



04 September 2020, Limassol, Cyprus

MHP SE

Financial Results for the Second Quarter and Six Months Ended 30 June 2020

MHP SE (LSE:MHPC), the parent company of a leading international agro-industrial group with headquarters in Ukraine, today announces its results for the second quarter and six months ended 30 June 2020. Hereinafter, MHP SE and its subsidiaries are referred to as “MHP”, “The Company” or “The Group”.

OPERATIONAL HIGHLIGHTS

Despite the challenges posed by the global COVID-19 pandemic and the effects of a first-quarter outbreak of H5N1 avian influenza in Ukraine, the Company delivered a satisfactory performance for the second quarter and six months ended 30 June 2020.

An outbreak of H5N1 avian influenza in the Vinnytsia region of Ukraine was announced at the end of January 2020. While no infections were experienced within the Company’s facilities, this caused a temporary cessation of exports from Ukraine to the EU, Saudi Arabia and other MENA markets and the majority of CIS countries. Exports to the EU restarted at the beginning of March and Saudi Arabia/MENA markets reopened in February and March, while the majority of CIS countries recommenced in May. To mitigate the adverse impact on MHP’s operations and profitability, poultry production was reduced by approximately 10% from February until the end of March. Since the beginning of April, all of the Company’s poultry production facilities have been operating at full capacity again.

In the second quarter, the effects of the COVID-19 pandemic and quarantine measures worldwide resulted in significant market disruption, in particular with the almost complete shutdown of the HoReCa (hotel, restaurant and catering) sector and a sharp decrease in demand for breast fillet in EU and MENA markets. MHP was able to substantially offset these reductions in demand as a result of increased demand for poultry in the Ukrainian domestic market. Poultry prices were also adversely affected in both domestic and export markets.

Despite the impact of COVID-2019, the Company has largely continued to operate normally (apart from the avian influenza-related cut in production). A full range of measures has been implemented to prevent the spread of infection within the Company, including remote working, additional medical screenings, corporate transfers and use of protective masks. At production facilities, work has been organised in shifts of smaller numbers of people to limit contact and minimise the potential spread of infection. As of the date of this report, absenteeism of employees at MHP’s facilities is at the same level as last year.

Q2 2020 highlights

- Poultry production volume remained relatively stable year-on-year at 181,291 tonnes (Q2 2019: 182,306 tonnes). Poultry production volume of the European operating segment (comprising Perutnina Ptuj, or PP) increased by 9% to 26,101 tonnes (Q2 2019: 24,003¹⁾ tonnes)
- The average chicken meat price decreased by 16% year-on-year to USD 1.27 per kg (Q2 2019: USD 1.51 per kg) (excluding VAT). The average price of poultry meat produced by PP was EUR 2.50 per kg (Q2 2019: 2.67 EUR per kg)
- Chicken meat exports totaled 88,505 tonnes, a decrease of 9% from 97,439 tonnes in Q2 2019.

H1 2020 highlights

- Poultry production volume increased slightly to 359,931 tonnes (H1 2019: 353,578 tonnes). Poultry production volume of the European operating segment increased by 58% to 49,959 tonnes (H1 2019: 31,666¹⁾ tonnes)

¹⁾ results of PP from 21 February 2019 when the acquisition was completed

- The average chicken meat price decreased by 9% year-on-year to USD 1.32 per kg (H1 2019: USD 1.45 per kg) (excluding VAT). The average price of chicken meat produced by PP during H1 2020 was EUR 2.53 per kg (1H 2019: 2.65 EUR per kg)
- Chicken meat exports decreased by 10% to 170,553 tonnes compared with 190,484 tonnes in H1 2019.

FINANCIAL HIGHLIGHTS

Q2 2020 highlights

- Revenue of US\$ 425 million, down 17% year-on-year (Q2 2019: US\$ 509 million)
- Export revenue of US\$ 215 million, comprising 51% of total revenue, decreased by 24% year-on-year (Q2 2019: US\$ 284 million, 56% of total revenue)
- Operating profit of US\$ 91 million was down 29% year-on-year from US\$ 128 million; operating margin declined from 25% to 21%
- Adjusted EBITDA (net of IFRS 16) was down from US\$ 165 million to US\$ 126 million; adjusted EBITDA margin (net of IFRS 16) declined from 32% to 30%
- Net profit was US\$ 112 million, compared to US\$ 138 million in Q2 2019, including non-cash foreign exchange gains of US\$ 52 million (unchanged from US\$ 52 million in Q2 2019). Net profit before foreign exchange differences for Q2 2020 amounted to US\$ 60 million, 30% lower than US\$ 86 million in Q2 2019.

H1 2020 highlights

- Revenue of US\$ 867 million, down 8% year-on-year (H1 2019: US\$ 945 million)
- Export revenue of US\$ 453 million, comprising 52% of total revenue, decreased by 18% year-on-year (H1 2019: US\$ 552 million, 58% of total revenue)
- Operating profit of US\$ 138 million was down 22% year-on-year from US\$ 178 million; operating margin declined from 19% to 16%
- Adjusted EBITDA (net of IFRS 16) decreased from US\$ 248 million to US\$ 216 million; adjusted EBITDA margin (net of IFRS 16) declined from 26% to 25%
- Net loss was US\$ 62 million, compared to net profit of US\$ 171 million in H1 2019, primarily due to US\$ 129 million of non-cash foreign exchange losses in H1 2020, reflecting a 11% weakening in the Ukraine Hryvnia/US Dollar exchange rate, compared to a FX gain of US\$ 73 million in H1 2019. Net profit before foreign exchange differences for H1 2020 amounted to US\$ 67 million, 32% lower than US\$ 98 million for H1 2019.

FINANCIAL OVERVIEW

<i>(in mln. US\$, unless indicated otherwise)</i>	Q2 2020	Q2 2019	% change*	H1 2020	H1 2019	% change*
Revenue	425	509	-17%	867	945	-8%
IAS 41 standard gains	43	47	-9%	46	41	12%
Gross profit	127	171	-26%	219	252	-13%
<i>Gross profit margin</i>	30%	34%	-4pps	25%	27%	-2 pps
Operating profit	91	128	-29%	138	178	-22%
<i>Operating profit margin</i>	21%	25%	-4 pps	16%	19%	-3 pps
Adjusted EBITDA	129	165	-22%	226	248	-9%
<i>Adjusted EBITDA margin</i>	30%	32%	-2 pps	26%	26%	0 pps
Adjusted EBITDA (net of IFRS 16)	126	165	-24%	216	248	-13%
<i>Adjusted EBITDA margin (net of IFRS 16)</i>	30%	32%	-2 pps	25%	26%	-1 pps
Net profit before foreign exchange differences	60	86	-30%	67	98	-32%
<i>Net profit margin before forex gain</i>	14%	17%	-3 pps	8%	10%	-2 pps
<i>Foreign exchange gain</i>	52	52	0%	(129)	73	-277%
Net profit	112	138	-19%	(62)	171	-136%
<i>Net profit margin</i>	26%	27%	-1 pps	-7%	18%	-25 pps

*pps – percentage points

Average official FX rate for Q2 2020 UAH/US\$ 26.91 and for Q2 2019 UAH/US\$ 26.56
Average official FX rate for H1 2020 UAH/US\$ 25.98 and for H1 2019 UAH/US\$ 26.93

DIVIDENDS

On 13 April 2020, the Board of Directors approved payment of an interim dividend of US\$ 0.2803 per share, equivalent to US\$ 30 million, to shareholders on the register as of 24 April 2020. The Board of Directors approved that no dividend would be paid on the Company's shares held in treasury. All dividends were paid to shareholders by 30 June 2020.

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 Q2 and H1 2020
UK:	+44 203 984 9844
Ukraine:	+380 89 324 0624
USA:	+1 718 866 4614
PIN code:	645982

In order to follow the presentation together with the management, please use the following link:

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

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Segment Performance

Poultry and related operations

	Q2 2020	Q2 2019	% change	H1 2020	H1 2019	% change
Poultry						
Sales volume, third parties tonnes	170,912	181,273	-6%	328,385	345,278	-5%
<i>Domestic sales volume, tonnes</i>	82,407	83,834	-2%	157,832	154,794	2%
<i>Export sales volume, tonnes</i>	88,505	97,439	-9%	170,553	190,484	-10%
Average price per 1 kg net of VAT, USD	1.27	1.51	-16%	1.32	1.45	-9%
Average price per 1 kg net of VAT, UAH (Ukraine)	31.82	37.66	-16%	32.14	37.08	-13%
Average price per 1 kg net of VAT, USD (export)	1.35	1.59	-15%	1.40	1.53	-8%
Sunflower oil						
Sales volume, third parties tonnes	82,646	86,661	-5%	163,356	186,487	-12%
Soybeans oil						
Sales volume, third parties tonnes	10,841	9,097	19%	21,609	24,249	-11%

Poultry

The total volume of chicken meat sold to third parties in H1 2020 decreased by 5% to 328,385 tonnes (H1 2019: 345,278 tonnes) as a result of lower exports. In Q2 2020, export sales amounted to 88,505 tonnes, down 9% compared to 97,439 tonnes in Q2 2019. In H1 2020, poultry exports decreased by 10% to 170,553 tonnes (H1 2019: 190,484 tonnes). The decrease was due to the temporary closure of export markets following the first-quarter outbreak of H5N1 avian influenza in Ukraine as well as the impact of the COVID-19 pandemic.

Poultry export prices decreased by 8% year-on-year, mainly driven by the product mix change and weaker prices on breast fillet in EU as many global competitors experienced reduced demand and resulting excess stock. Prices on the domestic market decreased by 13% year-on-year, mainly for the same reasons as export prices as well as a higher proportion of lower-priced frozen chicken sales in Ukraine.

Vegetable oil

In Q2 2020, sunflower oil sales volume amounted to 82,646 tonnes, down 5% year-on-year. In H1 2020, MHP's sales of sunflower oil decreased by 12% compared to H1 2019 to 163,356 tonnes, mainly due to lower production of oil as a result of a decreased share of sunflower cake in fodder.

Sales of soybean oil were 10,841 tonnes in Q2 2020, 19% higher year-on-year, and 21,609 tonnes in H1 2020, 11% lower year-on-year, mainly as a result of a production decrease (decreased share of soybean cake in fodder and 3rd party sales).

<i>(in mln. US\$, unless indicated otherwise)</i>	Q2 2020	Q2 2019	% change ¹⁾	H1 2020	H1 2019	% change ¹⁾
Revenue	302	360	-16%	608	688	-12%
- Poultry and other	238	296	-20%	476	549	-13%
- Vegetable oil	64	64	0%	132	139	-5%
IAS 41 standard gains/(losses)	(5)	6	-183%	6	17	-65%
Gross profit	51	89	-43%	118	158	-25%
<i>Gross margin</i>	17%	25%	-8 pps	19%	23%	-4 pps

Adjusted EBITDA	54	90	-40%	122	161	-24%
<i>Adjusted EBITDA margin</i>	18%	25%	-7 pps	20%	23%	-3 pps
<u><i>Adjusted EBITDA per 1 kg (net of IAS 41)</i></u>	<u>0.35</u>	<u>0.46</u>	<u>-24%</u>	<u>0.35</u>	<u>0.42</u>	<u>-17%</u>

¹⁾ pps – percentage points

As a result of the decrease in sales volumes and prices of chicken meat, revenue of the poultry and related operations segment decreased by 12% in H1 2020 compared to H1 2019.

IAS 41 standard loss in Q2 2020 amounted to US\$ 5 million (compared with a US\$ 6 million gain in Q2 2019) mainly as a result of the lower chicken meat prices.

Gross profit for Q2 2020 decreased by 43% compared to Q2 2019 to US\$ 51 million, mainly due to the lower sales volumes and prices. Poultry production costs in Q2 2020 remained almost at the same level as in Q1 2020.

Adjusted EBITDA in H1 2020 decreased by 24%, in line with the decrease in gross profit.

Grain growing operations

In 2020 the Company expects to harvest around 360,000 hectares of land, similar to the area harvested in 2019.

This year, exceptionally unfavorable weather conditions in the central regions of Ukraine have led to significantly lower-than-expected yields across all crops, and especially corn, in these regions. As of the date of this report, the Company's harvesting campaign of rapeseeds and wheat is complete, so that winter crops current (bunker) yields are as follows:

	2020		2019	
	MHP's average	Ukraine's average	MHP's average	Ukraine's average
	<i>tonnes per hectare</i>		<i>tonnes per hectare</i>	
Wheat	5.1	4.1	6.4	4.3
Rapeseed	2.7	2.3	3.0	2.6

(in mln. US\$, unless indicated otherwise)

	H1 2020	H1 2019	% change
Revenue	35	83	-58%
IAS 41 standard gains	38	26	46%
Gross profit	49	61	-20%
Adjusted EBITDA	73	74	-1%
Adjusted EBITDA (net of IFRS 16)	65	74	-12%

The Grain growing segment's revenue for H1 2020 amounted to US\$ 35 million compared to US\$ 83 million in H1 2019. The decrease was mainly attributable to the lower amount of crops in stock designated for sale as of 31 December 2019 compared to stock for sale as of 31 December 2018, mainly as a result of higher yields in 2018.

IAS 41 standard gain for H1 2020 amounted to US\$ 38 million compared with US\$ 26 million in H1 2019 mainly as a result a more substantial decrease in grain stock in H1 2019 compared to H1 2020. The gain mainly represents the result of the revaluation of crops in fields (biological assets) at the reporting date, partly offset by the net change in the effect of revaluation of agricultural produce (sunflower, corn, wheat and soya) as a result of a decrease of grain in stock due to internal consumption.

Meat processing and other agricultural operations segment

Meat processing products	Q2 2020	Q2 2019	% change	H1 2020	H1 2019	% change
Sales volume, third parties tonnes	8,607	9,094	-5%	16,522	16,666	-1%
Price per 1 kg net VAT, UAH	70.77	66.75	6%	69.99	66.29	6%

Sales volume of meat processing products remained broadly unchanged year-on-year and amounted to 16,522 tonnes in H1 2020. The average processed meat price increased by 6% year-on-year to UAH 69.99 per kg in H1 2020, driven mainly by price management strategy and an increased share of higher-priced products in the portfolio.

Convenience food	Q2 2020	Q2 2019	% change	H1 2020	H1 2019	% change
Sales volume, third parties tonnes	4,361	4,400	-1%	8,537	8,467	1%
Price per 1 kg net VAT, UAH	38.63	40.61	-5%	39.91	40.67	-2%

Sales volumes of convenience food in H1 2020 remained broadly stable and amounted to 8,537 tonnes. The average price in H1 2020 decreased by 2% to UAH 39.91 per kg (excluding VAT), mainly due to the product mix change affected by the “freeze” in HoReCa (e.g. KFC, local fast food services etc.) operations due to the COVID-19 pandemic.

<i>(in mln. US\$, except margin data)</i>	Q2 2020	Q2 2019	% change ¹⁾	H1 2020	H1 2019	% change ¹⁾
Revenue	34	37	-8%	67	67	0%
- Meat processing	26	28	-7%	53	52	2%
- Other ²⁾	8	9	-11%	14	15	-7%
IAS 41 standard gains/(losses)	1	-	100%	-	(1)	-100%
Gross profit	3	4	-25%	8	6	33%
Gross margin	9%	11%	-2 pps	12%	9%	3 pps
Adjusted EBITDA	3	6	-50%	9	9	0%
Adjusted EBITDA margin	9%	16%	-7 pps	13%	13%	0 pps

¹⁾ pps – percentage points

²⁾ includes milk, cattle, and feed grains.

Segment revenue and adjusted EBITDA in H1 2020 were unchanged year-on-year at US\$ 67 million and US\$ 9 million respectively.

European operating segment

Poultry	Q2 2020	Q2 2019	H1 2020	H1 2019 ¹⁾
Sales volume, third parties tonnes	15,855	15,835	31,038	21,014
Price per 1 kg net VAT, EUR	2.50	2.67	2.53	2.65

¹⁾ results of PP from 21 February 2019 when the acquisition was completed. NOTE: H1 2019 poultry sales (if calculated since 01 January 2019) were at 29,777 tonnes

Poultry sales of the European operating segment remained stable at 15,855 tonnes in Q2 2020 (Q2 2020: 15,835 tonnes). Average prices decreased by 6% from EUR 2.67 in Q2 2019 to EUR 2.50 in Q2 2020.

Meat processing products¹⁾	Q2 2020	Q2 2019	H1 2020	H1 2019²⁾
Sales volume, third parties tonnes	9,429	8,430	18,635	11,092
Price per 1 kg net VAT, EUR	2.69	2.70	2.72	2.70

¹⁾ includes sausages and convenience foods

²⁾ results of PP from 21 February 2019 when the acquisition was completed. NOTE: H1 2019 meat processing products sales (if calculated since 01 January 2019) were at 16,301 tonnes

Meat processing product sales of the European operating segment were up 12% year-on-year and amounted to 9,429 tonnes in Q2 2020 (Q2 2019: 8,430 tonnes). Average prices were relatively stable at EUR 2.69 in Q2 2020 and EUR 2.72 in H1 2020.

<i>(in mln. US\$, except margin data)</i>	Q2 2020	Q2 2019	H1 2020	H1 2019¹⁾
Revenue	79	82	157	107
IAS 41 standard gains	2	(1)	2	(1)
Gross profit	24	21	44	27
<i>Gross margin</i>	30%	26%	28%	25%
Adjusted EBITDA	16	12	28	16
<i>Adjusted EBITDA margin</i>	20%	15%	18%	15%
Adjusted EBITDA (net of IFRS 16)	15	12	26	16
<i>Adjusted EBITDA margin (net of IFRS 16)</i>	19%	15%	17%	15%

¹⁾ results of PP from 21 February 2019 when the acquisition was completed. NOTE: H1 2019 EBITDA net of IFRS 16 effect (if calculated since 01 January 2019) was US\$ 19 million

The European operating segment's revenue in Q2 2020 amounted to US\$ 79 million, and US\$ 157 million in H1 2020. Adjusted EBITDA (net of IFRS 16) reached US\$ 15 million (up 19% year-on-year) and US\$ 26 million (up 17% year-on-year) for Q2 2020 and H1 2020 respectively. The increase of Adjusted EBITDA in Q2 2020 compared to Q2 2019 was mainly attributable to the higher sales of more profitable meat processing products in 2020.

Current Group cash flow

<i>(in mln. US\$)</i>	Q2 2020	Q2 2019	H1 2020	H1 2019
Cash from operations	22	58	99	138
Change in working capital	(7)	24	(123)	86
Net Cash from operating activities	15	82	(24)	224
Cash used in investing activities	(23)	(76)	(77)	(265)
<i>Including:</i>				
Net cash outflow on acquisition of subsidiaries	-	-	-	(206)
CAPEX ¹⁾	(20)	(33)	(41)	(62)
Cash from financing activities	(41)	(50)	(13)	63
Dividends	(30)	(80)	(30)	(80)
Total financial activities	(71)	(130)	(43)	(17)
Total change in cash²⁾	(79)	(124)	(144)	(58)

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

²⁾ Calculated as Net Cash from operating activities plus Cash used in investing activities plus Total financial activities

Cash flow from operations before changes in working capital for H1 2020 amounted to US\$ 99 million (H1 2019: US\$ 138 million).

Use of funds in working capital during H1 2020 was mostly related to investments in crops in fields to be harvested in H2 2020. The difference compared to H1 2019 was mainly attributable to higher investments in inventory during H1 2020 (sunflower and soya) designated for internal consumption, mostly due to lower stock of crops as of 31 December 2019 compared to 31 December 2018.

In H1 2020, total CAPEX amounted to US\$ 41 million mainly on maintenance and modernizing Perutnina Ptuj production facilities.

Debt Structure and Liquidity

<i>(in US\$, millions)</i>	30 June 2020	31 December 2019	30 June 2019
Total Debt ¹⁾	1,473	1,480	1,498
LT Debt ¹⁾	1,442	1,448	1,163
ST Debt ¹⁾	31	32	335
Trade credit facilities ²⁾	(6)	-	-
Cash and bank deposits	(185)	(341)	(157)
Net Debt ¹⁾	1,282	1,139	1,341
LTM EBITDA ¹⁾	345	379	460
<i>Net Debt / LTM EBITDA</i> ¹⁾	<i>3.72</i>	<i>3.01</i>	<i>2.92</i>

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

As of 30 June 2020, MHP's cash and cash equivalents amounted to US\$ 185 million. Net debt increased to US\$ 1,282 million, compared to US\$ 1,139 million as at 31 December 2019. The share of long-term debt in the total outstanding debt remained unchanged at 98%. The weighted average interest rate is around 7%.

The Net Debt / LTM adjusted EBITDA (net of IFRS 16) ratio was 3.72 as of 30 June 2020, higher than the limit of 3.0 specified in the Eurobond agreement. Although exceeding the ratio of 3.0 does not constitute a breach of covenants under the indebtedness agreement, this requires the Company to introduce additional control measures. In particular, MHP is then required to supervise and assess any incurrence of additional indebtedness, restricted payments (e.g. dividends or investments in third parties), mergers with third parties outside of the Group, and granting of any financing to third parties. Such restrictions became effective on the date of publication of the audited consolidated financial statements for the year ended 31 December 2019 on 14 April 2020.

As a hedge for currency risks, revenues from the export of grain, sunflower and soybean oil, sunflower husks, and chicken meat, which are denominated in US Dollars and Euros, are more than sufficient to cover debt service expenses. Export revenue for H1 2020 amounted to US\$ 453 million or 52% of total revenue (US\$ 552 million or 58% of total sales in H1 2019).

Outlook

Globally, the poultry industry has gone through an extremely challenging time in the first half of this year with disruption due to the COVID-19 pandemic, significantly lower prices for poultry meat globally, over-supply in many markets, ongoing Brexit uncertainty in the UK and volatile currency markets. In spite of these challenges, the Company has managed to produce a good set of results and is rightly proud of this achievement.

The Company sees opportunities both in export markets and in Ukraine as a key driver for the remainder of 2020.

In addition, the acquisition of Perutnina Ptuj in 2019 has generated a strong result with better than expected financial results due to cost optimization and their strength in branded higher value-added products.

When we released the results for the first quarter of 2020, we reported on better than expected results in the grain growing division. Unfortunately, parts of Ukraine have been hit with extremely hot and arid weather conditions that have had a significantly negative impact on the final weeks of the growing season, especially in corn. Therefore, we expect lower results in corn.

In spite of the unusual combination of headwinds the Company has faced this year to date, we currently expect to deliver a financial result for the full year similar to 2019.

Notes to Editors:

About MHP

MHP is the leading producer of poultry products in Ukraine and the Balkans (Perutnina Ptuj Group).

Ukraine: MHP has the highest share of the poultry market (around 57% of industrial production) and strongest 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.

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, with production assets in four Balkan countries: Slovenia, Croatia, Serbia, Bosnia and Herzegovina. It also owns distribution companies in Austria, Macedonia and Romania and supplies products to 15 countries in Europe. Perutnina Ptuj is vertically integrated across all stages of chicken meat production, including feed, hatching eggs, breeding, slaughtering and further poultry processing.

MHP trades on the London Stock Exchange under the symbol MHPC.

Forward-Looking Statements

This press release may 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 differ considerably 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 six-month period ended 30 June 2020

CONTENTS

STATEMENT OF MEMBERS OF THE BOARD OF DIRECTORS.....	(a)
MANAGEMENT REPORT	(b)
REVIEW REPORT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	(d)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019	
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	9
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	11
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	13
1. Corporate information.....	13
2. Basis of preparation and accounting policies.....	14
3. Changes in the group structure.....	15
4. Segment information	17
5. Revenue	20
6. Profit for the period.....	21
7. Deferred income	21
8. Property, plant and equipment	21
9. Agricultural produce	21
10. Biological assets	21
11. Share capital	22
12. Bank borrowings	22
13. Bonds issued	23
14. Related party balances and transactions	25
15. Contingencies and contractual commitments.....	26
16. Fair value of financial instruments	28
17. Risk management policy.....	29
18. Dividends	30
19. Subsequent events	30
20. Authorization of the interim condensed consolidated financial statements	30





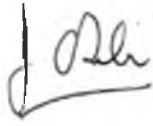

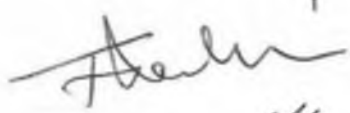


STATEMENT OF MEMBERS OF THE BOARD OF DIRECTORS

In accordance with Article 10 of the Transparency Requirements (Securities for Trading on Regulated Market) Law 190(l)/2007 ("Law"), as amended, 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 2020 to 30 June 2020 that are presented on pages 6 to 30:
 - i. were prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union 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.

3 September 2020

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
Director		Philip J Wilkinson

MANAGEMENT REPORT

Key financial highlights

During the six-month period ended 30 June 2020 consolidated revenue decreased by 8% to USD 867,448 thousand, compared to USD 944,727 thousand for the six-month period ended 30 June 2019. The decrease in revenue was mainly attributable to a decline in the price and export volume of chicken meat sold as well as a decrease of grain sales due to the lower amount of crops in stock designated for sale as of 31 December 2019; this was partly offset by inclusion in 2020 of the results of Perutnina Ptuj for the full six-month period compared with the shorter period from 21 February 2019 when the acquisition of Perutnina Ptuj was completed. Export sales for the six-month period ended 30 June 2020 constituted 52% of total revenue and amounted to USD 452,721 thousand, compared to USD 552,418 thousand, and 58% of total revenue for the six-month period ended 30 June 2019. The decrease in export revenue was mainly attributable to an avian influenza outbreak in Ukraine in the first quarter 2020, which caused a temporary cessation of exports from Ukraine to the EU and to certain MENA markets, as well as the impact of the COVID-19 pandemic since March 2020.

Gross profit decreased by 13% to USD 219,014 thousand for the six-month period ended 30 June 2020 compared to USD 252,043 thousand for the six-month period ended 30 June 2019. The decrease was driven mainly by reduced gross profit in the poultry and related operations segment, partly offset by an increase in the Europe operating segment.

Operating profit decreased by 23% to USD 138,041 thousand for the six-month period ended 30 June 2020 compared to USD 178,204 thousand for the six-month period ended 30 June 2019. In addition to reduction in gross profit, administration, sales and distribution expenses increased primarily due to the inclusion of additional expenses of Perutnina Ptuj.

Continuing operations recorded a loss of USD 60,629 thousand for the six-month period ended 30 June 2020 compared to a profit of USD of 172,701 thousand for the six-month period ended 30 June 2019. The loss in 2020 was mainly due to an unrealized foreign exchange loss of USD 129,472 thousand for the six-month period ended 30 June 2020, mostly attributable to the effect of the UAH depreciation against the USD and EUR on bonds and bank borrowings denominated in foreign currencies; this compared to a foreign exchange gain of USD 72,696 thousand for the six-month period ended 30 June 2019.

Having regard to the activities of the Group, management believes that the above measures are frequently used by investors, analysts and stakeholders to evaluate the efficiency of the Group's operations. For further information on the above measures, please refer to page 6 of the interim condensed consolidated financial statements for the six-month period ended 30 June 2020.

Related parties

During the six-month periods ended 30 June 2020 and 30 June 2019 the Group entered 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. Detailed information on operations with related parties is disclosed in Note 14.

Dividends

On 13 April 2020, the Board of Directors approved payment of an interim dividend of USD 0.2803 per share, equivalent to USD 30,000 thousand to shareholders on the register as of 24 April 2020. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury. All dividends were fully paid to shareholders by 30 June 2020.

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 six months of the financial year and could cause actual results to differ materially from expected and historical results.

Except as disclosed below, the directors do not consider that the principal risks and uncertainties have changed materially since the publication of the annual report for the year ended 31 December 2019. A detailed explanation of the risks, and how the Group seeks to mitigate them, can be found on pages 145 to 149 of the annual report which is available at www.mhp.com.cy.

COVID-19

Starting from early 2020, the new coronavirus disease (COVID-19) spread rapidly all over the world, resulting in the announcement of pandemic status by the World Health Organization in March 2020. The world economy entered a period of unprecedented health-care crisis that has already caused considerable global disruption in business activities and everyday life.

COVID-19 had an adverse impact on the second quarter 2020 earnings, mainly because of the effect on prices as many global competitors are currently experiencing reduced demand and resulting excess stock. These challenges are anticipated to persist for the remainder of 2020 and potentially into 2021.

Although Management cannot currently predict the ultimate impact that COVID-19 will have on short and long-term demand, as it will depend on, among other things, the severity and duration of the COVID-19 crisis, they have concluded that the pandemic will not have an immediate material impact on the MHP's operations.

In spite of these adverse external factors, the Company's liquidity is expected to be adequate to continue to run operations and meet obligations as they become due.

3 September 2020

On behalf of the Board:

Chief Executive Officer



Yuriy Kosyuk

Chief Financial Officer



Viktoria Kapelyushnaya

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To MHP SE

Introduction

We have reviewed the interim condensed consolidated financial statements of MHP SE (the “Company”), and its subsidiaries (collectively referred to as “the Group”) on pages 6 to 30, which comprise the interim condensed consolidated statement of financial position as at 30 June 2020 and the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2020 and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union.

Other Matters

Comparative figures: The interim condensed consolidated financial statements of the Company as of and for the six-month period ended 30 June 2019, were reviewed by another auditor who expressed a modified conclusion on those statements on 5 September 2019 due to not being able to complete their review procedures on the underlying data used for the purpose of measuring and recognising a right-of-use asset and the associated lease liability as at 30 June 2019, and the respective adjustments recognised on transition to IFRS 16 as at 1 January 2019, due to issues identified in the underlying data which, as of the date of authorisation of the interim condensed consolidated financial statements as of and for the six-month period ended 30 June 2019, were still under evaluation by management. The audit opinion, expressed by the other auditor, on the consolidated financial statements of the Company for the year ended 31 December 2019, was unmodified. The adjustments recognised on transition to IFRS 16 as at 1 January 2019, in the interim condensed consolidated financial statements of the Company as of and for the six-month period ended 30 June 2019, remained the same as for the consolidated financial statements of the Company for the year ended 31 December 2019.

(d)



**Building a better
working world**

Financial information for the three-month period ended 30 June: the financial information presented in the interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 30 June, has not been subjected to our review procedures.

A handwritten signature in blue ink, enclosed in a thin black rectangular border. The signature is stylized and appears to read 'AA' followed by a large, looping flourish.

Andreas Avraamides
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, Cyprus
03 September 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

	Notes	Six-month period ended 30 June		Three-month period ended 30 June	
		2020	2019	2020	2019
Revenue	4, 5	867,448	944,727	424,736	508,859
Net change in fair value of biological assets and agricultural produce	4	46,329	41,144	43,286	47,405
Cost of sales		<u>(694,763)</u>	<u>(733,828)</u>	<u>(340,881)</u>	<u>(385,281)</u>
Gross profit		219,014	252,043	127,141	170,983
Selling, general and administrative expenses		(88,269)	(73,928)	(42,862)	(43,435)
Other operating income, net		<u>7,296</u>	<u>89</u>	<u>6,751</u>	<u>247</u>
Operating profit	6	<u>138,041</u>	<u>178,204</u>	<u>91,030</u>	<u>127,795</u>
Finance income		7,749	4,213	3,429	2,731
Finance costs	12, 13	(73,036)	(73,546)	(35,740)	(37,890)
Foreign exchange (loss)/gain, net		(129,472)	72,696	52,479	51,837
Other expenses, net		<u>(5,208)</u>	<u>(3,777)</u>	<u>(1,744)</u>	<u>(2,506)</u>
(Loss)/Profit before tax		<u>(61,926)</u>	<u>177,790</u>	<u>109,454</u>	<u>141,967</u>
Income tax gain/(expenses)		<u>1,297</u>	<u>(5,089)</u>	<u>2,530</u>	<u>(3,029)</u>
(Loss)/Profit for the period from continuing operations	6	<u>(60,629)</u>	<u>172,701</u>	<u>111,984</u>	<u>138,938</u>
Discontinued operations					
Loss for the year from discontinued operations	3	<u>(1,482)</u>	<u>(1,220)</u>	<u>-</u>	<u>(804)</u>
(Loss)/Profit for the period		<u>(62,111)</u>	<u>171,481</u>	<u>111,984</u>	<u>138,134</u>

The accompanying notes on the pages 13 to 30 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 six-month period ended 30 June 2020
(in thousands of US dollars, unless otherwise indicated)

Notes	Six-month period ended 30 June		Three-month period ended 30 June	
	2020	2019	2020	2019
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income as result of intercompany sales	-	3,515	-	3,515
Items that may be reclassified to profit or loss:				
Cumulative translation difference on retranslation to group's presentation currency	(150,042)	54,799	54,083	41,500
Other comprehensive (loss)/income for the period	<u>(150,042)</u>	<u>58,314</u>	<u>54,083</u>	<u>45,015</u>
Total comprehensive (loss)/income for the period	<u>(212,153)</u>	<u>229,795</u>	<u>166,067</u>	<u>183,149</u>
(Loss)/Profit attributable to:				
Equity holders of the Parent	(67,234)	169,369	107,560	135,319
Non-controlling interests	5,123	2,112	4,424	2,815
	<u>(62,111)</u>	<u>171,481</u>	<u>111,984</u>	<u>138,134</u>
Total comprehensive (loss)/income attributable to:				
Equity holders of the Parent	(215,752)	226,482	160,757	179,146
Non-controlling interests	3,599	3,313	5,310	4,003
	<u>(212,153)</u>	<u>229,795</u>	<u>166,067</u>	<u>183,149</u>
(Loss)/Earnings per share from continuing and discontinued operations				
Basic and diluted (loss)/earnings per share (USD per share)	(0.63)	1.58	1.00	1.26
(Loss)/Earnings per share from continuing operations				
Basic and diluted (loss)/earnings per share (USD per share)	<u>(0.61)</u>	<u>1.60</u>	<u>1.00</u>	<u>1.27</u>

On behalf of the Board:

Chief Executive Officer

Yuriy Kosyuk

Chief Financial Officer

Viktoria Kapelyushnaya

The accompanying notes on the pages 13 to 30 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as of 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

	Notes	30 June 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,788,443	2,049,298
Right-of-use asset		209,981	229,244
Goodwill	3	64,876	64,843
Non-current biological assets		27,436	29,652
Long-term bank deposits		3,318	3,298
Deferred tax assets		1,866	2,284
Intangible assets		96,324	106,522
Other non-current assets		77,252	23,713
		<u>2,269,496</u>	<u>2,508,854</u>
Current assets			
Inventories		208,158	208,389
Biological assets	10	416,614	205,747
Agricultural produce	9	114,528	215,816
Other current assets, net		30,311	52,573
Taxes recoverable and prepaid, net		29,804	30,030
Trade accounts receivable, net		120,207	124,474
Cash and cash equivalents		185,266	340,735
Assets classified as held for sale	3	-	3,877
		<u>1,104,888</u>	<u>1,181,641</u>
TOTAL ASSETS		<u>3,374,384</u>	<u>3,690,495</u>
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		724,920	862,435
Retained earnings		1,188,394	1,148,113
Translation reserve		(990,706)	(842,188)
Equity attributable to equity holders of the Parent		<u>1,336,542</u>	<u>1,582,294</u>
Non-controlling interests		17,171	13,572
Total equity		<u>1,353,713</u>	<u>1,595,866</u>
Non-current liabilities			
Bank borrowings	12	66,766	75,880
Bonds issued	13	1,368,425	1,365,669
Lease liabilities	16,17	161,420	151,789
Deferred income	7	43,751	49,933
Deferred tax liabilities		46,041	55,305
Other non-current liabilities		6,273	5,872
		<u>1,692,676</u>	<u>1,704,448</u>
Current liabilities			
Trade accounts payable		147,309	147,334
Other current liabilities		64,849	70,701
Advances received		30,931	61,293
Bank borrowings	12	26,137	24,945
Interest payable	12,13	21,726	21,789
Lease liabilities	16,17	37,043	64,074
Liabilities directly associated with assets classified as held for sale	3	-	45
		<u>327,995</u>	<u>390,181</u>
TOTAL LIABILITIES		<u>2,020,671</u>	<u>2,094,629</u>
TOTAL EQUITY AND LIABILITIES		<u>3,374,384</u>	<u>3,690,495</u>

On behalf of the Board:

Chief Executive Officer

Yuriy Kosyuk

Chief Financial Officer

Viktoria Kapelyushnaya

The accompanying notes on the pages 13 to 30 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**for the six-month period ended 30 June 2020***(in thousands of US dollars, unless otherwise indicated)*

	<i>Attributable to equity holders of the Parent</i>						<i>Non-controlling interests</i>	<i>Total equity</i>	
	<i>Share capital</i>	<i>Treasury shares</i>	<i>Additional paid-in capital</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Translation reserve</i>			<i>Total</i>
Balance as of 1 January 2020	284,505	(44,593)	174,022	862,435	1,148,113	(842,188)	1,582,294	13,572	1,595,866
Loss for the period	-	-	-	-	(67,234)	-	(67,234)	5,123	(62,111)
Other comprehensive loss	-	-	-	-	-	(148,518)	(148,518)	(1,524)	(150,042)
Total comprehensive loss for the period	-	-	-	-	(67,234)	(148,518)	(215,752)	3,599	(212,153)
Transfer from revaluation reserve to retained earnings	-	-	-	(41,585)	41,585	-	-	-	-
Dividends declared by the Parent (Note 18)	-	-	-	-	(30,000)	-	(30,000)	-	(30,000)
Translation differences on revaluation reserve	-	-	-	(95,930)	95,930	-	-	-	-
Balance as of 30 June 2020	<u>284,505</u>	<u>(44,593)</u>	<u>174,022</u>	<u>724,920</u>	<u>1,188,394</u>	<u>(990,706)</u>	<u>1,336,542</u>	<u>17,171</u>	<u>1,353,713</u>

On behalf of the Board:

Chief Executive Officer

Chief Financial Officer



Yuriy Kosyuk

Viktoria Kapelyushnaya

The accompanying notes on the pages 13 to 30 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**for the six-month period ended 30 June 2019***(in thousands of US dollars, unless otherwise indicated)*

	<i>Attributable to equity holders of the Parent</i>						<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Treasury shares</i>	<i>Additional paid-in capital</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Translation reserve</i>			
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	-	-	-	-	169,369	-	169,369	2,112	171,481
Other comprehensive income	-	-	-	3,515	-	53,598	57,113	1,201	58,314
Total comprehensive income for the period	-	-	-	3,515	169,369	53,598	226,482	3,313	229,795
Transfer from revaluation reserve to retained earnings	-	-	-	(36,325)	36,325	-	-	-	-
Dividends declared by the Parent	-	-	-	-	(80,000)	-	(80,000)	-	(80,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(4,658)	(4,658)
Non-controlling interests acquired	-	-	-	-	-	-	-	14,758	14,758
Increase of Group's effective ownership interest in subsidiaries	-	-	-	-	(4,952)	-	(4,952)	(13,271)	(18,223)
Translation differences on revaluation reserve	-	-	-	36,237	(36,237)	-	-	-	-
Balance as of 30 June 2019	<u>284,505</u>	<u>(44,593)</u>	<u>174,022</u>	<u>646,227</u>	<u>1,124,832</u>	<u>(961,993)</u>	<u>1,223,000</u>	<u>16,678</u>	<u>1,239,678</u>

On behalf of the Board:

Chief Executive Officer

Chief Financial Officer



Yuriy Kosyuk

Viktoriya Kapelyushnaya

The accompanying notes on the pages 13 to 30 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**for the six-month period ended 30 June 2020***(in thousands of US dollars, unless otherwise indicated)*

	Notes	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Operating activities			
(Loss)/Profit before tax		(61,926)	177,790
Non-cash adjustments to reconcile profit before tax to net cash flows			
Loss before tax from discontinued operations		(1,482)	(1,220)
Depreciation and amortization expense	4	87,738	70,074
Net change in fair value of biological assets and agricultural produce	4	(46,329)	(41,144)
Change in allowance for irrecoverable amounts and direct write-offs		1,503	(188)
Loss on disposal of property, plant and equipment and other non-current assets		270	62
Finance income		(7,749)	(4,213)
Finance costs		73,036	73,546
Released deferred income		(772)	(848)
Non-operating foreign exchange loss/(gain), net		129,472	(72,696)
Operating cash flows before movements in working capital		173,761	201,163
<i>Working capital adjustments</i>			
Change in inventories		(39,188)	99,352
Change in biological assets	10	(143,173)	(161,003)
Change in agricultural produce	9	54,352	85,090
Change in other current assets		1,906	6,568
Change in taxes recoverable and prepaid		(5,717)	4,795
Change in trade accounts receivable		(5,402)	(19,215)
Change in advances received		(23,146)	6,570
Change in other liabilities		12,409	(4,944)
Change in trade accounts payable		24,827	68,935
Cash generated by operations		50,629	287,311
Interest received		7,530	4,213
Interest paid		(79,853)	(63,483)
Income taxes paid		(2,072)	(3,846)
Net cash flows (used in)/from operating activities		(23,766)	224,195
Investing activities			
Purchases of property, plant and equipment	8	(38,566)	(61,212)
Purchases of other non-current assets		(2,063)	(839)
Proceeds from disposals of property, plant and equipment		1,145	902
Proceeds from disposals of assets held for sale	3	2,700	-
Purchases of non-current biological assets		(699)	(603)
Government grants received	7	-	5,996
Additions to right-of-use assets		(2,008)	(3,990)
Acquisition of subsidiaries, net of cash acquired	3	-	(205,724)
Investments in short-term deposits		(193)	-
Loans provided to employees, net		(1,288)	(1,512)
Loans provided to related parties		(36,047)	(7,886)
Loans repaid by related parties		-	10,115
Net cash flows used in investing activities		(77,019)	(264,753)
Financing activities			
Proceeds from bank borrowings		65,362	200,534
Repayment of bank borrowings		(74,663)	(111,539)
Repayment of lease liabilities		(3,828)	(6,943)
Dividends paid	18	(30,000)	(80,000)
Dividends paid by subsidiaries to non-controlling shareholders		(30)	(200)
Acquisition of non-controlling interest	3	-	(18,223)
Transaction costs related to bank loans received		-	(697)
Net cash flows used in financing activities		(43,159)	(17,068)
Net decrease in cash and cash equivalents		(143,944)	(57,626)
Net foreign exchange difference on cash and cash equivalents		(11,525)	2,724
Cash and cash equivalents at 1 January		340,735	211,768
Cash and cash equivalents at 30 June		185,266	156,866

The accompanying notes on the pages 13 to 30 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*
for the six-month period ended 30 June 2020
(in thousands of US dollars, unless otherwise indicated)

	<i>Six-month period ended 30 June 2020</i>	<i>Six-month period ended 30 June 2019</i>
Non-cash transactions		
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor	-	1,318
Non-cash repayments of lease liabilities	2,422	-

On behalf of the Board:

Chief Executive Officer

Chief Financial Officer



Yuriy Kosyuk



Viktoria Kapelyushnaya

The accompanying notes on the pages 13 to 30 form an integral part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(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. 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 owns of 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 meat processing and other agricultural operations. The Group’s poultry and related operations integrate all functions related to the production of chicken, including hatching, fodder manufacturing, raising chickens to marketable age (“grow-out”), processing and marketing of branded chilled products and include the production and sale of chicken products, vegetable oil, mixed fodder. Grain growing comprises the production and sale of grains. Meat processing and other agricultural operations comprise the production and sale of cooked meat, sausages, convenience food products, milk and feed grains. As at 30 June 2020 the Group employed 31,269 people (31 December 2019: 31,427 people).

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent’s effective ownership interest as of 30 June 2020 and 31 December 2019 were as follows:

Name	Country of registration	Year established/acquired	Principal activities	30 June 2020	31 December 2019
Raftan Holding Limited	Cyprus	2006	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	100.0%	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%
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%
Perutnina Ptuj d.d.	Slovenia	2019	Poultry production	100.0%	100.0%
MHP Trading FZE	United Arab Emirates	2018	Trading in vegetable oil and poultry meat	100.0%	100.0%
MHP Food Trading	United Arab Emirates	2016	Trading in vegetable oil and poultry meat	100.0%	100.0%
MHP B.V.	Netherlands	2014	Trading in poultry meat	100.0%	100.0%
MHP Trade B.V.	Netherlands	2018	Trading in poultry meat	100.0%	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 six-month period ended 30 June 2020

(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 six-month period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

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 2019 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. Audited annual consolidated financial statements are available at www.mhp.com.cy.

Adoption of new and revised International Financial Reporting Standards

The adoption of the new or revised Standards did not have any effect on the financial position or performance of the Group and 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.

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 recognized 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 at exchange rates at the dates of the transactions;
- All resulting exchange differences are recognized 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.

The following exchange rates were used:

Currency	Closing rate as of 30 June 2020	Average for six months ended 30 June 2020	Average for three months ended 30 June 2020	Closing rate as of 31 December 2019	Average for six months ended 30 June 2019	Average for three months ended 30 June 2019
UAH/USD	26.6922	25.9834	26.9143	23.6862	26.9316	26.5615
UAH/EUR	29.9500	28.6091	29.6028	26.4220	30.4277	29.8327

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

2. Basis of preparation and accounting policies (continued)

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 2019.

Reclassifications and revisions

Certain comparative information presented in the interim condensed consolidated financial statements for the six-month period ended 30 June 2019 has been revised in order to achieve comparability with the presentation used in the interim condensed consolidated financial statements for the six-month period ended 30 June 2020. Such reclassifications and revisions were not significant to the Group financial statements.

Seasonality of operations

Poultry and related operations, Europe operating segment and Meat processing and other agricultural operations are not significantly exposed to seasonal fluctuations.

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

3. Changes in the group structure

Discontinued operation

During the three-month period ended 31 March 2020, according to management's plan, the Group disposed of the Snyatynska poultry farm, which was located in Ukraine and carried out goose meat and foie gras operations, and was previously presented within Meat processing and other agricultural operations segment.

As at 31 December 2019 the Snyatynska poultry farm has been classified and accounted for 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 consolidated statement of profit or loss. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

The net assets as of the date of disposal amounted to USD 3,303 thousand. The total cash consideration amounted to USD 2,700 thousand, which was received during this reporting period.

For further information about the discontinued operation please refer to Note 2 in the consolidated financial statements of the Group as of and for the year ended 31 December 2019.

Acquisitions

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, who is a producer of poultry meat and poultry meat products in Southeast Europe. Perutnina Ptuj together with its subsidiaries has a production capacity of 55,000 tonnes per annum of poultry meat and more than 35,000 tonnes per annum of value-added meat products. Perutnina Ptuj was acquired in line with MHP's 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 final fair values of identifiable assets acquired and liabilities assumed and any non-controlling interests are as set out in the table below.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

Acquisitions (continued)

	<u>21 February 2019</u>
Inventories	35,371
Biological assets	8,721
Trade accounts receivable, net	36,198
Cash and cash equivalents	20,986
Other current liabilities less other current assets	(8,103)
Property, plant and equipment	179,581
Right-of-use asset	14,564
Identifiable intangible assets	53,448
Trade accounts payable	(34,283)
Deferred tax liabilities net of deferred tax assets	(18,338)
Other non-current liabilities less other non-current assets	(6,073)
Bank borrowings and lease liabilities ¹⁾	(74,960)
Contingent liabilities	(3,092)
Total identifiable assets	204,020
Goodwill	61,518
Non-controlling interest of in 7.61 % of Perutnina Ptuj ²⁾	(15,526)
Total consideration due and payable	250,012
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 16,466 thousand of lease liabilities recognised in accordance with the adoption of IFRS 16.

²⁾ At the date of acquisition, there were 200,488 treasury shares

The final fair value of the total identifiable assets acquired was increased by USD 10,087 thousand from previously reported provisional amounts mainly as a result of finalizing the necessary valuations of intangible assets.

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

The fair value of the trade receivables is USD 36,198 thousand and a gross contractual value of USD 38,474 thousand. The best estimate at acquisition date of the contractual cash flows not to be collected is USD 2,276 thousand.

The goodwill of USD 61,518 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 in EU markets. Perutnina Ptuj has production assets in four Balkan countries: Slovenia, Croatia, Serbia, Bosnia and Herzegovina; owns distribution companies in Austria, North Macedonia and Romania and supplies products to 15 countries in Europe. Perutnina has strong brands and customer base;
- Perutnina Ptuj has the ability to increase production of poultry products using existing production capacities. As a leading cost-efficient 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 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 15,526 thousand.

Changes in non-controlling interests in subsidiaries

Since acquisition date and up to 31 of December 2019, the Group has 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 the consideration paid was recognised as an adjustment to retained earnings in the amount of USD 5,119 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

4. Segment information

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 Group's chief operating decision maker ("CODM").

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:

- | | |
|---|---|
| <i>Poultry and related operations segment:</i> | <ul style="list-style-type: none"> ▶ sales of chicken meat ▶ sales of vegetable oil and related products ▶ other poultry related sales |
| <i>Grain growing operations segment:</i> | <ul style="list-style-type: none"> ▶ sales of grain |
| <i>Meat processing and other agricultural operations segment:</i> | <ul style="list-style-type: none"> ▶ sales of meat processing products and other meat ▶ other agricultural operations (milk, feed grains and other) |
| <i>Europe operating segment:</i> | <ul style="list-style-type: none"> ▶ sales of meat processing and chicken meat products in Southeast Europe |

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 CODM for the purposes of resource allocation and assessment of segment performance.

Europe operating segment primarily includes sales of chicken meat and meat processing products, produced in the facilities of Perutnina Ptuj. However, the CODM manages this as a single segment, on the basis that each of research, development, manufacture, distribution and selling of chicken meat and meat processing products requires single marketing strategies, centralised budgeting process and centralised management of production operations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

4. Segment information (continued)

The following table presents revenue and profit information regarding the Group's operating segments for the six-month period ended 30 June 2020:

	<i>Poultry and related operations</i>	<i>Grain growing operations</i>	<i>Meat processing and other agricultural operations</i>	<i>Europe operating segment</i>	<i>Total reportable segments</i>	<i>Eliminations</i>	<i>Consolidated</i>
External sales	608,312	34,594	67,416	157,126	867,448	-	867,448
Sales between business segments	14,919	93,697	166	-	108,782	(108,782)	-
Total revenue	623,231	128,291	67,582	157,126	976,230	(108,782)	867,448
Segment results	71,767	48,836	5,210	18,064	143,877	-	143,877
Unallocated corporate expenses							(5,836)
Other expenses, net ¹⁾							(199,967)
Profit before tax from continuing operations							(61,926)
Other information:							
Depreciation and amortization expense ²⁾	50,519	23,783	3,507	9,448	87,257	-	87,257
Net change in fair value of biological assets and agricultural produce	6,227	37,724	371	2,007	46,329	-	46,329

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

²⁾ Depreciation and amortization for the six-month period ended 30 June 2020 does not include unallocated depreciation and amortization in the amount of USD 481 thousand.

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

	<i>Poultry and related operations</i>	<i>Grain growing operations</i>	<i>Meat processing and other agricultural operations</i>	<i>Europe operating segment</i>	<i>Total reportable segments</i>	<i>Eliminations</i>	<i>Consolidated</i>
External sales	687,762	83,160	66,501	107,304	944,727	-	944,727
Sales between business segments	20,532	96,424	138	-	117,094	(117,094)	-
Total revenue	708,294	179,584	66,639	107,304	1,061,821	(117,094)	944,727
Segment results	115,257	61,352	4,974	8,984	190,567	-	190,567
Unallocated corporate expenses							(12,363)
Other expenses, net ¹⁾							(414)
Profit before tax from continuing operations							177,790
Other information:							
Depreciation and amortization expense ²⁾	45,837	12,999	3,575	6,884	69,295	-	69,295
Net change in fair value of biological assets and agricultural produce	16,786	25,971	(910)	(703)	41,144	-	41,144

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

²⁾ Depreciation and amortization for the six-month period ended 30 June 2019 does not include unallocated depreciation and amortization in the amount of USD 402 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

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 June 2020:

	<i>Poultry and related operations</i>	<i>Grain growing operations</i>	<i>Meat processing and other agricultural operations</i>	<i>Europe operating segment</i>	<i>Total reportable segments</i>	<i>Eliminations</i>	<i>Consolidated</i>
External sales	302,011	9,969	33,554	79,202	424,736	-	424,736
Sales between business segments	6,279	23,700	(101)	-	29,878	(29,878)	-
Total revenue	308,290	33,669	33,453	79,202	454,614	(29,878)	424,736
Segment results	28,979	50,310	1,494	11,151	91,934	-	91,934
Unallocated corporate expenses							(904)
Other expenses, net ¹⁾							18,424
Profit before tax from continuing operations							109,454
Other information:							
Depreciation and amortization expense ²⁾	24,754	7,222	1,729	4,407	38,112	-	38,112
Net change in fair value of biological assets and agricultural produce	(5,052)	45,530	933	1,875	43,286	-	43,286

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 June 2020 does not include unallocated depreciation and amortization in the amount of USD 231 thousand.

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

	<i>Poultry and related operations</i>	<i>Grain growing operations</i>	<i>Meat processing and other agricultural operations</i>	<i>Europe operating segment</i>	<i>Total reportable segments</i>	<i>Eliminations</i>	<i>Consolidated</i>
External sales	360,085	30,650	36,502	81,622	508,859	-	508,859
Sales between business segments	10,025	55,877	72	-	65,974	(65,974)	-
Total revenue	370,110	86,527	36,574	81,622	574,833	(65,974)	508,859
Segment results	66,342	57,577	3,614	6,061	133,594	-	133,594
Unallocated corporate expenses							(5,799)
Other expenses, net ¹⁾							14,172
Profit before tax from continuing operations							141,967
Other information:							
Depreciation and amortization expense ²⁾	23,255	5,515	1,832	6,001	36,603	-	36,603
Net change in fair value of biological assets and agricultural produce	6,267	42,793	(369)	(1,286)	47,405	-	47,405

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 June 2019 does not include unallocated depreciation and amortization in the amount of USD 218 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

4. Segment information (continued)

Non-current assets based on the geographic location of the manufacturing facilities were as follows as of 30 June 2020 and 31 December 2019:

	2020	2019
Ukraine	1,956,918	2,251,447
Europe	234,551	234,209
	<u>2,191,469</u>	<u>2,485,656</u>

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

5. Revenue

Revenue for the six-month and three-month periods ended 30 June 2020 and 2019 was as follows:

	Six-month period ended 30 June		Three-month period ended 30 June	
	2020	2019	2020	2019
Poultry and related operations segment				
Chicken meat	422,928	500,046	211,639	269,974
Vegetable oil and related products	131,149	141,239	64,244	65,731
Shipping and handling services	33,611	29,269	16,656	16,187
Other poultry related sales	20,624	17,208	9,472	8,193
	<u>608,312</u>	<u>687,762</u>	<u>302,011</u>	<u>360,085</u>
Grain growing operations segment				
Grain	32,921	73,571	9,674	26,521
Shipping and handling services	1,673	9,589	295	4,129
	<u>34,594</u>	<u>83,160</u>	<u>9,969</u>	<u>30,650</u>
Meat processing and other agricultural operations segment				
Other meat	51,051	49,775	25,726	26,987
Other agricultural sales	14,084	14,251	6,705	8,176
Shipping and handling services	2,281	2,475	1,123	1,339
	<u>67,416</u>	<u>66,501</u>	<u>33,554</u>	<u>36,502</u>
Europe operating segment				
Chicken meat	80,912	57,713	41,065	44,107
Other meat	58,545	36,337	28,989	27,698
Other agricultural sales	14,165	10,559	7,339	7,873
Shipping and handling services	3,504	2,696	1,809	1,944
	<u>157,126</u>	<u>107,305</u>	<u>79,202</u>	<u>81,622</u>
	<u>867,448</u>	<u>944,727</u>	<u>424,736</u>	<u>508,859</u>

The geographic structure of revenue for the six-month and three-month periods ended 30 June 2020 and 2019 was as follows:

	Six-month period ended 30 June		Three-month period ended 30 June	
	2020	2019	2020	2019
Export	452,721	552,418	215,323	284,347
Domestic	414,727	392,309	209,413	224,512
	<u>867,448</u>	<u>944,727</u>	<u>424,736</u>	<u>508,859</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the six-month period ended 30 June 2020**

(in thousands of US dollars, unless otherwise indicated)

6. Profit for the period

The Group's gross profit for the six-month period ended 30 June 2020 decreased compared to the six-month period ended 30 June 2019 and amounted to USD 219,014 thousand and USD 252,043 thousand, respectively. The decrease was driven mainly by decrease of the gross profit in the poultry and related operations segment, partly offset by increase in the Europe operating segment.

The Group's operating profit decreased mainly as a result of an increase in administration, sales and distribution expenses primarily due to the inclusion of additional expenses of Perutnina Ptuj.

Continuing operations recorded a loss of USD 60,629 thousand for the six-month period ended 30 June 2020 compared to a profit of USD 172,701 thousand for the six-month period ended 30 June 2019. The loss in 2020 was mainly due to an unrealized foreign exchange loss of USD 129,472 thousand for the six-month period ended 30 June 2020, mostly attributable to the effect of UAH depreciation against USD and EUR on bonds and bank borrowings denominated in foreign currencies; this compared to a foreign exchange gain of USD 72,696 thousand for the six-month period ended 30 June 2019.

7. Deferred income

Ukrainian Government supports domestic agri producers to encourage investment in the agricultural sector. During the year ended 31 December 2019, the Group received government grants in accordance to the compensation program for construction and reconstruction of livestock farms in an amount of UAH 198,563 thousand (USD 7,554 thousand) and compensation for purchase of agricultural machinery produced in Ukraine in amount of UAH 10,239 thousand (USD 395 thousand). During the six-month period ended 30 June 2020, the Group has not received any government grants in accordance with these programs (six-month period ended 30 June 2019: USD 5,996 thousand).

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

During the six-month period ended 30 June 2020, the Group received government compensations in accordance with EU farming subsidies policy and other compensations in accordance with the EU national programs of employment, assigned contributions for employees, and refunds of excise duties totalling USD 3,602 thousand (year ended 31 December 2019: USD 4,063 thousand).

8. Property, plant and equipment

During the six-month period ended 30 June 2020, the Group's additions to property, plant and equipment amounted to USD 38,566 thousand (six-month period ended 30 June 2019: USD 62,530 thousand) mainly related to investments in maintenance and Perutnina Ptuj production facilities.

There were no significant disposals of property, plant and equipment during the six-month periods ended 30 June 2020 and 30 June 2019.

The remaining part of the movement mainly relates to translation difference into the presentation currency.

9. Agricultural produce

A decrease of agricultural produce balances for six-month period ended 30 June 2020 was mainly as a result of internal consumption of corn, sunflower, wheat and soya.

10. Biological assets

The increase in current biological assets as compared to 31 December 2019 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 2020 classified as biological assets as well as due to IAS 41 revaluation adjustment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

11. Share capital

As of 30 June 2020 and 31 December 2019 the authorized, issued and fully paid share capital of MHP SE comprised the following number of shares:

	<u>30 June 2020</u>	<u>31 December 2019</u>
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 June 2020 and 31 December 2019 was EUR 221,540 thousand represented by 110,770,000 shares with par value of EUR 2 each.

Out of the total 110,770,000 ordinary shares, 3,731,792 (31 December 2019: 3,731,792) ordinary shares relate to treasury shares, acquired by the Group under the share buy-back program, which reduce the number of outstanding shares on the open market.

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 June 2020 and 31 December 2019:

<u>Bank</u>	<u>Currency</u>	<u>30 June 2020</u>		<u>31 December 2019</u>	
		<u>WAIR ¹⁾</u>	<u>USD' 000</u>	<u>WAIR ¹⁾</u>	<u>USD' 000</u>
Non-current					
Foreign banks	EUR	Libor + 3.96%	66,766	Libor + 4.00%	75,880
			<u>66,766</u>		<u>75,880</u>
Current					
Foreign banks	EUR	2.69%	3,893	2.72%	4,406
Foreign banks	USD	Libor + 4.12%	2,000		-
Current portion of long-term bank borrowings	EUR	Libor + 3.96%	20,244	Libor + 4.00%	20,539
			<u>26,137</u>		<u>24,945</u>
Total bank borrowings			<u>92,903</u>		<u>100,825</u>

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

As of 30 June 2020 and 31 December 2019, the Group's bank term loans and credit lines bear floating and fixed interest rates.

Bank borrowings and credit lines outstanding as of 30 June 2020 and 31 December 2019 were repayable as follows:

	<u>30 June 2020</u>	<u>31 December 2019</u>
Within one year	26,137	24,945
In the second year	15,738	17,484
In the third to fifth year inclusive	50,732	27,837
After five years	296	30,559
	<u>92,903</u>	<u>100,825</u>

As of 30 June 2020, the Group had available undrawn facilities of USD 191,259 thousand (31 December 2019: USD 224,683 thousand). These undrawn facilities expire during the period from July 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 Group shall ensure the ongoing compliance with the following maintenance covenants: EBITDA to interest expenses ratio, current ratio and liabilities to equity ratio.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

12. Bank borrowings (continued)

Separately, there are negative covenants in respect of restricted payments, including dividends, capital expenditures, additional indebtedness and restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates in case of excess of Net Debt to EBITDA 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 June 2020 and 31 December 2019 the Group has complied with all covenants imposed by banks providing the borrowings.

As of 30 June 2020, the Group had borrowings of USD 46,011 thousand that were secured by property, plant and equipment with a carrying amount of USD 90,708 thousand (31 December 2019: USD 49,731 thousand and USD 99,978 thousand respectively).

As of 30 June 2020, the Group had borrowings of USD 2,000 thousand that were secured by agricultural produce with a carrying amount of USD 2,222 thousand (31 December 2019: USD 19,000 thousand and USD 23,750 thousand respectively).

As of 30 June 2020, the deposit with carrying amount of USD 3,318 thousand (31 December 2019: USD 3,298 thousand) was restricted as collateral to secure bank borrowings.

As of 30 June 2020 and 31 December 2019, interest payable on bank borrowings was USD 969 thousand and USD 1,033 thousand, respectively.

13. Bonds issued

Bonds issued and outstanding as of 30 June 2020 and 31 December 2019 were as follows:

	<i>Carrying amount</i>		<i>Nominal amount</i>	
	<i>30 June 2020</i>	<i>31 December 2019</i>	<i>30 June 2020</i>	<i>31 December 2019</i>
7.75% Senior Notes due in 2024	486,070	484,469	500,000	500,000
6.95% Senior Notes due in 2026	535,078	534,042	550,000	550,000
6.25% Senior Notes due in 2029	347,277	347,158	350,000	350,000
Unamortized debt issuance cost	-	-	(31,575)	(34,331)
Total bonds issued	1,368,425	1,365,669	1,368,425	1,365,669

As of 30 June 2020 and 31 December 2019 amount of interest payable on bonds issued was USD 20,757 thousand and USD 20,756 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. Received funds were used to satisfy and discharge 8.25% Senior Notes due in April 2020, 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 "Zernoproduct MHP" and PrJSC "Agrofort".

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.

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

(in thousands of US dollars, unless otherwise indicated)

13. Bonds issued (continued)

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 Hliboproduct", PJSC "Myronivsky Plant of Manufacturing Feeds and Groats", PrJSC "Zernoproduct 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.

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.

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

(in thousands of US dollars, unless otherwise indicated)

13. Bonds issued *(continued)*

7.75% Senior Notes *(continued)*

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.

Covenants

Certain restrictions under the indebtedness agreements (e.g. incurrence of additional indebtedness, restricted payments, dividends payment) are dependent on the leverage ratio of the Group. Once the leverage ratio exceeds 3.0 to 1, it is not permitted for the Group to make certain restricted payments, declare dividends exceeding USD 30 million in any financial year, incur additional debt except that is defined as a Permitted Debt. According to the indebtedness agreement, the consolidated leverage ratio is tested on the date of incurrence of additional indebtedness or restricted payment and after giving pro forma effect to such incurrence or restricted payment as if it had been incurred or done at the beginning of the most recent four consecutive fiscal quarters for which financial statements are publicly available (or are made available). The Group has tested all the transactions occurred prior to publication of these financial statements and has complied with all the covenants defined by indebtedness agreement during the reporting periods ended 30 June 2020 and 31 December 2019.

As at 30 June 2020 the leverage ratio of the Group is 3.72 to 1 (31 December 2019: 3.01 to 1), higher than the defined limit 3.0 to 1. Thus, since 13 April 2020, the date of publication of audited consolidated financial statements as of and for the year ended 31 December 2019, the aforementioned restrictions are binding on the Group.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

14. Related parties (continued)

Transactions with related parties under common control (continued)

Transactions with related parties during the six-month periods ended 30 June 2020 and 30 June 2019 were as follows:

	2020	2019
Loans and finance aid provided	36,048	15,098
Loans and finance aid repaid	-	17,393
Interest on loans and financial aid repaid	2,476	132
Interest charged on loans and finance aid provided	1,890	131
Loans provided to key management personnel	1,722	1,783
Sales of goods	72	-
Purchases from related parties	10	8

The balances owed to and due from related parties were as follows as of 30 June 2020 and 31 December 2019:

	30 June 2020	31 December 2019
Loans and finance aid receivable	59,601	24,845
Less: allowance for unrecoverable amounts	(3,163)	(3,128)
	56,438	21,717
Loans to key management personnel	5,566	4,945
Trade accounts receivable	115	197
Payables due to related parties	17	19

Loans and finance aid receivable

On 21 January 2020, the Board approved a loan facility of USD 80,000 thousand to its principal shareholder, WTI Trading Limited ("WTI") to meet WTI's general liquidity requirements and other corporate purposes for a maximum of three years.

As of 30 June 2020, the Group had advanced loans to WTI in the aggregate amount of USD 55,400 thousand (31 December 2019: USD 20,400 thousand). The loans, with a maturity in June - December 2021, bear interest at a rate of 8.25% and 9.25% and are secured by a personal guarantee of WTI's ultimate beneficial owner.

The Group's Directors believe that the loans were issued at arm's length terms and for fair market value, and that they were in the best interests and for the commercial benefit of the Group and do not violate the terms of the Senior Notes (Note 13).

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 4,802 thousand and USD 4,818 thousand for the six-month period ended 30 June 2020 and 30 June 2019, respectively. Contingencies and contractual commitments

15. Contingencies and contractual commitments

Operating environment

Since 2016, the Ukrainian economy, which represents the core operating environment of the Group, has been demonstrating signs of stabilization after the years of political and economic tensions. Until the break-out of the coronavirus (COVID 19) pandemic in the first quarter 2020, the real GDP has been steadily growing, however it decreased by around 10% for the three-month period ended 30 June 2020 compared to the preceding three-month period and by around 11% compared to the three month period ended 30 June 2019. The annual inflation stays to be modest during 2020 at 2.4% (2019: 8.7%).

Ukraine continues to limit its political and economic ties with Russia, in view of the annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict with separatists continuing in certain parts of Luhanska and Donetska regions. As a result, the Ukrainian economy is refocusing on the EU market by realizing the potential of the established Deep and Comprehensive Free Trade Area with the EU.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the six-month period ended 30 June 2020**

(in thousands of US dollars, unless otherwise indicated)

15. Contingencies and contractual commitments (continued)***Operating environment (continued)***

To further facilitate business activities in Ukraine, the National Bank of Ukraine (the "NBU") has lifted the foreign currency proceeds surrender requirement from 20 June 2019, cancelled all limits on repatriation of dividends from July 2019 and gradually decreased its discount rate, from 17.0% in July 2019 to 6.0% in July 2020.

The degree of macroeconomic uncertainty in Ukraine in 2020 still remains high due to a significant amount of public debt scheduled for repayment in 2020, which requires mobilizing substantial domestic and external financing in an increasingly challenging financing environment for the emerging markets. At the same time, the Ukrainian authorities have demonstrated their commitment to introduce reforms in order to boost economic growth, while maintaining macro-fiscal stability and liberalizing economic environment.

Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of the planned structural reforms and effective cooperation with the International Monetary Fund (the "IMF") as well as the ability of the government to cope with the macroeconomic challenges posed by the confinement measures introduced to contain the spread of COVID-19.

The responses put in place by many countries, including Ukraine and the EU, to contain the spread of COVID-19 resulted in significant operational disruption for many companies and have significant impact on the global financial markets. While food supply chains proved to be largely resilient during the pandemic and the confinement measures are now being progressively lifted or adapted in Ukraine and other countries, many uncertainties yet remain around the economic recovery, and thus around the evolution of the consumer demand and the supply chain stability. In particular, the forecast magnitude of the recession is such that it is expected to lead to a sharp increase in unemployment in the EU, negatively impacting private consumption and limiting the Group's ability to enjoy benefits from export supplies to the EU and other key markets.

The Group's earnings for the six-month period 2020 had already been adversely impacted by the aftereffects of the pandemic such as the decrease in market prices and consumption. Such trends might be expected to continue in the foreseeable future, depending on the duration and the incidence of the pandemic effects on the Ukrainian and world economy.

Management has considered all available information about the future, including the impact of the COVID-19 outbreak on customers, suppliers and staff, as well as actual and projected foreseeable impact from various other factors. Management will continue to monitor the situation closely and will assess the need for additional measures in case the period of disruption prolongs or escalates further.

The Group reviews its non-financial assets to determine if any external or internal indicators of impairment exist. Based on these reviews, there were no indicators of impairment as of 30 June 2020.

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 are new significant changes to the tax legislation that may be introduced in the near future.

Management believes that the Group has been in compliance with all requirements of effective tax legislation.

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 2018 within the required deadline, and is in the process of preparation of all necessary documentation on controlled transactions for the years ended 31 December 2019 as required by legislation and plans to submit reports by 1st October 2020.

As of 30 June 2020, the Group's management assessed its possible exposure to tax risks for a total amount of USD 5,782 thousand related to corporate income tax (31 December 2019: USD 6,516 thousand). No provision was recognised relating to such possible tax exposure.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

15. Contingencies and contractual commitments (continued)

Taxation and legal issues (continued)

As of 30 June 2020, companies of the Group were engaged in ongoing litigation with tax authorities for the amount of USD 19,965 thousand (31 December 2019: USD 23,201 thousand), including USD 9,350 thousand (31 December 2019: USD 11,016 thousand) of litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. Of this amount, USD 938 thousand as of 30 June 2020 (31 December 2019: USD 1,241 thousand) relates to cases where court hearings have taken place and where the court in either the first or second instance has already ruled in favour of the Group.

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

Contractual commitments on purchase of property, plant and equipment

During the six-month period ended 30 June 2020, the companies of the Group entered into a number of contracts with foreign suppliers for the purchase of property, plant and equipment for the development of agricultural operations. As of 30 June 2020, purchase commitments on such contracts were primarily related to improvement of slaughtering facilities of Perutnina Ptuj and expansion of the Vinnytsya poultry complex and amounted to USD 10,732 thousand (31 December 2019: USD 10,340 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 the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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:

	<i>Carrying amount</i>		<i>Fair value</i>	
	<i>30 June 2020</i>	<i>31 December 2019</i>	<i>30 June 2020</i>	<i>31 December 2019</i>
Financial liabilities				
Bank borrowings (Note 12)	93,872	101,858	91,565	99,417
Senior Notes due in 2024, 2026, 2029 (Note 13)	1,389,182	1,386,425	1,423,132	1,468,144
Lease liabilities	198,463	215,863	278,049	243,352

The carrying amount of Bank borrowings and Senior Notes issued includes interest payable at each of the respective dates. The carrying amount of lease liabilities as at 30 June 2020 includes USD 179,049 thousand of land lease liabilities.

The fair value of bank borrowings and lease liabilities was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings 5.4% (31 December 2019: 5.4%) and for lease liabilities 18.0% (31 December 2019: 18.0%), and is within Level 2 of the fair value hierarchy. The market rate applied to the land lease liabilities is 8.1% (31 December 2019: 15.6%).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

17. Risk management policy

During the six-month period ended 30 June 2020 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.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows as of 30 June 2020 and 31 December 2019. The amounts in the table may not be equal to the statement of financial position carrying amounts since the table includes all cash outflows on an undiscounted basis.

	Carrying amount	Contractual Amounts	Less than 1 year	From 2nd to 5th year	After 5th year
<i>30 June 2020</i>					
Bank borrowings	93,872	98,128	28,025	70,103	-
Bonds issued	1,389,182	1,992,163	98,850	856,650	1,036,663
Lease liabilities	198,463	380,149	49,807	173,092	157,250
Total	1,681,517	2,470,440	176,682	1,099,845	1,193,913
<i>31 December 2019</i>					
Bank borrowings	101,858	108,128	27,698	80,430	-
Bonds issued	1,386,425	2,041,588	98,850	876,025	1,066,713
Lease liabilities	215,863	445,430	64,074	205,137	176,219
Total	1,704,146	2,595,146	190,622	1,161,592	1,242,932

All other financial liabilities in the amount of USD 199,350 thousand (excluding those disclosed above) are repayable within one year.

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 June 2020 and 31 December 2019 were as follows:

	<i>30 June 2020</i>		<i>31 December 2019</i>	
	<i>USD</i>	<i>EUR</i>	<i>USD</i>	<i>EUR</i>
Total assets	103,938	24,350	162,672	14,190
Total liabilities	1,395,807	63,088	1,388,664	70,968

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

(in thousands of US dollars, unless otherwise indicated)

17. Risk management policy (continued)

Currency risk (continued)

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.

	<u>Change in foreign currency exchange rates</u>	<u>Effect on profit before tax</u>
<i>2020</i>		
Increase in USD exchange rate	10%	(129,187)
Increase in EUR exchange rate	10%	(3,874)
Decrease in USD exchange rate	5%	64,593
Decrease in EUR exchange rate	5%	1,937
<i>2019</i>		
Increase in USD exchange rate	10%	(122,599)
Increase in EUR exchange rate	10%	(5,678)
Decrease in USD exchange rate	5%	61,300
Decrease in EUR exchange rate	5%	2,839

During the six-month period ended 30 June 2020, the Ukrainian Hryvnia depreciated against the EUR by 11.8% and against the USD by 11.3% (six-month period ended 30 June 2019: appreciated against the EUR and USD by 6.7% and 5.8% respectively). As a result, during the six-month period ended 30 June 2020 the Group recognised net foreign exchange loss in the amount of USD 129,472 thousand (six-month period ended 30 June 2019: foreign exchange gain in the amount of USD 72,696 thousand) in the consolidated statement of profit or loss and other comprehensive income.

18. Dividends

On 13 April 2020, the Board of Directors approved payment of an interim dividend of USD 0.2803 per share, equivalent to USD 30,000 thousand to shareholders on the register as of 24 April 2020. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury. As at 30 June 2020 dividends were fully paid to shareholders.

19. Subsequent events

There are no subsequent events to mention.

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 3 September 2020.