurement risk managing.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies.

The Group does not use any derivatives to manage foreign currency risk exposure, Group management sets limits on the level of exposure to foreign currency fluctuations.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 March 2018 and 31 December 2017 were as follows:

	31 March 2018		*31 December 2017*	
	USD	*EUR*	*USD*	*EUR*
Total assets	144,009	12,584	133,197	10,504
Total liabilities	1,214,997	82,514	1,132,935	44,411

The table below details the Group's sensitivity to strengthening of the Ukrainian Hryvnia against USD and EUR. This sensitivity range represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for possible change in foreign currency rates.

	Change in foreign currency exchange rates	*Effect on profit before tax*
2018		
Increase in USD exchange rate	10%	(107,099)
Increase in EUR exchange rate	10%	(6,993)
Decrease in USD exchange rate	5%	53,549
Decrease in EUR exchange rate	5%	3,497
2017		
Increase in USD exchange rate	10%	(99,974)
Increase in EUR exchange rate	10%	(3,391)
Decrease in USD exchange rate	5%	49,987
Decrease in EUR exchange rate	5%	1,695

The effect of foreign currency sensitivity on shareholders' equity is equal to that reported in the interim condensed consolidated statement of comprehensive income.

During the three-month period ended 31 March 2018, the Ukrainian Hryvnia appreciated against the EUR and USD by 2.4% and 5.7% respectively (three-month period ended 31 March 2017: depreciated against the EUR by 1.9% and appreciated by 0.8% against the USD). As a result, during the three-month period ended 31 March 2018 the Group recognized net foreign exchange gain in the amount of USD 54,633 thousand (three-month period ended 31 March 2017: foreign exchange gain in the amount of USD 6,903 thousand) in the consolidated statement of comprehensive income.

14. Dividends

On 6 March 2018, the Board of Directors of MHP SE approved a payment of the interim dividend of USD 0.7492 per share, equivalent to approximately USD 80,000 thousand, on 26 April 2018 to shareholders on the register as of 20 April 2018. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury.

The Board of Directors of MHP SE also acknowledged the consent of WTI Trading Limited (the Company's major shareholder) to be paid later than on the declared dividend payment date (but not later than November 1, 2018), with no interest accrued on the amount of dividend paid later (Note 10).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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15. Subsequent events

In April 2018, the Group issued USD 550,000 thousand of 6.95% Senior Notes due in 2026. As part of the transaction, USD 416,183 thousand of existing 8,25% Senior Notes due in 2020 were redeemed and exchanged with the new issued notes.

16. Authorization of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors of MHP SE on 21 May 2018.