19 November 2019, Limassol, Cyprus

MHP SE

Financial Results for the Third Quarter and Nine Months Ended 30 September 2019

MHP SE (LSE:MHPC), the parent company of a leading international agro-industrial group with headquarters in Ukraine, focusing primarily on the production of poultry and cultivation of grain, today announces its results for the third quarter and nine months ended 30 September 2019. Hereinafter, MHP SE and its subsidiaries are referred to as “MHP”, “The Company” or “The Group”.

EVENTS DURING AND POST REPORTING PERIOD

Further to the announcement in February of the acquisition of Perutnina Ptuj (PP), the largest producer of poultry meat and poultry meat products in the Balkans region of southeast Europe, MHP completed the acquisition of minority shareholders by the end of September 2019 and is now 100% owner of PP.

On 13 September 2019, MHP announced that it had completed a US$350 million Eurobond of 6.25% notes due 19 September 2029 - making it the longest dated bond issue by a Ukrainian corporate Eurobond with the lowest coupon ever in the private sector in Ukraine. Proceeds from this new issue enabled full repayment of MHP”s short-term liabilities (US$335 million at end of H1 2019), extending MHP’s maturity profile and making virtually all its debt long-term.

OPERATIONAL HIGHLIGHTS

In 2019, MHP has continued to launch additional production sites as part of Phase 2 of the Vinnytsia Poultry Complex (‘Vinnytsia’). Between January and September, another three rearing sites (brigades) became operational bringing the total to six. MHP is planning to launch one additional brigade in Q1 2020.

Q3 2019 highlights

- Poultry production volume reached 186,555 tonnes, up 24% year-on-year (Q3 2018: 150,650 tonnes). Poultry production volumes of the European operating segment (PP) amounted to 24,160 tonnes
- The average chicken meat price decreased by 4% year-on-year to UAH 38.58 per kg (Q3 2018: UAH 40.38 per kg) (excluding VAT). The average price of chicken meat produced by PPJ during Q3 2019 was EUR 2.63 per kg
- Chicken meat exports remained stable and amounted to 79,189 tonnes (excluding PPJ’s 4,215 tonnes), compared with 80,361 tonnes in Q3 2018.

9M 2019 highlights

- Poultry production volume reached 540,133 tonnes, up 18% year-on-year (9M 2018: 458,540 tonnes). Poultry production volumes of European operating segment amounted to 56,037 tonnes
- The average chicken meat price remained relatively stable year-on-year to UAH 39.18 per kg (9M 2018: UAH 39.66 per kg) (excluding VAT). The average price of chicken meat produced by PPJ during 9M 2019 was EUR 2.64 per kg
- Chicken meat exports increased by 26% to 269,672 tonnes (excluding PP’s 10,129 tonnes) compared with 213,925 tonnes in 9M 2018, as a result of increased exports mainly to MENA, the EU, Africa and Asia.

FINANCIAL HIGHLIGHTS

Q3 2019 highlights

- Revenue of US$ 560 million, increased by 27% year-on-year (Q3 2018: US$ 441 million)
- Export revenue of US$ 317 million, comprising 57% of total revenue (Q3 2018: US$ 275 million, 62% of total revenue)
- Operating profit of US$ 40 million was down 44% year-on-year from US$ 71 million; operating margin declined from 16% to 7%
- Adjusted EBITDA margin declined correspondingly from 22% to 19%; adjusted EBITDA up from US$ 99 million to US$ 109 million
- Net profit was US$ 104 million, compared to net loss US$ 49 million for Q3 2018, including foreign exchange gains of US$ 109 million compared with losses of US$ 88 million in Q3 2018

9M 2019 highlights

- Revenue of US$ 1,505 million, increased by 33% year-on-year (9M 2018: US$ 1,133 million)
- Export revenue of US$ 869 million, comprising 58% of total revenue (9M 2018: US$ 660 million, 58% of total revenue)
- Operating profit of US$ 218 million was down 23% year-on-year from US$ 283 million and operating margin declined from 25% to 14%
- Adjusted EBITDA of US$ 357 million was down marginally from prior year, adjusted EBITDA margin declined from 32% to 24%
- Net profit was US$ 276 million, up 94% from US$ 142 million in 9M 2018, including foreign exchange gains of US$ 182 million, compared to FX losses of US$ 16 million in 9M 2018

FINANCIAL OVERVIEW

(in US$ millions, unless indicated otherwise)	**Q3 2019**	**Q3 2018**	*% change**	**9M 2019**	**9M 2018**	*% change**
Revenue	**560**	**441**	**27%**	**1,505**	**1,133**	**33%**
IAS 41 standard gains	(23)	(18)	28%	18	55	-67%
Gross profit	**94**	**92**	**2%**	**346**	**354**	**-2%**
Gross profit margin	17%	21%	-4pps	23%	31%	-8 pps
Operating profit	**40**	**71**	**-44%**	**218**	**283**	**-23%**
Operating profit margin	7%	16%	-9 pps	14%	25%	-11 pps
Adjusted EBITDA	**109**	**99**	**10%**	**357**	**362**	**-1%**
Adjusted EBITDA margin	19%	22%	-3 pps	24%	32%	-8 pps
Adjusted EBITDA *(net of IFRS 16)*	**85**	**99**	**-14%**	**333**	**362**	**-8%**
Adjusted EBITDA margin (net of IFRS 16)	15%	22%	-7 pps	22%	32%	-10 pps
Net profit before foreign exchange differences	**(5)**	**39**	**-113%**	**93**	**158**	**-41%**
Net profit margin before forex gain	-1%	9%	-10 pps	6%	14%	-8 pps
Foreign exchange gain	109	(88)	n/a	182	(16)	n/a
Net profit	**104**	**(49)**	**n/a**	**276**	**142**	**94%**
Net profit margin	19%	-11%	30 pps	18%	13%	5 pps

** pps – percentage points*
Average official FX rate for Q3 2019 UAH/US$ 25.26 and for Q3 2018 UAH/US$ 27.35
Average official FX rate for 9M 2019 UAH/US$ 26.37 and for 9M 2018 UAH/US$ 26.95

DIVIDENDS

On 21 March 2019, the Board of Directors of MHP SE approved the payment of an interim dividend of US$ 0.7474 per share, equivalent to approximately US$ 80 million, which was paid to shareholders in 2019.

OUTLOOK

The long awaited land reform bill has already passed its first reading. The Company views the lifting of the moratorium as positive as it will finally open up a free land market and create new opportunities for local agribusinesses of all sizes.

The industry is facing a number of challenges in global markets some of which are likely to continue at least into early 2020. Certain key markets in MENA have temporarily restricted the import of poultry products from international producers, including MHP, and we are hopeful that some of these issues will be resolved early in the new year. However, we significantly expanded our operations in other markets in the MENA region increasing volumes through geographic diversification and we foresee new opportunities in Asian markets going forward.

Returns from the Grain division have been adversely affected by low global commodity prices and strengthening of the Ukrainian currency, which will impact full year profitability.

However, MHP, with its vertically-integrated business model, which is the basis of the Company's efficient cost of production, strong balance sheet and strong cash generation, is well placed to manage these short-term challenges. We are pleased with first seven months' results at PP and efficiency improvements already achieved are ahead of initial expectations.

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 Q3 and 9M 2019
UK:	+44 2071943759
Ukraine:	+38 0893239877
USA:	+1 6467224916
Conference ID	EV00097113
PIN code	53832181#

In order to follow the presentation together with the management, please register using the following link: http://event.onlineseminarsolutions.com/r.htm?e=1809217&s=1&k=53F5382C4D55BE2D550DA4EB17C5E881

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Segment Performance

Poultry and related operations

	Q3 2019	Q3 2018	*% change*	9M 2019	9M 2018	*% change*
Poultry						
Sales volume, third parties tonnes	165,963	160,778	3%	511,241	449,215	14%
Incl. Export sales volume, tonnes	*79,189*	*80,361*	*-1%*	*269,672*	*213,925*	*26%*
Price per 1 kg net of VAT, UAH	38.58	40.38	-4%	39.18	39.66	-1%
Sunflower oil						
Sales volume, third parties tonnes	84,975	92,866	-8%	271,462	240,970	13%
Soybeans oil						
Sales volume, third parties tonnes	15,758	6,155	156%	40,007	37,776	6%

Chicken meat prices

The total volume of chicken meat sold to third parties in 9M 2019 increased by 14% to 511,241 tonnes (9M 2018: 449,215 tonnes) as a result of growth in exports. In Q3 2019 export sales totaled 79,189 tonnes and remained almost at the same level compared to Q3 2018 export sales volume of 80,361 tonnes. In 9M 2019 poultry exports increased by 26% to 269,672 tonnes (9M 2018: 213,925 tonnes). MHP continued to follow a strategy of both geographic diversification and product mix optimization, building-up the export volumes of chicken meat in MENA countries and the EU.

In 9M 2019, the average chicken meat price was UAH 39.18, almost unchanged compared to 39.66 in 9M 2018. In Q3 2019 the average chicken meat price decreased by 4% year-on-year at UAH 38.58 per kg (Q3 2018: UAH 40.38 per kg).

Vegetable oil

In Q3 2019, sunflower oil sales volume amounted to 84,975 tonnes, down 8% year-on-year. In 9M 2019 MHP's sales of sunflower oil increased by 13% compared to 9M 2018 to 271,462 tonnes. The increase in volumes in 9M 2019 was driven mainly by an increase in production and by delivery terms changing from DAP (Delivered at Place) to FOB (Free on Board).

Sales of soybean oil were 15,758 tonnes in Q3 2019, 156% higher year-on-year, and 40,007 tonnes in 9M 2019, 6% higher year-on-year, mainly due to increased production and sales of some stocks. MHP also sells soybean cake to third parties.

(in US$ millions, unless indicated otherwise)	Q3 2019	Q3 2018	*% change**	9M 2019	9M 2018	*% change**
Revenue	**343**	**336**	**2%**	**1,031**	**952**	**8%**
- Poultry and other	*274*	*262*	*5%*	*823*	*741*	*11%*
- Vegetable oil	*69*	*74*	*-7%*	*208*	*211*	*-1%*
IAS 41 standard gains/(losses)	**(5)**	**(1)**	**400%**	**12**	**(9)**	**-233%**
Gross profit	**69**	**76**	**-9%**	**227**	**229**	**-1%**
Gross margin	*20%*	*23%*	*-3 pps*	*22%*	*24%*	*-2 pps*
Adjusted EBITDA	**77**	**79**	**-3%**	**238**	**234**	**2%**
Adjusted EBITDA margin	*22%*	*24%*	*-2 pps*	*23%*	*25%*	*-2 pps*
Adjusted EBITDA per 1 kg (net of IAS 41)	*0.49*	*0.50*	*-2%*	*0.44*	*0.54*	*-19%*

** pps – percentage points*

As a result of the increase in sales volumes of chicken meat and sunflower oil, revenue increased by 8% in 9M 2019 compared to 9M 2018.

IAS 41 standard gain in 9M 2019 amounted to US$ 12 million (compared with a US$ 9 million loss in 9M 2018) mainly as a result of an increase of poultry meat stocks and broiler chicken stocks due to the launch of new rearing sites.

Gross profit of the poultry and related operations segment for 9M 2019 was relatively stable compared to 9M 2018 and amounted to US$ 227 million. This was due to the increase in sales volume and IAS 41 standard gain partly offset by increased production costs, reflecting higher cost of mixed fodder protein components as well as the higher payroll costs experienced since mid-2018. Poultry production costs in Q3 2019 remained almost at the same level as in Q3 2018.

Adjusted EBITDA per 1 kg of chicken meat in Q3 2019 slightly decreased by 2% to US$ 0.49.

Grain growing operations

In 2019 the Company harvested around 360,000 hectares of land.

Due to operational efficiency and favorable weather conditions in Ukraine, MHP delivered strong harvest and yields across all crops, significantly higher than Ukraine's average, however, lower year-on-year due to the record harvest of crops in 2018.

	2019		***2018***	
	Production volume *in tonnes*	**Cropped land** *in hectares*	**Production volume** *in tonnes*	**Cropped land** *in hectares*
Corn	1,316,409	139,458	1,344,547	123,398
Wheat	299,626	46,797	295,640	48,379
Sunflower	236,954	65,448	235,245	72,981
Rapeseed	122,609	41,230	125,346	38,541
Soya	102,552	38,424	114,322	37,558
Other*	403,545	28,748	539,322	41,963
Total	**2,481,695**	**360,105**	**2,654,422**	**362,820**

* - Including barley, rye, sugar beet, sorghum and other and excluding land left fallow as part of crop rotation.

	2019		***2018***	
	MHP's average	***Ukraine's average***[1]	***MHP's average***	***Ukraine's average***[1]
	tonnes per hectare		*tonnes per hectare*	
Corn	9.4	6.7	10.9	7.8
Wheat	6.4	4.2	6.1	3.7
Sunflower	3.6	2.4	3.2	2.3
Rapeseed	3.0	2.5	3.3	2.7
Soya	2.7	2.3	3.0	2.6

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

(in US$ millions, unless indicated otherwise)	**9M 2019**	**9M 2018**	% change
Revenue	**174**	**84**	**107%**
IAS 41 standard gains	8	62	-87%
Gross profit	**53**	**113**	**-53%**
Adjusted EBITDA	**95**	**128**	**-26%**
Adjusted EBITDA *(net of IFRS 16)*	**71**	**128**	**-45%**

Revenue from the Grain growing segment for 9M 2019 amounted to US$ 174 million compared to US$ 84 million in 9M 2018. The increase was mainly attributable to the higher level of crops in stock designated for sale as of 31 December 2018, compared to stocks as of 31 December 2017, mainly due to the record yields in 2018.

Gross profit of the grain growing segment for 9M 2019 decreased by 53% and amounted to US$ 53 million compared to US$ 113 million in 9M 2018. This was due to the decrease in IAS 41 standard gain for 9M 2019 by 87% mainly as a result of the decline in grain prices as well as lower yields of corn in 2019 compared to 2018.

Meat processing and other agricultural operations segment

Meat processing products	**Q3 2019**	**Q3 2018**	% change	**9M 2019**	**9M 2018**	% change
Sales volume, third parties tonnes	10,179	9,031	13%	26,845	26,000	3%
Price per 1 kg net VAT, UAH	66.97	63.12	6%	66.55	61.08	9%

Sales volume of processed meat products increased by 13% year-on-year and amounted to 10,179 tonnes in Q3 2019. The average processed meat price increased by 6% year-on-year to UAH 66.97 per kg in Q3 2019 mainly due to launch of the new “Mini” sausage product.

Convenience food	**Q3 2019**	**Q3 2018**	% change	**9M 2019**	**9M 2018**	% change
Sales volume, third parties tonnes	5,605	5,020	12%	14,072	13,100	7%
Price per 1 kg net VAT, UAH	38.59	39.10	-1%	40.62	43.08	-6%

Sales volumes of convenience food in Q3 2019 increased by 12% to 5,605 tonnes. The average price in 9M 2019 decreased by 6% to UAH 40.62 per kg (excluding VAT), mainly due to product mix changes.

(in US$ millions, except margin data)	**Q3 2019**	**Q3 2018**	*% change**	**9M 2019**	**9M 2018**	*% change*
Revenue	**40**	**35**	**14%**	**107**	**97**	**10%**
- Meat processing	*34*	*27*	*25%*	*86*	*77*	*11%*
*- Other***	*6*	*8*	*-24%*	*21*	*20*	*6%*
IAS 41 standard gains/(losses)	**-**	**(2)**	**-100%**	**(1)**	**1**	**-200%**
Gross profit	**5**	**3**	**67%**	**10**	**13**	**-23%**
Gross margin	*13%*	*9%*	*4 pps*	*9%*	*13%*	*-4 pps*
Adjusted EBITDA	**4**	**3**	**33%**	**12**	**14**	**-14%**
Adjusted EBITDA margin	*10%*	*9%*	*1 pps*	*11%*	*14%*	*-3 pps*

** pps – percentage points*
*** includes milk, cattle and feed grains.*

Segment revenue of 9M 2019 increased by 10% year-on-year to US$ 107 million mainly as a result of an increase in the price of processed meats as well as sales volume of processed meat and convenience food products. The segment’s adjusted EBITDA remained stable with the lower returns earned from milk operations partly offset by higher meat processing results.

European operating segment (PP)

Poultry	Q3 2019	9M 2019 *(7 months)**
Sales volume, third parties tonnes	15,920	36,928
Price per 1 kg net VAT, EUR	2.63	2.64

** results of PPJ from 21 February 2019 when the acquisition was completed*

In Q3 2019 poultry sales of the newly-established Europe operating segment, which comprises the operations of Perutnina Ptuj, were 15,920 tonnes with an average price of EUR 2.63. In 9M 2019 sales amounted to 36,928 tonnes with an average price of EUR 2.64.

Meat processing products*	Q3 2019	9M 2019 *(7 months)***
Sales volume, third parties tonnes	9,918	21,040
Price per 1 kg net VAT, EUR	2.69	2.70

** includes sausages and convenience foods*
*** results of PPJ from 21 February 2019 when the acquisition was completed*

In Q3 2019, meat processing products sales at PP constituted 9,918 tonnes with an average price of EUR 2.69, while in 9M 2019 sales amounted to 21,040 tonnes with an average price of EUR 2.70.

(in US$ millions, unless indicated otherwise)	Q3 2019	9M 2019 *(7 months)**
Revenue	**86**	**193**
IAS 41 standard gains	-	-
Gross profit	**28**	**56**
Gross margin	*33%*	*29%*
Adjusted EBITDA	**13**	**29**
Adjusted EBITDA margin	*15%*	*15%*

** results of PPJ from 21 February 2019 when the acquisition was completed*

European operating segment's revenue in Q3 2019 amounted to US$ 86 million, and US$ 193 million in 9M 2019. Adjusted EBITDA reached US$ 13 million for the quarter and US$ 29 million for 9M 2019, respectively. Adjusted EBITDA margin was 15% for both periods.

Current Group cash flow

(in US$ millions)	Q3 2019	Q3 2018	9M 2019	9M 2018
Cash from operations	102	106	240	243
Change in working capital	(6)	12	80	(45)
Net Cash from operating activities	**96**	**118**	**320**	**198**
CAPEX	**(40)**	**(90)**	**(99)**	**(216)**
Net cash outflow on acquisition of subsidiaries	-	-	(206)	-
Net cash used in investing activities	**(40)**	**(90)**	**(305)**	**(216)**
Cash from financing activities	78	52	141	145
Dividends	(5)	(18)	(85)	(78)
Total financial activities	**73**	**34**	**56**	**67**
Total change in cash*	**129**	**62**	**71**	**49**

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

Cash flow from operations before changes in working capital for 9M 2019 amounted to US$ 240 million (9M 2018: US$ 243 million).

Positive cash flow effects from changes in working capital during 9M 2019 mostly reflect reduction in inventory as unusually high stocks of sunflower and soya crops as of 31 December 2018 (following record high yields in 2018) were utilized or sold during the period. Additional effect arises due to increase in amounts payable for seeds and plant protection products to be paid in the fourth quarter of 2019.

In 9M 2019 total CAPEX amounted to US$ 99 million mainly related to the launch of production sites of Phase 2 of the Vinnytsia Poultry Complex.

Debt Structure and Liquidity

(in US$ millions)	**30 September 2019**	**31 December 2018**	**30 September 2018**
Total Debt [1]	**1,581**	**1,343**	**1,347**
LT Debt [1]	1,469	1,206	1,196
ST Debt [1]	112	137	151
Cash and bank deposits	(288)	(212)	(181)
Net Debt[1]	**1,293**	**1,131**	**1,166**
LTM EBITDA [1), 2)]	436	450	449
Net Debt / LTM EBITDA[1), 2)]	*2.96*	*2.51*	*2.60*

[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 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] Calculated as if acquisitions of subsidiaries had occurred on the first day of the four-quarter reference period. LTM adjusted EBITDA of Perutnina Ptuj d.d amounted to US$ 44 million

As of 30 September 2019, the share of long-term debt in the total outstanding debt increased to 93% of total debt (90% of total debt as of 31 December 2018). The weighted average interest rate is around 6.8%.

As of 30 September 2019, MHP's cash and cash equivalents amounted to US$ 288 million. Net debt increased to US$ 1,293 million, compared to US$ 1,131 million as at 31 December 2018.

The Net Debt / LTM EBITDA ratio was 2.96 as of 30 September 2019, well within the Eurobond covenant limit of 3.0.

As a hedge for currency risks, revenue from the export of grain, sunflower and soybean oil, sunflower husks, and chicken meat are denominated in US Dollars and Euros, more than fully covering debt service obligations. Export revenue for 9M 2019 amounted to US$ 869 million or 58% of total revenue (US$ 660 million or 58% of total sales in 9M 2018).

Notes to Editors:

About MHP
MHP is the leading producer of poultry products not only in Ukraine , but also in the Balkans (Perutnina Ptuj Group) and in the EU.

Ukraine: MHP has the greatest market share (around 57% of industrial production) and highest brand recognition for its products. MHP owns and operates each of the key stages of chicken production processes, from feed grains and fodder production to egg hatching and grow out to processing, marketing, distribution and sales (including through MHP's franchise outlets). 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 15 distribution and logistical centres, 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.

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 nine-month period ended 30 September 2019

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STATEMENT OF MEMBERS OF THE BOARD OF DIRECTORS

In accordance with Article 10 of the Transparency Requirements (Securities for Trading on Regulated Market) Law 190(I)/2007 ("Law"), we the members of the Board of Directors of MHP SE confirm that to the best of our knowledge:

(a) The interim condensed consolidated financial statements for the period from 1 January 2019 to 30 September 2019 that are presented on pages 5 to 31:

i. were prepared in accordance with International Financial Reporting Standards and in accordance with the provisions of Article 10 (4) of the Law, and

ii. give a true and fair view of the assets and liabilities, the financial position and the profits of MHP SE and the businesses that are included in the interim condensed consolidated financial statements, and

(b) the interim management report gives a fair review of the information required under Article 10 (6) of the Law.

19 November 2019

Members of the Board of Directors:

Chief Executive Officer	Yuriy Kosyuk
Chief Financial Officer	Viktoria Kapelyushnaya
Director	Yuriy Melnyk
Director	John Grant
Director	John Clifford Rich
Director	Roger Wills
Director	Christakis Taoushanis
Director	Roberto Banfi

MANAGEMENT REPORT

Key financial highlights

On 21 February 2019, the Group acquired 90.69% of the issued share capital and thereby obtained control of Perutnina Ptuj, a Slovenian based international meat-processing company and the most important and largest producer of poultry meat and poultry meat products in Southeast Europe (Note 3). Group financial results for the nine-month period ended 30 September 2019 include the results of Perutnina Ptuj from 21 February 2019 when the acquisition was completed.

During the nine-month period ended 30 September 2019 consolidated revenue increased by 33% and amounted to USD 1,504,547 thousand, compared to USD 1,133,090 thousand for the nine-month period ended 30 September 2018. Export sales for the nine-month period ended 30 September 2019 constituted 58% of total revenue and amounted to USD 869,324 thousand, compared to USD 660,323 thousand, and 58% of total revenue for the nine-month period ended 30 September 2018. The overall increase in revenue was mainly attributable to the acquisition of operations in Europe (Perutnina Ptuj) as well as increased Ukrainian export sales volume of chicken meat.

Gross profit decreased by 2% and amounted to USD 345,921 thousand for the nine-month period ended 30 September 2019 compared to USD 354,459 thousand for the nine-month period ended 30 September 2018. The decrease was driven mainly by decrease of the gross profit in grain growing operations segment, partly offset by the new Europe operating segment.

Operating profit decreased by 23% to USD 217,997 thousand for the nine-month period ended 30 September 2019 compared to USD 283,461 thousand for the nine-month period ended 30 September 2018, in higher rate compared to gross profit mainly as a result of an increase in selling, general and administrative expenses primarily due to the inclusion of additional expenses of Perutnina Ptuj as well as increased consulting services, advertising expense and representative costs.

Profit for the nine-month period ended 30 September 2019 increased by 95% and amounted to USD 275,532 thousand, compared to USD 141,650 thousand for the nine-month period ended 30 September 2018, mainly due to an increase of foreign exchange gain partly offset by higher administration, sales and distribution expenses.

Dividends

On 21 March 2019, the Board of Directors of MHP SE approved the payment of an interim dividend of USD 0.7474 per share, equivalent to approximately USD 80,000 thousand, which was paid to shareholders during the nine-month period ended 30 September 2019.

Risks and uncertainties

There are a number of potential risks and uncertainties, which could have a material impact on the Group's performance over the remaining three months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2018. A detailed explanation of these risks, and how the Group seeks to mitigate the risks, can be found on pages 162 to 167 of the Annual Report which is available at www.mhp.com.cy.

Correction of prior period disclosure errors

Subsequent to issuance of the consolidated financial statements as of and for the year ended 31 December 2018, the management of Group identified errors in the disclosure of operating land lease commitments due to the fact that not all constructive obligations were captured in the calculation. In addition, the management of the Group identified errors in disclosure of the impact on the amounts of the right of use asset and lease liability on initial application of IFRS 16 as of 1 January 2019. Issues identified in the underlying data were still under evaluation by management at the point of issuing these interim condensed consolidated financial statements and are planned to be addressed by the end of the year.

The effect of the restatement on the disclosure provided in the consolidated financial statements as of and for the year ended 31 December 2018 is disclosed in Note 2 to the interim condensed consolidated financial statements for the nine-month period ended 30 September 2019. The restatements have no impact on the consolidated statement of financial position as of 31 December 2018, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and basic and diluted earnings per share for the year then ended.

19 November 2019

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

(b)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the nine-month period ended 30 September 2019
(in thousands of US dollars, unless otherwise indicated)

		Nine-month period ended 30 September		*Three-month period ended 30 September*	
	Notes	*2019*	*2018*	*2019*	*2018*
Continuing operations					
Revenue	*4*	1,504,547	1,133,090	559,820	441,373
Net change in fair value of biological assets and agricultural produce	*4*	18,199	54,555	(22,946)	(17,992)
Cost of sales		(1,176,825)	(833,186)	(442,998)	(331,508)
Gross profit		345,921	354,459	93,876	91,873
Selling, general and administrative expenses	*5*	(121,323)	(67,294)	(47,395)	(20,896)
Other operating income/(expenses), net		1,132	(3,704)	1,044	(181)
Loss on impairment of property, plant and equipment	*7*	(7,733)	-	(7,733)	-
Operating profit		217,997	283,461	39,792	70,796
Finance income		5,741	3,417	1,528	730
Finance costs	*12, 13*	(107,894)	(110,886)	(34,348)	(25,689)
Foreign exchange gain/(loss), net	*5, 17*	182,045	(16,467)	109,349	(87,522)
Other expenses, net		(6,001)	(7,248)	(2,224)	(3,710)
Profit before tax		291,888	152,277	114,097	(45,395)
Income tax expenses		(13,456)	(10,091)	(8,366)	(3,153)
Profit for the period from continuing operations	*5*	278,432	142,186	105,731	(48,548)
Discontinued operations					
Loss for the period from discontinued operations	*3*	(2,900)	(536)	(1,680)	(281)
Profit for the period		275,532	141,650	104,051	(48,829)

The accompanying notes on the pages 12 to 31 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the nine-month period ended 30 September 2019
(in thousands of US dollars, unless otherwise indicated)

		Nine-month period ended 30 September		*Three-month period ended 30 September*	
	Notes	*2019*	*2018*	*2019*	*2018*
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Effect of revaluation of property, plant and equipment	7	216,672	-	216,672	-
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income		(10,269)	-	(13,784)	-
Items that may be reclassified to profit or loss:					
Cumulative translation difference		141,182	(11,960)	86,383	(86,299)
Other comprehensive income for the period		347,585	(11,960)	289,271	(86,299)
Total comprehensive income for the period		623,117	129,690	393,322	(135,128)
Profit/(loss) attributable to:					
Equity holders of the Parent		275,530	139,240	106,161	(51,526)
Non-controlling interests		2	2,410	(2,110)	2,697
		275,532	141,650	104,051	(48,829)
Total comprehensive income/(loss) attributable to:					
Equity holders of the Parent		617,803	126,161	391,321	(136,314)
Non-controlling interests		5,314	3,529	2,001	1,186
		623,117	129,690	393,322	(135,128)
Earnings per share from continuing and discontinued operations					
Basic and diluted earnings per share (USD per share)		2.57	1.30	0.99	(0.48)
Earnings per share from continuing operations					
Basic and diluted earnings per share (USD per share)		2.60	1.31	1.01	(0.48)

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 12 to 31 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as of 30 September 2019

(in thousands of US dollars, unless otherwise indicated)

	Notes	30 September 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,055,118	1,498,530
Right-of-use asset		198,862	-
Goodwill	3	72,523	2,509
Land lease rights		53,160	48,809
Intangible assets	3	39,956	-
Non-current biological assets		26,241	23,392
Long-term bank deposits		3,233	3,387
Deferred tax assets		4,921	-
Other non-current assets		24,738	57,360
		2,478,752	1,633,987
Current assets			
Biological assets	9	338,038	179,290
Agricultural produce		225,740	224,789
Inventories	8	209,591	273,522
Trade accounts receivable, net	10	127,160	69,305
Taxes recoverable and prepaid, net		48,874	45,146
Other current assets, net		52,877	32,858
Cash and cash equivalents		287,770	211,768
Assets classified as held for sale	3	6,019	-
		1,296,069	1,036,678
TOTAL ASSETS		3,774,821	2,670,665
EQUITY AND LIABILITIES			
Equity			
Share capital	11	284,505	284,505
Treasury shares		(44,593)	(44,593)
Additional paid-in capital		174,022	174,022
Revaluation reserve		883,967	642,800
Retained earnings		1,194,901	1,040,327
Translation reserve		(879,392)	(1,015,591)
Equity attributable to equity holders of the Parent		1,613,410	1,081,470
Non-controlling interests	3	16,048	16,536
Total equity		1,629,458	1,098,006
Non-current liabilities			
Bonds issued	13	1,364,510	1,090,935
Lease liabilities	2	164,294	9,087
Bank borrowings	12	96,417	105,783
Deferred revenues	6	49,237	34,578
Deferred tax liabilities		42,583	12,953
Other non-current liabilities		5,038	-
		1,722,079	1,253,336
Current liabilities			
Trade accounts payable	10	153,043	66,398
Other current liabilities		87,788	96,383
Bank borrowings	12	28,208	132,715
Bonds issued	13	78,603	-
Accrued interest	12,13	39,554	19,472
Lease liabilities	2	36,024	4,355
Liabilities directly associated with assets classified as held for sale	3	64	-
		423,284	319,323
TOTAL LIABILITIES		2,145,363	1,572,659
TOTAL EQUITY AND LIABILITIES		3,774,821	2,670,665

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 12 to 31 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine-month period ended 30 September 2019
(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 2019	284,505	(44,593)	174,022	642,800	1,040,327	(1,015,591)	1,081,470	16,536	1,098,006
Profit for the period	-	-	-	-	275,530	-	275,530	2	275,532
Other comprehensive income	-	-	-	206,072	-	136,199	342,271	5,314	347,585
Total comprehensive income for the period	-	-	-	206,072	275,530	136,199	617,801	5,316	623,117
Transfer from revaluation reserve to retained earnings	-	-	-	(56,503)	56,503	-	-	-	-
Dividends declared by the Parent *(Note 18)*	-	-	-	-	(80,000)	-	(80,000)	-	(80,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(6,082)	(6,082)
Non-controlling interests acquired *(Note 3)*	-	-	-	-	-	-	-	14,758	14,758
Disposal of non-controlling interest (Note 3)	-	-	-	-	(5,861)	-	(5,861)	(14,480)	(20,341)
Translation differences on revaluation reserve	-	-	-	91,598	(91,598)	-	-	-	-
Balance as of 30 September 2019	284,505	(44,593)	174,022	883,967	1,194,901	(879,392)	1,613,410	16,048	1,629,458

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 12 to 31 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine-month period ended 30 September 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 31 December 2017	284,505	(48,503)	175,291	661,454	925,978	(1,030,159)	968,566	17,141	985,707
Effect of adoption IFRS 9	-	-	-	-	10,826	-	10,826	-	10,826
Balance as of 1 January 2018	284,505	(48,503)	175,291	661,454	936,804	(1,030,159)	979,392	17,141	996,533
Profit for the period	-	-	-	-	139,240	-	139,240	2,410	141,650
Other comprehensive income	-	-	-	-	-	(13,079)	(13,079)	1,119	(11,960)
Total comprehensive income for the period	-	-	-	-	139,240	(13,079)	126,161	3,529	129,690
Transfer from revaluation reserve to retained earnings	-	-	-	(50,235)	50,235	-	-	-	-
Dividends declared by the Parent	-	-	-	-	(80,000)	-	(80,000)	-	(80,000)
Derecognition of interests in subsidiaries	-	-	-	-	-	-	-	(963)	(963)
Translation differences on revaluation reserve	-	-	-	(3,062)	3,062	-	-	-	-
Balance as of 30 September 2018	284,505	(48,503)	175,291	608,157	1,049,341	(1,043,238)	1,025,553	19,707	1,045,260

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 12 to 31 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine-month period ended 30 September 2019
(in thousands of US dollars, unless otherwise indicated)

	Notes	Nine-month period ended 30 September 2019	Nine-month period ended 30 September 2018
Operating activities			
Profit before tax		288,988	151,741
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expense	4	131,214	78,703
Net change in fair value of biological assets and agricultural produce	4	(18,199)	(54,555)
Change in allowance for irrecoverable amounts and direct write-offs		820	1,789
Loss/(gain) on disposal of property, plant and equipment and other non-current assets		387	-
Reverse/Loss on Impairment of PPE		7,733	-
Finance income		(5,741)	(3,417)
Finance costs		107,894	110,886
Released deferred revenue		(1,321)	-
Non-operating foreign exchange gain, net		(182,045)	16,467
Operating cash flows before movements in working capital		329,730	301,614
Working capital adjustments			
Change in inventories	8	112,646	73,816
Change in biological assets	9	(56,314)	(75,359)
Change in agricultural produce		24,910	(9,252)
Change in other current assets		(2,714)	(13,898)
Change in taxes recoverable and prepaid		3,811	(20,880)
Change in trade accounts receivable		(12,927)	(18,602)
Change in other liabilities		(30,536)	2,844
Change in trade accounts payable		41,244	16,200
Cash generated by operations		409,850	256,483
Interest received		5,563	3,287
Interest paid		(89,577)	(50,846)
Income taxes paid		(5,882)	(10,989)
Net cash flows from operating activities		319,954	197,935
Investing activities			
Purchases of property, plant and equipment	7	(92,467)	(161,472)
Purchases of other non-current assets		(3,168)	(39,481)
Payments for renewal of lease agreements		(2,331)	(8,981)
Proceeds from disposals of property, plant and equipment		1,909	1,270
Purchases of non-current biological assets		(244)	(1,585)
Government grants received	6	7,995	-
Acquisition of subsidiaries, net of cash acquired	3	(205,724)	-
Investments in short-term deposits		-	(5,673)
Withdrawals of short-term deposits		-	197
Loans provided to employees, net		(3,344)	(227)
Loans provided to related parties		(17,456)	-
Loans repaid by related parties		10,115	(95)
Net cash flows used in investing activities		(304,715)	(216,047)
Financing activities			
Proceeds from bank borrowings		212,405	145,613
Repayment of bank borrowings		(378,418)	(86,319)
Proceeds from bonds issued		350,000	550,000
Repayment of bonds issued		-	(416,183)
Repayment of lease liabilities		(19,579)	(3,468)
Dividends paid	18	(80,000)	(77,044)
Dividends paid by subsidiaries to non-controlling shareholders		(5,249)	(972)
Acquisition of non-controlling interest	3	(20,341)	-
Transaction costs related to corporate bonds issued		(2,660)	(44,468)
Transaction costs related to bank loans received		(697)	(384)
Net cash flows (used in)/from financing activities		55,461	66,775

The accompanying notes on the pages 12 to 31 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine-month period ended 30 September 2019
(in thousands of US dollars, unless otherwise indicated)

	Notes	*Nine-month period ended 30 September 2019*	*Nine-month period ended 30 September 2018*
Net increase in cash and cash equivalents		70,700	48,663
Net foreign exchange difference on cash and cash equivalents		5,302	6,517
Cash and cash equivalents at 1 January		211,768	125,554
Cash and cash equivalents at 30 September		287,770	180,734
Non-cash transactions			
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor		1,672	10,581
Additions of property, plant and equipment under finance leases		-	4,103
Revaluation of property, plant and equipment	7	208,939	-
Property, plant and equipment purchased for credit		2,419	1,763
Additions of right-of-use assets	2	7,911	-

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 12 to 31 form an integral part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the nine-month period ended 30 September 2019

(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 PrJSC "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, which in turn directly owning 59,7% of the total outstanding share capital 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 and 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 nine-month period ended 30 September 2019 the Group employed 32,046 people (31 December 2018: 28,575 people).

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent's effective ownership interest as of 30 September 2019 and 31 December 2018 were as follows:

Name	*Country of registration*	*Year established acquired*	*Principal activities*	*30 September 2019*	*31 December 2018*
Raftan Holding Limited	Cyprus	2006	Sub-holding Company	100.0%	99.9%
Larontas Limited	Cyprus	2015	Sub-holding Company	100.0%	100.0%
Hemiak Investments Limited	Cyprus	2018	Sub-holding Company	100.0%	100.0%
MHP Lux S.A.	Luxembourg	2018	Finance Company	100.0%	100.0%
Myronivsky Hliboprodukt	Ukraine	1998	Management, marketing and sales	99.9%	99.9%
Myronivsky Plant of Manufacturing Feeds and Groats	Ukraine	1998	Fodder and vegetable oil production	88.5%	88.5%
Vinnytska Ptakhofabryka	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 Pticefabrika	Ukraine	2004	Chicken farm	99.9%	99.9%
Starynska Ptakhofabryka	Ukraine	2003	Breeder farm	100.0%	100.0%
Ptakhofabryka Snyatynska Nova	Ukraine	2005	Geese breeder farm	99.9%	99.9%
Zernoprodukt MHP	Ukraine	2005	Grain cultivation	99.9%	99.9%
Katerinopilskiy Elevator	Ukraine	2005	Fodder production and grain storage, vegetable oil production	99.9%	99.9%
SPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	99.9%
Agrofort	Ukraine	2006	Grain cultivation	99.9%	99.9%
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	51.0%	51.0%
Agro-S	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%
Perutnina Ptuj	Slovenia	2019	Poultry production	100.0%	-

The Group's primary operational facilities are located in different regions of Ukraine as well as in Southeast Europe, including Slovenia, Serbia, Croatia and Bosnia and Herzegovina.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the nine-month period ended 30 September 2019
(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 nine-month period ended 30 September 2019 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.

These interim condensed consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

The 31 December 2018 statement of financial position was derived from the audited consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

Correction of prior period disclosure errors

Subsequent to the issuance of the consolidated financial statements as of and for the year ended 31 December 2018, the management of the Group identified errors in disclosure of operating land lease commitments due to the fact that not all constructive obligations were captured in the calculation and proceeded with a disclosure restatement to correct this disclosure error in these financial statements.

The effect of restatement of the disclosure provided in the consolidated financial statements as of and for the year ended 31 December 2018 is summarized below.

Contractual and constructive obligations in respect of agricultural land operating leases as of 31 December 2018:

	As previously reported	*Effect of restatement*	*As restated*
Within one year	31,330	17,837	49,167
In the second to the fifth year inclusive	104,346	57,994	162,340
After fifth year	112,078	39,278	151,356
Total commitments on land operating leases	**247,754**	**115,109**	**362,863**

Contractual and constructive obligations in respect of agricultural land operating leases as of 31 December 2017:

	As previously reported	*Effect of restatement*	*As restated*
Within one year	20,833	15,562	36,395
In the second to the fifth year inclusive	69,896	50,061	119,957
After fifth year	60,933	35,126	96,059
Total commitments on land operating leases	**151,662**	**100,749**	**252,411**

In addition, the Company disclosed in the consolidated financial statements as of and for the year ended 31 December 2018 that the analysis conducted by the Group in relation to the initial application of IFRS 16 indicated a probable recognition of right of use of asset and lease liability in the amount not higher than USD 103,933 thousand. The preliminary assessment was underestimated due to the fact that not all constructive obligations were captured in the calculation.

The corrected amounts for the right of use assets and lease liabilities are disclosed in "IFRS 16 leases" section of Note 2 below and amounted to USD 185,442 thousand and USD 177,093 thousand, respectively.

The restatements had no impact on the consolidated statement of financial position as of 31 December 2018 and as of 31 December 2017, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and basic and diluted earnings per share for the years then ended.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the nine-month period ended 30 September 2019
(in thousands of US dollars, unless otherwise indicated)

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

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 IFRS 16 Leases.

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but did not result in any changes to the Group's accounting policies and the amounts reported in the interim condensed consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 changes in how the Group accounts for leases previously classified as operating lease under IAS 17, which were off-balance-sheet.

Lease mainly represents rent of land from individuals (Ukrainian citizens) for agricultural purposes.

Accounting policies under IFRS 16

The Group has adopted new accounting policies in relation to leases following the adoption of IFRS 16 on 1 January 2019, as follows:

The Group assesses whether a contract is or contains a lease, at inception of the contract.

The Group recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments. The Group does not apply the short term and low-value lease exemptions.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group recognises interest on lease liabilities based on incremental borrowing rate, presented within interest expenses in the consolidated statement of profit or loss.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or market rate, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets are depreciated over the period of lease term. The depreciation starts at the commencement date of the lease. The Group recognises depreciation of right-of-use assets based on the contract term, presented within cost of goods sold in the consolidated statement of profit or loss.

In the statement of cash flows the Group separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities).

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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2. Basis of preparation and accounting policies *(continued)*

Adoption of new and revised International Financial Reporting Standards *(continued)*

IFRS 16 Leases *(continued)*

The Group applied the modified retrospective approach. Under this approach, the Group did not restate prior year amounts reported and applied the practical expedient to retain the classification of existing contracts as leases under the previous accounting standard (IAS 17) instead of reassessing whether existing contracts contain a lease at the date of initial application.

Impact on transition

The Group has elected to apply the following other transitional reliefs permitted by the Standard:

- The application of a single discount rate for portfolio of leases with reasonably similar characteristic;
- The exclusion of initial direct costs of obtaining a lease from the measurement of right-of-use assets at the date of initial application.
- Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The table below shows the amount of adjustment for each financial statement line item affected by the application of IFRS 16:

Impact on assets, liabilities and equity as at 1 January 2019	*As if IAS 17 still applied*	*IFRS 16 adjustments*	*As presented*
Property, plant and equipment	1,498,530	(21,449)	1,477,081
Right-of-use assets, net	-	185,442	185,442
Other non-current assets[1]	57,360	(6,092)	51,268
Other current assets[1]	32,858	(69)	32,789
Net impact on total assets	**1,588,748**	**157,832**	**1,746,580**
Lease liabilities	9,087	114,042	123,129
Current portion of lease liabilities	4,355	49,609	53,964
Other current liabilities[2]	96,383	(5,819)	90,564
Net impact on total labilities	**109,825**	**157,832**	**267,657**
Retained earnings	**1,040,327**	**-**	**1,040,327**

[1] consists of prepayments for land lease
[2] accrued payable for land lease

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 "Leases". These liabilities were measured at the present value of future lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. Future lease payments consist of:

- fixed payments (including in-substance fixed payments);
- variable lease payment that are based on a market index or a rate, initially measured using the index or rate as at the commencement date. Regardless of the lease payments stated in the lease contracts, customary business practices complement the contractual terms in a way that at each particular date the rate is a market rate. Since the entire market operates on the basis of expectations of a periodic revision of rates (based on current market rates), management has concluded that the rates are determined by the market mechanism. In substance non-contractual changes in lease payments are driven by the competitive forces and payments change is based on the average changes of lease payments in the region.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 20%. Incremental borrowing rate was determined as the rate of interest that the Group would have to pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Majority of Group's leases are denominated in UAH.

The average maturity of lease agreements is 7 years.

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

Adoption of new and revised International Financial Reporting Standards *(continued)*

IFRS 16 Leases *(continued)*

The reconciliation between the operating lease commitments as of 31 December and the opening balance for the lease liabilities as of 1 January 2019 is as follows:

	Thousand US dollars
Land lease commitments as of 31 December 2018 (as restated)	362,863
Discounted lease commitments as of 31 December 2018	157,832
Add: accrued payable for land lease as of 31 December 2018	5,819
Add: finance lease liabilities as of 31 December 2018	13,442
Lease liabilities as of 1 January 2019	177,093

Amount of interest expense on lease liabilities for the nine-month period ended 30 September 2019 was USD 26 073 thousand. The total cash outflow for leases for the nine-month period ended 30 September 2019 was USD 43 696 thousand.

The recognised right-of-use assets relate to the following types of assets:

	30 September 2019	*1 January 2019*
Land	176,961	163,993
Property, plant and equipment	21,901	21,449
Total right-of-use assets	**198,862**	**185,442**

Property, plant and equipment held under finance lease arrangements previously presented within property, plant and equipment is now presented within the line item right-of-use assets. There has been no change in the amount recognised.

Amount of depreciation charge for right-of-use assets and additions to right-of-use assets for the nine-month period ended 30 September 2019 was USD 22,931 thousand and USD 7,911 respectively.

Adoption of IFRS 16 has no impact on the Group's land lease rights acquired in a business combination and capitalized costs for renewal of contracts recognised before 1 January 2019.

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 and Luxembourg company of the Group is US Dollars ("USD"), the functional currency of the Slovenian companies of the Group is EURO ("EUR"). 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 recognised in the consolidated statement of profit or loss and other 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 profit or loss and other comprehensive income are translated using the average exchange rate for the quarter;
- all resulting exchange differences are recognised as a separate component of equity;
- 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.

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

Functional and presentation currencies *(continued)*

The following exchange rates were used:

Currency	*Closing rate as of 30 September 2019*	*Average for nine months ended 30 September 2019*	*Closing rate as of 31 December 2018*	*Average for nine months ended 30 September 2018*
UAH/USD	24.0828	26.3687	27.6883	26.9494
UAH/EUR	26.3346	29.6436	31.7141	32.2083

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 2018, except those adopted starting from 1 January 2019 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 grain and the effect of revaluation of agricultural produce harvested during the year. Also, grain the growing segment has seasonal requirements for working capital increase during November to May, due to the sowing campaign.

3. Changes in the group structure

Acquisitions

On 21 February 2019, the Group acquired 90.69% of the issued share capital and thereby obtaining control of Perutnina Ptuj, a Slovenian based international meat-processing company and the most important and largest producer of poultry meat and poultry meat products in Southeast Europe. Perutnina Ptuj together with its subsidiaries has production capacity of 55,000 tonnes per annum of poultry meat and more than 35,000 tonnes per annum of value-added meat. Perutnina Ptuj was acquired in line with MHP strategy and will provide a platform for further development and opportunities in the EU with further capacity expansion planned over the next 3 to 5 years.

The preliminary fair values of identifiable assets acquired and liabilities assumed and any non-controlling interests are as set out in the table below.

	21 February 2019
Inventories	25,442
Biological assets	10,598
Agricultural produce	8,196
Trade accounts receivable, net	36,313
Cash and cash equivalent	20,986
Other current liabilities less other current assets	(6,738)
Property, plant and equipment	178,918
Right-of-use asset	14,588
Identifiable intangible assets	34,689
Trade accounts payable	(36,127)
Deferred tax liabilities net of deferred tax assets (of USD thousand 3,535)	(11,762)
Other non-current liabilities less other non-current assets	(5,555)
Bank borrowings and lease liabilities [1)]	(75,615)
Total identifiable assets	**193,933**
Goodwill	70,837
Non-controlling interest of in 7.61 % of Perutnina Ptuj	(14,758)
Total consideration due and payable	**250,012**

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3. Changes in the group structure *(continued)*

Acquisitions *(continued)*

Net cash outflow arising on acquisition:	
Cash consideration paid	250,012
Less: amount paid in 2018	(23,302)
Less: cash and cash equivalent balances acquired	(20,986)
	205,724

[1] includes USD 15,392 thousand of lease liabilities recognised in accordance with the adoption of IFRS 16 (Note 2).

The consideration was paid as follows: USD 23,302 thousand in 2018 as prepayment and USD 226,710 thousand in 2019. Acquisition-related costs amounted to USD 2,689 thousand.

The initial accounting for the acquisition of Perutnina Ptuj has only been provisionally determined at the end of the reporting period. At the date of finalisation of these interim condensed consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely market values.

The fair value of the trade receivables is USD 36,313 thousand and a gross contractual value of USD 38,589 thousand. The best estimate at acquisition date of the contractual cash flows not to be collected are USD 2,276 thousand.

The goodwill of USD 70,837 thousand arising from the acquisition attributed to the expected synergies and other benefits from combining the assets and activities of Perutnina Ptuj with those of the Group:

- the acquisition was in line with the Group's strategy to extend a presence on EU market. Perutnina Ptuj has production assets in four Balkan countries: Slovenia, Croatia, Serbia, Bosnia and Herzegovina; owns distribution companies in Austria, Macedonia and Romania and supplies products to 15 countries in Europe. Perutnina has strong brand and customers base;
- Perutnina Ptuj has the ability to increase production of poultry products using existing production capacities. As a cost leading poultry producer, the Group has solid expertise in cost optimization and the management expects to improve the profitability of Perutnina Ptuj;
- Perutnina Ptuj will provide for the Group a platform for further production capacity expansion in Europe.

None of the goodwill is expected to be deductible for income tax purposes.

The non-controlling interest (7.61% ownership interest Perutnina Ptuj) recognised at the acquisition date was measured as a proportionate share of the acquired entity's net identifiable assets and amounted to USD 14,758 thousand.

Perutnina Ptuj contributed USD 192,942 thousand revenue and USD 13,214 thousand to the Group's profit for the period between the date of acquisition and the reporting date.

If the acquisition of Perutnina Ptuj had been completed on the first day of the financial year, the Group revenues for the nine-months period ended 30 September 2019 would have been USD 1,551,913 thousand and the Group profit would have been USD 278,641 thousand.

Changes in non-controlling interests in subsidiaries

Till 30 of September 2019 Group increased its effective ownership interest in Perutnina Ptuj to 100% through the purchase of a non-controlling interest for the amount USD 20,341 thousand. The difference between the carrying value of the net assets acquired and consideration paid was recognised as an adjustment to retained earnings in the amount of USD 5,861 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the nine-month period ended 30 September 2019

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3. Changes in the group structure *(continued)*

Plan to dispose of the Snyatynska poultry farm

Board of Directors has authorized the management of the Group to cease production of goose meat and foie gras. At the end of July 2019, by virtue of a Board resolution, management of the Group committed to a plan to dispose of the Snyatynska poultry farm, a wholly owned subsidiary that is located in Ukraine. The management believes that the production of foie gras is not consistent with the Group's strategy and policy of being a global leader in Environmental Sustainability and Animal Welfare.

At the 30 September 2019 the management of the Group were in negotiation with potential buyers for its Snyatynska poultry farm and expected to complete the sale within 12 months.

The Group has recognised impairment losses in respect of the Property, plant and equipment, immediately prior to classifying the assets and liabilities of disposal group as held for sale. No impairment loss was recognised on classification disposal group as held for sale as the management of the Group expect that the fair value less costs to sell equals or is not less than the carrying amount.

Analysis of profit for the year from discontinued operations

The combined results of the discontinued operations set out below. The comparative losses and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current year.

Results from discontinued operations for nine-month period ended 30 September 2019

	2019	*2018*
Revenue	1,694	3,094
Expenses	(4,579)	(3,630)
Impairment of property, plant and equipment	(15)	-
Loss before tax	**(2,900)**	**(536)**
Income tax expense	-	-
	(2,900)	**(536)**

Cash flows from discontinued operations for nine-month period ended 30 September 2019

	2019	*2018*
Net cash outflows/inflows from operating activities	(3,542)	1,151
Net cash outflows from investing activities	(93)	(163)
Net cash inflows from financing activities	3,635	(998)
Net decrease in cash and cash equivalents	**-**	**(10)**

The major classes of assets and liabilities of the Snyatynska poultry farm at the end of the reporting period are as follows:

	30 September 2019
Property, plant and equipment, net	4,027
Agricultural produce	1,577
Inventories	249
Other current assets	166
Cash and cash equivalents	-
Total assets classified as held for sale	**6,019**
Other current liabilities	(64)
Total liabilities associated with assets classified as held for sale	**(64)**
Net assets of disposal group	**5,955**

The Snyatynska poultry farm has been classified and accounted for at 30 September 2019 as a disposal group held for sale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

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4. Segment information

In 2019, following the acquisition of operations in Europe (Perutnina Ptuj),the Group's chief operating decision maker ("CODM") reviews the results and operations of the Europe operating segment separately from the other segments of the group. This is a new operating segment and therefore this change has not impacted the composition of the other operating segments. Respective comparative information for the nine-month period ended 30 September 2018 has been presented in order to achieve comparability with the presentation used in interim condensed consolidated financial statements for the nine-month period ended 30 September 2019.

The Group's business is managed on a worldwide basis, but operates manufacturing facilities and sales offices primarily in Ukraine and Europe.

Reportable segments are presented in a manner consistent with the internal reporting to the chief operating decision maker.

Segment information is analysed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are as follows:

Poultry and related operations segment:

- sales of chicken meat
- sales of vegetable oil and related products
- other poultry related sales

Grain growing operations segment:

- sales of grain

Meat processing and other agricultural operations segment:

- sales of meat processing products and convenience foods
- other agricultural operations (milk, cattle, and other)

Europe operating segment

- sales of meat processing and chicken meat products in Southeast Europe (Note 3)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Sales between segments are carried out at market prices. The segment result represents operating profit under IFRS before unallocated corporate expenses and loss on impairment of property, plant and equipment. Unallocated corporate expenses include management remuneration, representative expenses, and expenses incurred in respect of the maintenance of office premises. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Europe operating segment includes primarily sales of chicken meat and meat processing products, produced in the facilities of Perutnina Ptuj. However, CODM manages this as a single segment, because research, development, manufacture, distribution and selling of chicken meat and meat processing products requires single marketing strategies.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the nine-month period ended 30 September 2019

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4. Segment information *(continued)*

The following table presents revenue and profit information regarding the Group's operating segments for the nine-month period ended 30 September 2019:

	Poultry and related operations	*Grain growing*	*Meat processing and other agricultural operations segment*	*Europe operating segment*	*Total reportable segments*	*Eliminations*	*Consolidated*
External sales	1,030,542	174,280	106,783	192,942	1,504,547	-	1,504,547
Sales between business segments	44,011	163,907	343	-	208,261	(208,261)	-
Total revenue	1,074,553	338,187	107,126	192,942	1,712,808	(208,261)	1,504,547
Segment results	166,637	53,132	6,901	17,010	243,680	-	243,680
Unallocated corporate expenses							(17,950)
Loss on impairment of property, plant and equipment							(7,733)
Other income, net [1]							73,891
Profit before tax							291,888
Other information:							
Depreciation and amortization expense [2]	71,355	41,909	5,484	11,883	130,631	-	130,631
Net change in fair value of biological assets and agricultural produce	12,196	7,702	(1,284)	(415)	18,199	-	18,199

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

[2] Depreciation and amortization for the nine-month period ended 30 September 2019 does not include unallocated depreciation and amortization in the amount of USD 583 thousand.

The following table presents revenue and profit information regarding the Group's operating segments for the nine-month period ended 30 September 2018:

	Poultry and related operations	*Grain growing*	*Meat processing and other agricultural operations segment*	*Europe operating segment*	*Total reportable segments*	*Eliminations*	*Consolidated*
External sales	952,111	83,861	97,118	-	1,133,090	-	1,133,090
Sales between business segments	34,479	133,187	239	-	167,905	(167,905)	-
Total revenue	986,590	217,048	97,357	-	1,300,995	(167,905)	1,133,090
Segment results	175,378	112,778	10,312	-	298,468	-	298,468
Unallocated corporate expenses							(15,007)
Other expenses, net [1]							(131,184)
Profit before tax							152,277
Other information:							
Depreciation and amortization expense [2]	58,413	15,156	3,926	-	77,495	-	77,495
Net change in fair value of biological assets and agricultural produce	(8,900)	62,473	982	-	54,555	-	54,555

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

[2] Depreciation and amortization for the nine-month period ended 30 September 2018 does not include unallocated depreciation and amortization in the amount of USD 603 thousand.

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4. Segment information *(continued)*

The following table presents revenue and profit information regarding the Group's operating segments for the three-month period ended 30 September 2019:

	Poultry and related operations	*Grain growing*	*Meat processing and other agricultural operations segment*	*Europe operating segment*	*Total reportable segments*	*Eliminations*	*Consolidated*
External sales	342,780	91,120	40,282	85,638	559,820	-	559,820
Sales between business segments	23,479	67,483	205	-	91,167	(91,167)	-
Total revenue	366,259	158,603	40,487	85,638	650,987	(91,167)	559,820
Segment results	51,380	(8,220)	1,927	8,026	53,113	-	53,113
Unallocated corporate expenses							(5,588)
Loss on impairment of property, plant and equipment							(7,733)
Other income, net [1)]							74,305
Profit before tax							114,104
Other information:							
Depreciation and amortization expense [2)]	25,517	28,910	1,909	4,999	61,335	-	61,335
Net change in fair value of biological assets and agricultural produce	(4,590)	(18,269)	(375)	288	(22,946)	-	(22,946)

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

[2)] Depreciation and amortization for the three-month period ended 30 September 2019 does not include unallocated depreciation and amortization in the amount of USD 182 thousand.

The following table presents revenue and profit information regarding the Group's operating segments for the three-month period ended 30 September 2018:

	Poultry and related operations	*Grain growing*	*Meat processing and other agricultural operations segment*	*Europe operating segment*	*Total reportable segments*	*Eliminations*	*Consolidated*
External sales	336,114	70,573	34,686	-	441,373	-	441,373
Sales between business segments	13,014	38,169	71	-	51,254	(51,254)	-
Total revenue	349,128	108,742	34,757	-	492,627	(51,254)	441,373
Segment results	58,759	13,014	1,808	-	73,581	-	73,581
Unallocated corporate expenses							(2,785)
Other expenses, net [1)]							(116,191)
Profit before tax							(45,395)
Other information:							
Depreciation and amortization expense [2)]	20,625	5,294	1,626	-	27,545	-	27,545
Net change in fair value of biological assets and agricultural produce	(807)	(15,664)	(1,521)	-	(17,992)	-	(17,992)

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

[2)] Depreciation and amortization for the three-month period ended 30 September 2018 does not include unallocated depreciation and amortization in the amount of USD 354 thousand.

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4. Segment information *(continued)*

Non-current assets based on the geographic location of the manufacturing facilities were as follows as of 30 September 2019 and 31 December 2018:

	2019	*2018*
Ukraine	2,236,301	1,613,243
Europe	214,862	-
	2,451,163	1,613,243

Non-current assets excluding deferred tax assets and non-current financial assets.

As of 31 December 2018 and for the year then ended the Group's manufacturing facilities were located mainly within Ukraine.

5. Profit for the period

The Group's gross profit for the nine-month period ended 30 September 2019 decreased compared to the nine-month period ended 30 September 2018 and amounted to USD 345,921 thousand and USD 354,459 thousand, respectively. The decrease was driven mainly by decrease of the gross profit in the grain growing operations segment, partly offset by new Europe operating segment.

The Group's operating profit decreased at a higher rate compared to gross profit mainly due to the inclusion of additional expenses of Perutnina Ptuj as well as an increase in administration, sales and distribution expenses primarily attributable to the increase in consulting services, advertising expense and representative costs.

The Group's profit for the nine-month period ended 30 September 2019 increased compared to the nine-month period ended 30 September 2018 and amounted to USD 275,532 thousand and USD 141,650 thousand, respectively. The increase is driven mainly due to an increase of foreign exchange gain partly offset by higher administration, sales and distribution expenses. The foreign exchange gain/loss mostly related to bonds and bank borrowings denominated in foreign currencies and was due to UAH appreciation/depreciation against USD and EUR.

6. Deferred revenues

The Ukrainian Government supports domestic agri producers and attracts investments into the agricultural sector. According to the Law "On the State Budget for 2019", UAH 5,709 million were allocated to support the agricultural sector in 2019 via a compensation program, including UAH 3,500 million to support the livestock sector and up to UAH 900 million to purchase agricultural machinery produced in Ukraine. During the year ended 31 December 2018, the Group received government grants in accordance to the compensation program for construction and reconstruction of livestock farms in an amount of UAH 960,666 thousand (USD 34,371 thousand). During the nine-month period ended 30 September 2019, the Group received government grants in accordance with this program in an amount of UAH 198,563 thousand (USD 7,598 thousand).

Government grants are presented in the statement of the financial position as deferred revenues, which are recognised in profit or loss on a systematic basis over the useful life of the related assets.

7. Property, plant and equipment

During the nine-months period ended 30 September 2019 the Group engaged independent appraiser to determine fair value of its Grain storage facilities, Vehicles and agricultural machinery, Utilities and infrastructure, Auxillary and other machinery as of 30 September 2019. The valuation, which conformed to the International Valuation Standards, was determined using the market comparable approach adjusted based on age and condition of the machinery or for items of specialized nature-replacement cost method. The excess of fair value over carrying value in the amount of USD 216,672 thousand was recognised in revaluation reserve. The excess of carrying value over fair value in the amount of USD 7,733 thousand was recognised in the statement of comprehensive income as a loss on impairment.

During the nine-month period ended 30 September 2019, the Group's additions to property, plant and equipment amounted to USD 94,139 thousand (nine-month period ended 30 September 2018: USD 177,919 thousand) mainly related to construction works for Phase 2 of the Vinnytsia poultry project. Additional increase relates to an acquisition of Perutnina Ptuj (Note 3).

There were no significant disposals of property, plant and equipment during the nine-month period ended 30 September 2019.

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8. Inventories

A decrease in inventory balances for nine-month period ended 30 September 2019 was mainly as a result of internal consumption of corn, sunflower and soya.

Changes of inventory balances apart from consumption of purchased grain stock have also occurred because as of 31 December 2018 expenses incurred in cultivating of fields which had to be planted in spring 2019 were capitalised in work in progress balance. As of 30 September 2019 these expenses were classified as crops in fields within biological assets, as the plants were already sown.

9. Biological assets

The increase in current biological assets as compared to 31 December 2018 is primarily related to crops in fields balance. The increase in crops in fields balance mainly relates to spring crops seeded in the first half of 2019 classified as biological assets as well as due to IAS 41 revaluation adjustment.

10. Trade accounts receivable, net and trade accounts payable

Increase in trade accounts receivable, net and trade accounts payable mainly related to the inclusion of corresponding balances of acquired subsidiary (Perutnina Ptuj). An additional impact was attributable to an increase in receivables for export sales due to increase of sales volume as well as increase in amounts payable for seeds and plant protection products to be paid in the fourth quarter of 2019.

11. Share capital

As of 30 September 2019 and 31 December 2018 the authorized, issued and fully paid share capital of MHP SE comprised the following number of shares:

	30 September 2019	*31 December 2018*
Number of shares issued and fully paid	110,770,000	110,770,000
Number of shares outstanding	107,038,208	107,038,208

The authorized share capital as of 30 September 2019 and 31 December 2018 was EUR 221,540 thousand represented by 110,770,000 shares with par value of EUR 2 each.

All shares have equal voting rights and rights to receive dividends, which are payable at the discretion of the Group.

12. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 30 September 2019 and 31 December 2018:

		30 September 2019		*31 December 2018*	
Bank	*Currency*	*WAIR [1)]*	*USD' 000*	*WAIR [1)]*	*USD' 000*
Non-current					
Foreign banks	USD	6.02%	18,065	7.99%	56,718
Foreign banks	EUR	3.62%	78,352	4.72%	49,065
			96,417		105,783
Current					
Ukrainian banks	EUR	-	-	3.76%	12,943
Ukrainian banks	USD	-	-	4.50%	48,000
Foreign banks	EUR	2.65%	3,958	-	-
Current portion of long-term bank borrowings	USD, EUR		24,250		71,772
			28,208		132,715
Total bank borrowings			124,625		238,498

[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 basis. Interest on borrowings drawn with foreign banks is payable semi-annually and annually.

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12. Bank borrowings *(continued)*

As of 30 September 2019 and 31 December 2018, the Group's bank term loans and credit lines bear floating and fixed interest rates.

Bank borrowings and credit lines outstanding as of 30 September 2019 and 31 December 2018 were repayable as follows:

	30 September 2019	31 December 2018
Within one year	28,208	132,715
In the second year	22,061	56,719
In the third to fifth year inclusive	70,716	42,271
After five years	3,640	6,793
	124,625	238,498

As of 30 September 2019, the Group had available undrawn facilities of USD 232,575 thousand (31 December 2018: USD 316,429 thousand). These undrawn facilities expire during the period from January 2020 until March 2023.

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 by the Group are 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, plant and equipment to be used as collateral.

As of 30 September 2019 and 31 December 2018, the Group has complied with all covenants imposed by banks granted the loans.

As of 30 September 2019, the Group had borrowings of USD 49,923 that were secured inventories, property, plant and equipment with a carrying amount of USD 97,232 thousand.

As of 30 September 2019, the deposit with carrying amount of USD 3,233 thousand (31 December 2018: USD 3,387 thousand) was restricted as collateral to secure bank borrowings.

As of 30 September 2019 and 31 December 2018, accrued interest on bank borrowings was USD 1,783 thousand and USD 3,150 thousand, respectively.

13. Bonds issued

Bonds issued and outstanding as of 30 September 2019 and 31 December 2018 were as follows:

	30 September 2019	31 December 2018
8.25% Senior Notes due in 2020	79,417	79,417
7.75% Senior Notes due in 2024	500,000	500,000
6.95% Senior Notes due in 2026	550,000	550,000
6.25% Senior Notes due in 2029	350,000	-
Unamortized debt issuance cost	(36,304)	(38,482)
Total bonds issued	1,443,113	1,090,935
Less:		
Current portion of bonds issued	(78,603)	-
Total long-term portion of bonds issued	1,364,510	1,090,935

As of 30 September 2019 and 31 December 2018 amount of accrued interest on bonds issued was USD 37,771 thousand and USD 16,322 thousand, respectively.

6.25% Senior Notes

On 19 September 2019, MHP Lux S.A., a public company with limited liability (société anonyme) incorporated in 2018 under the laws of the Grand Duchy of Luxembourg, issued USD 350,000 thousand 6.25% Senior Notes due in 2029 at par value. The issuer intends to use of proceeds of the issuance to satisfy and discharge 8.25% Senior Notes due in April 2020, short-term debt refinancing and general corporate purposes.

All expenses associated with placement of 6,25% Senior Notes amounted to USD 2,888 thousand were capitalized.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP SE, Raftan Holding Limited, PrJSC "Oril – Leader", PrJSC "Myronivska Pticefabrika", "SPF "Urozhay" LLC, "Starynska Ptakhofabryka" ALLC, "Vinnytska Ptakhofabryka" LLC, "Peremoga Nova" SE, "Katerinopolskiy Elevator" LLC, PrJSC "Myronivsky Hliboproduct", PrJSC "Zernoprodukt MHP" and PrJSC "Agrofort".

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13. Bonds issued *(continued)*

6.25% Senior Notes *(continued)*

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. If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of 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 100% of the aggregate principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

6.95% Senior Notes

On 3 April 2018, MHP Lux S.A., a public company with limited liability (société anonyme) incorporated in 2018 under the laws of the Grand Duchy of Luxembourg, issued USD 550,000 thousand 6.95% Senior Notes due in 2026 at par value. Out of the total issue amount USD 416,183 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 6.95% Senior Notes due in 2026, 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 amortised over the maturity period of the 6.95% Senior Notes due in 2026.

The part of expenses, connected with placement of 6,95% Senior Notes amounted to USD 11,564 thousand were capitalized, including USD 10,413 thousands related to the exchange. All other related expenses in the amount of USD 32,915 thousand were expensed as incurred.

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 was recognised as a gain in the amount of USD 4,733 thousand at the date of modification in the consolidated statement of profit or loss.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP SE, PrJSC “Myronivsky Hliboprodukt”, PJSC “Myronivsky Plant of Manufacturing Feeds and Groats”, PrJSC “Zernoprodukt MHP”, PrJSC “Agrofort”, PrJSC “Oril-Leader”, PrJSC “Myronivska Pticefabrika”, “SPF “Urozhay” LLC, “Starynska Ptakhofabryka” ALLC, “Vinnytska Ptakhofabryka” LLC, “Peremoga Nova” SE, “Katerinopolskiy Elevator” LLC, Scylla Capital Limited and 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. If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of 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.

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 amortised over the maturity period of the 7.75% Senior Notes due in 2024.

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13. Bonds issued *(continued)*

7.75% Senior Notes *(continued)*

The part of expenses, connected with placement of 7.75% Senior Notes amounted to USD 9,830 thousand were capitalized, including USD 7,318 thousands related to the exchange. All 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 recognised 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 recognised in opening retained earnings in the amount of USD 7,566 thousand.

The Senior Notes are jointly and severally guaranteed on a senior basis by PrJSC "Myronivsky Hliboprodukt", PJSC "Myronivsky Plant of Manufacturing Feeds and Groats", PrJSC "Zernoprodukt MHP", PrJSC "Agrofort", PrJSC "Oril-Leader", PrJSC "Myronivska Pticefabrika", "SPF "Urozhay" LLC, "Starynska Ptakhofabryka" ALLC, Vinnytska Ptakhofabryka LLC, SE "Peremoga Nova", "Katerinopolskiy Elevator" LLC, 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. 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 amortised over the maturity period of the 8.25% Senior Notes due in 2020.

The part of expenses, connected with placement of 8.25% Senior Notes amounted to USD 28,293 thousand were capitalized, including USD 22,813 thousands related to the exchange. All other related expenses, including part of 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 recognised 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 recognised in opening retained earnings in the amount of USD 3,260 thousand.

The Senior Notes are jointly and severally guaranteed on a senior basis by PrJSC "Myronivsky Hliboprodukt", SE "Peremoga Nova", PrJSC "Oril-Leader", PJSC "Myronivsky Plant of Manufacturing Feeds and Groats", PrJSC "Zernoproduct MHP", PrJSC "Myronivska Pticefabrika", "Starynska Ptakhofabryka" ALLC, Snyatynska Ptakhofabryka, "Katerinopolskiy Elevator" LLC, PrJSC "Agrofort", "SPF "Urozhay" LLC, Vinnytska Ptakhofabryka LLC, 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

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13. Bonds issued *(continued)*

***8.25% Senior Notes** (continued)*

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 12 October 2018, the Group received consent from the Holders of the outstanding USD 79,417 thousand 8.25% Senior Notes for certain proposed amendments to the Indenture and the Notes. The Amendments were implemented by way of execution of the Supplemental Indenture on 15 October 2018, and became effective from the Consent Settlement Date (17 October 2018).

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 were accepted by the Company the Consent Payment of USD 10.00 for each USD 1 thousand in principal amount of the Notes that were subject of the relevant Electronic Instructions.

During the reporting periods ended 30 June 2019 and 31 December 2018 the Group has complied with all covenants defined by indebtedness agreement.

14. 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.

Transactions with related parties during the nine-month periods ended 30 September 2019 and 30 September 2018 were as follows:

	2019	*2018*
Loans and finance aid provided	24,679	-
Loans and finance aid repaid	17,393	-
Loans provided to key management personnel	3,653	719
Purchases from related parties	10	66

The balances owed to and due from related parties were as follows as of 30 September 2019 and 31 December 2018:

	30 September 2019	*31 December 2018*
Loans and finance aid receivable	14,012	5,950
Loans to key management personnel	4,738	971
Trade accounts receivable	127	111
Payables due to related parties	417	19

The Group has provided related parties and key management personnel with short-term loans at rates comparable to the average commercial rate of interest. The loans to related parties and key management personnel are unsecured.

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 14,828 thousand and USD 14,508 thousand for the nine-month period ended 30 September 2019 and 30 September 2018, respectively.

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15. Contingencies and contractual commitments

Operating environment

The Ukrainian economy proceeded recovery from the economic and political crisis of previous years and demonstrated sound real GDP growth of around 4.6% year on year for the nine-month periods ended 30 September 2019 (2018: 2.8%), modest annual inflation of 7.5% (2018: 13.2%), and stabilization of national currency.

Also Ukraine continued to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and a frozen armed conflict with separatists in certain parts of Luhanska and Donetska regions. Amid such events, the Ukrainian economy demonstrated further refocusing on the European Union ("EU") market realizing all potentials of established Deep and Comprehensive Free Trade Area with EU, in such a way effectively reacting to mutual trading restrictions imposed between Ukraine and Russia. As a result, the weight of the export and import to/from Russia substantially fell from 18.2% and 23.3% in 2014 to around 7.7% and 14.2% in 2018, respectively.

In terms of currency regulations, the new currency law was adopted in 2018 and came into force on 7 February 2019. It purports to enable the NBU to promulgate more liberal currency regulation and soften a number of currency restrictions, such as: requirement to register loans obtained from non-residents with the NBU, 180-day term for making payments in foreign economic transactions, required 50% share of mandatory sale of foreign currency proceeds, etc.

Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned reforms and cooperation with the International Monetary Fund ("IMF").

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.

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 2017 within the required deadline, and has prepared all necessary documentation on controlled transactions for the year ended 31 December 2018 as required by legislation and plans to submit reports by 1 October 2019.

As of 30 September 2019, the Group's management assessed its possible exposure to tax risks for a total amount of USD 5,050 thousand related to corporate income tax (31 December 2018: USD 4,452 thousand). No provision was charged of such possible tax exposure.

As of 30 September 2019, companies of the Group were engaged in ongoing litigation with tax authorities for the amount of USD 4,054 (31 December 2018: USD 2,831 thousand), including USD 3,016 thousand (31 December 2018: USD 2,108 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 1,946 thousand as of 30 September 2019 (31 December 2018: USD 1,228 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.

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15. Contingencies and contractual commitments *(continued)*

Contractual commitments on purchase of property, plant and equipment

During the nine-month period ended 30 September 2019, 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 30 September 2019, purchase commitments on such contracts were primarily related to expansion of the Vinnytsya poultry complex and amounted to USD 12,649 thousand (31 December 2018: USD 16,826 thousand).

16. 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*	
	30 September 2019	*31 December 2018*	*30 September 2019*	*31 December 2018*
Financial liabilities				
Bank borrowings *(Note 12)*	126,408	241,648	123,336	233,898
Senior Notes due in 2020, 2024, 2026, 2029 *(Note 13)*	1,480,884	1,107,257	1,527,656	1,027,226

The carrying amount of Bank borrowings and Senior Notes issued includes interest accrued at each of the respective dates. The carrying amount of Finance lease obligations as at 30 September 2019 includes USD 186,878 thousand of finance land lease obligations recognized in accordance adoption of IAS 16 (Note 2).

The fair value of bank borrowings was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings 4.3% (31 December 2018: 8.0%), 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.

17. Risk management policy

During the nine-month period ended 30 September 2019 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.

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17. Risk management policy *(continued)*

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 30 September 2019 and 31 December 2018 were as follows:

	30 September 2019		*31 December 2018*	
	USD	*EUR*	*USD*	*EUR*
Total assets	274,992	49,545	197,188	25,909
Total liabilities	1,510,403	127,589	1,285,214	89,159

The table below details the Group's sensitivity to strengthening/(weakening) of the UAH 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*
2019		
Increase in USD exchange rate	10%	(123,541)
Increase in EUR exchange rate	10%	(7,804)
Decrease in USD exchange rate	5%	61,771
Decrease in EUR exchange rate	5%	3,902
2018		
Increase in USD exchange rate	10%	(108,803)
Increase in EUR exchange rate	10%	(6,325)
Decrease in USD exchange rate	5%	54,401
Decrease in EUR exchange rate	5%	3,163

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

During the nine-month period ended 30 September 2019, the Ukrainian Hryvnia appreciated against the EUR by 20.4% and against the USD by 15.0% (nine-month period ended 30 September 2018: appreciated against the EUR by 1.1% and depreciated against USD by 0.8%). As a result, during the nine-month period ended 30 September 2019 the Group recognised net foreign exchange gain in the amount of USD 182,045 thousand (nine-month period ended 30 September 2018: foreign exchange loss in the amount of USD 16,467 thousand) in the consolidated statement of profit or loss and other comprehensive income.

18. Dividends

On 21 March 2019, the Board of Directors of MHP SE approved a payment of the interim dividends of USD 0.7474 per share, equivalent to approximately USD 80,000 thousand, which were paid to shareholders during the nine-month period ended 30 September 2019.

19. Subsequent events

On 21 October 2019 the Company has redeemed all its outstanding 8.25% Notes due 2020 in the amount of USD 79,400 thousand for the total price of USD 81,917 thousand.

20. 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 19 November 2019.