**MHP SE**

Company Separate

Financial Statements

31 December 2020

SEPARATE FINANCIAL STATEMENTS

## Contents

BOARD OF DIRECTORS AND OTHER OFFICERS

| | |
|---|---|
| **Board of Directors:** | John Grant<br>Viktoria Kapelyushnaya<br>Yuriy Kosyuk<br>Yuriy Melnyk<br>John Clifford Rich<br>Christakis Taoushianis<br>Philip J Wilkinson (appointed 24 March 2020)<br>Roger Wills (resigned 19 January 2021)<br>Roberto Banfi (resigned 9 February 2021) |
| **Company Secretary:** | Confitrust Limited |
| **Independent Auditors:** | Ernst & Young Cyprus Limited |
| **Registered office:** | 16-18 Zinas Kanther Street<br>Ayia Triada<br>3035 Limassol<br>Cyprus |

## MANAGEMENT REPORT

The Board of Directors presents its report and audited parent separate financial statements of MHP SE ("the Company") for the year ended 31 December 2020.

### Incorporation

The Company is registered under the laws of Cyprus, was formed in Luxembourg on 30 May 2006 under the name MHP S.A. It was converted from a public limited liability company ("Société anonyme") into a European company ("Societas Europaea") with effect from 7 August 2017.

On 27 December 2017, the Company transferred its registered office (the "Seat Transfer") from 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, to 16-18 Zinas Kanther Street, Ayia Triada, 3035 Limassol, Cyprus.

### Principal activity

The principal activities of the Company, which are unchanged from last year, are holding of participations in any form in foreign companies, acquisition by purchase, subscription, and exchange of stock, bonds, debentures, deposits and provision of finance to group companies as well as consultancy and legal services. The principal business activities of the Company and its subsidiaries (the "Group") are in Ukraine and Europe and are in poultry and related operations, grain growing, as well as other agricultural operations (meat processing and meat products ready for consumption). During 2019 the Group expanded its operations in Europe by acquiring Perutnina Ptuj d.d. which has the same principal activities as the Group.

### Review of current position, future developments and significant risks

In 2020, the Company realized a total comprehensive income for the year of US$117,124,058 compared to a total comprehensive income of US$132,664,820 in 2019. The financial position of the Company as presented in the financial statements is a net asset position of US$661,274,616 (2019: US$574,153,366) and net current liabilities position of US$ 57,790,099 (2019: US$57,342,885). However, out of the total current liabilities of the Company as at 31 December 2020 of US$66,823,163 , and amount of US$60,444,049 related to amount due to related parties (Note 22.5).The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

Management has considered the Company's cash flow forecasts for the foreseeable future, which take into account the current and expected economic situation in Ukraıne, the Company's financial position, available borrowing facilities and loan covenant compliance. The Company does not expect any material adverse impact from the current economic slowdown to its operations.

Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

There were no changes during the financial year in the nature of the operations of the Company.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks.

The principal financial risks and uncertainties faced by the Company are disclosed in Note 3.

**MANAGEMENT REPORT (continued)**

**Results and Dividends**

The Company's results for the year are set on page 12.

On 13 April 2020, the Board of Directors of the Company approved the declaration of the interim dividends of US$0.2803 per share, amounting to US$30,002,808 (US$2019:80,000,357). On 16 April 2020, the Board of Directors made an official announcement on interim dividends declaration mentioned above.

**Significant events after the reporting date**

Any significant events that occurred after the reporting date are described in Note 25 to the financial statements.

**Branches**

During the year ended 31 December 2020 the Company did not operate any branches.

**Share capital**

As of 31 December 2020 and 31 December 2019 the authorised share capital of the Company was EUR 221,540,000 divided into 110,770,000 ordinary shares, each having a nominal value of EUR 2 each. The authorised share capital of the Company is fully issued and all the shares are fully paid up.

As at 31 December 2020 and 2019, the Company had no direct holding of treasury shares. 3,731,792 (31 December 2019: 3,731,792) ordinary shares, represented by an equal amount of GDRs, were held by the Company's direct and indirect subsidiaries, Raftan Holding Ltd and PrJSC MHP.

There were no changes in the share capital of the Company during the year ended 31 December 2020.

**Significant shareholders and related party transactions**

Significant shareholders and related party transactions are disclosed in Note 22.

**Board of Directors**

The members of the Company's Board of Directors as at 31 December 2020 and at the date of this report are presented on page 1. On 24 March 2020, Mr. Philip Wilkinson was appointed on the position of the Company's Director. Roger Wills was resigned on 19 January 2021. Roberto Banfi was resigned on 9 February 2021.

There were no other changes in the Board of Directors throughout the year 2020 and up to the date of this report. More information on the Board of Directors can be located in the Governance section of the Annual Report.

Key management personnel compensation is disclosed in Note 22.

**Independent auditors**

The Independent auditors, Ernst & Young Cyprus Limited, were appointed by the Board of Directors of the Company in the replacement of Deloitte Limited, and have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting of the Company.

**MANAGEMENT REPORT (continued)**

**Other Information**

Other information that is relevant to the Management Report, and which is incorporated within the Group's 2020 Annual Report which can be obtained from http://www.mhp.com.cy can be located in the Annual Report as follows:

- Business review
- Future developments
- Risk management
- Corporate Governance Report
- Interests of Directors in the Company's shares

On behalf of the Directors as authorised by the Board of Directors:

| | | | |
|---|---|---|---|
| Yuriy Kosyuk | John Grant | Viktoria Kapelyushnaya | John Clifford Rich |
| Director | Director | Director | Director |
| Yuriy Melnyk | Christakis Taoushianis | Philip J Wilkinson | |
| Director | Director | Director | |

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| Director | Director | Director | Director |
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| Director | Director | Director | Director |
| Yuriy Melnyk | Christakis Taoushianis | Philip J Wilkinson | |
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## MANAGEMENT REPORT (continued)

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| Director | Director | Director | Director |
| Yuriy Melnyk | Christakis Taoushianis | Philip J Wilkinson | |
| Director | Director | Director | |

**Board of Directors' responsibility statement**

The Board of Directors is responsible for the preparation of the parent separate financial statements that give a true and fair view of the financial position of MHP SE (the "Company") as of 31 December 2020 and of the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In preparing the separate financial statements, the Board of Directors is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in the International Financial Reporting Standards ("IFRS") are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- making an assessment of the Company's ability to continue as a going concern.

The Board of Directors, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls over financial reporting, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Company, and which enable them to ensure that the consolidated financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 190 (1) / 2007 until 2013, we, the members of the Board of Directors responsible for the drafting of the separate financial statements of MHP SE for the year ended 31 December 2020, on the basis of our knowledge, declare that:

a) the separate financial statements which are presented on pages 16 to 45:
   (i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of article 9 section (4) of the law, and
   (ii) provide a true and fair view of the assets and liabilities, the financial position and the profit or loss of the Company
b) the Management report provides a fair review of the developments and the performance of the business and the financial position of the Group included in the consolidated accounts taken as a whole, together with a description of the main risks and uncertainties which they face.
c) the adoption of a going concern basis for the preparation of the financial statements continues to be appropriately based on the foregoing and having reviewed the forecast financial position of the Company.

The parent separate financial statements of the Company as of and for the year ended 31 December 2020 were authorized for issue by the Board of Directors on 23 March 2021.

On behalf of the Board:

| | | | |
|---|---|---|---|
| Yuriy Kosyuk<br>Director | John Grant<br>Director | Viktoria Kapelyushnaya<br>Director | John Clifford Rich<br>Director |
| Yuriy Melnyk<br>Director | Christakis Taoushianis<br>Director | Philip J Wilkinson<br>Director | |

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- making an assessment of the Company's ability to continue as a going concern.

The Board of Directors, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls over financial reporting, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Company, and which enable them to ensure that the consolidated financial statements of the Company comply with IFRS;
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   (ii) provide a true and fair view of the assets and liabilities, the financial position and the profit or loss of the Company
b) the Management report provides a fair review of the developments and the performance of the business and the financial position of the Group included in the consolidated accounts taken as a whole, together with a description of the main risks and uncertainties which they face.
c) the adoption of a going concern basis for the preparation of the financial statements continues to be appropriately based on the foregoing and having reviewed the forecast financial position of the Company.

The parent separate financial statements of the Company as of and for the year ended 31 December 2020 were authorized for issue by the Board of Directors on 23 March 2021.

On behalf of the Board:

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| Yuriy Kosyuk<br>Director | John Grant<br>Director | Viktoria Kapelyushnaya<br>Director | John Clifford Rich<br>Director |
| Yuriy Melnyk<br>Director | Christakis Taoushianis<br>Director | Philip J Wilkinson<br>Director | |

**Board of Directors' responsibility statement**

The Board of Directors is responsible for the preparation of the parent separate financial statements that give a true and fair view of the financial position of MHP SE (the "Company") as of 31 December 2020 and of the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In preparing the separate financial statements, the Board of Directors is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in the International Financial Reporting Standards ("IFRS") are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- making an assessment of the Company's ability to continue as a going concern.

The Board of Directors, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls over financial reporting, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Company, and which enable them to ensure that the consolidated financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 190 (1) / 2007 until 2013, we, the members of the Board of Directors responsible for the drafting of the separate financial statements of MHP SE for the year ended 31 December 2020, on the basis of our knowledge, declare that:

a) the separate financial statements which are presented on pages 16 to 45:
   (i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of article 9 section (4) of the law, and
   (ii) provide a true and fair view of the assets and liabilities, the financial position and the profit or loss of the Company
b) the Management report provides a fair review of the developments and the performance of the business and the financial position of the Group included in the consolidated accounts taken as a whole, together with a description of the main risks and uncertainties which they face.
c) the adoption of a going concern basis for the preparation of the financial statements continues to be appropriately based on the foregoing and having reviewed the forecast financial position of the Company.

The parent separate financial statements of the Company as of and for the year ended 31 December 2020 were authorized for issue by the Board of Directors on 23 March 2021.

On behalf of the Board:

| | | | |
|---|---|---|---|
| Yuriy Kosyuk<br>Director | John Grant<br>Director | Viktoria Kapelyushnaya<br>Director | John Clifford Rich<br>Director |
| Yuriy Melnyk<br>Director | Christakis Taoushianis<br>Director | Philip J Wilkinson<br>Director | |

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# Independent Auditor's Report

## To the Members of MHP SE

## Report on the Audit of the Financial Statements

### Opinion

We have audited the parent separate financial statements of MHP SE (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We remained independent of the Company throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent separate financial statements of the current period. These matters were addressed in the context of our audit of the parent separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying parent separate financial statements.

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| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| ***Expected credit losses in respect ofloans receivable and financial guarantees issued*** | |
| As at 31 December 2020, the Company had loans receivable from its subsidiaries with a gross carrying amount of US$547,632,218. IFRS 9 "Financial instruments", requires to recognize an allowance using the forward-looking expected credit loss (ECL) approach. The Company has performed an assessment of ECL in accordance with IFRS 9 requirements.<br><br>The Company has also issued financial guarantees for loans taken out by its subsidiaries and recognized allowance for financial guarantees issued in the amount of expected credit losses.<br><br>We consider the allowance for ECL on loans receivable and financial guarantees issued as a matter of most significance in our audit since the calculation of allowance for ECL is subject to significant judgement and involves assumptions and estimates to be made by management in relation to such parameters as loss given default and probability of default, which are based on extensive analysis and statistical methods.<br><br>Disclosures in respect of impairment loss on loans receivable and financial guarantees issued are included in Note 3.2 "Credit risk" and Note 4 "Critical accounting estimates and judgements" to the separate financial statements. | We have considered the Company's accounting policy in respect to expected credit loss on loans receivable and financial guarantees issued. We have assessed the ECL model developed by management against the requirements of IFRS 9.<br><br>We have tested ECL model inputs on a sample basis and assessed their source data. We have assessed key assumptions and judgements, such as those used to calculate the probability of default and loss given default by comparing to probability-weighted macroeconomic scenarios. We have also analyzed macro-economic forward-looking factors, including particular country credit risks to assess probability of default rates used to determine expected credit losses. We checked mathematical accuracy of the calculations. We analyzed financial position of debtors and subsequent cash receipts.<br><br>We also considered whether credit risk related to these financial instruments increased from the date of their initial recognition and analyzed the criteria used to allocate loans issued to Stages 1, 2 or 3 in accordance with IFRS 9.<br><br>We have assessed related disclosures provided in the separate financial statements. |

## Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises information included in the Management Report and the Group's 2020 Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the parent separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the parent separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the parent separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and those charged with governance for the Financial Statements**

The Board of Directors is responsible for the preparation of parent separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent separate financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent separate financial statements, including the disclosures, and whether the parent separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent separate financial statements of the current period and are therefore the key audit matters.

## Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

### *Appointment of the Auditor and Period of Engagement*

We were first appointed as auditors of the Group on 18 June 2020 at the Company's Annual General Meeting. This is our first period of engagement appointment.

### *Consistency of the Additional Report to the Audit Committee*

We confirm that our audit opinion on the parent separate financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 23 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

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### *Provision of Non-audit Services*

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the management report.

### *Other Legal Requirements*

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, *and which is included as a specific section of the Group's Annual Report,* have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. In respect of subparagraphs ((ii) and (iii), the corporate governance statement included in the Annual Report (pages 62-68) sets out the exceptions and the explanations thereon in the application of the UK Corporate Governance Code, which the Group applies, including the provision on the independence of the Audit Committee Chairman.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement, which is included as a specific section of the Group's Annual Report, in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

### Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

*Comparative figures*

The financial statements of MHP SE for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 13 April 2020.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020.

The engagement partner on the audit resulting in this independent auditor's report is Andreas Avraamides.

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

**Ernst & Young Cyprus Limited**
**Certified Public Accountants and Registered Auditors**

Nicosia, 23 March 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020

| | Note | 2020 US$ | 2019 US$ |
|---|---|---|---|
| Interest revenue | **5** | 43,205,127 | 50,211,644 |
| Other revenue | **5** | 127,662,285 | 144,781,269 |
| | | **170,867,412** | **194,992,913** |
| Administrative expenses | **6** | (4,656,498) | (8,065,767) |
| Expected credit losses (allowance)/reversal | **3.2,12** | (4,318,429) | 5,098,130 |
| Foreign exchange loss arising on operation | | - | (1,005,593) |
| **Operating profit** | | **161,892,485** | **191,019,684** |
| Finance costs | **7** | (46,705,350) | (59,388,152) |
| Gain from sale of investments | **11** | 1,450,052 | - |
| Other income | **8** | 1,408,585 | 1,420,544 |
| **Profit before tax** | | **118,045,772** | **133,052,075** |
| Taxation | **9** | (921,714) | (387,255) |
| **Net profit for the year** | | **117,124,058** | **132,664,820** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **117,124,058** | **132,664,820** |

The notes on pages 16 to 45 from integral of these financial statements

STATEMENT OF FINANCIAL POSITION
as of 31 December 2020

| | Note | 2020 US$ | 2019 US$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 11 | 677,065,226 | 678,400,999 |
| Property, plant and equipment | 16 | 44,507 | 87,095 |
| Loans receivable | 12 | 526,669,745 | 530,227,524 |
| Other financial assets | 15 | 2,765,496 | 3,321,758 |
| | | **1,206,544,974** | **1,212,037,376** |
| **Current assets** | | | |
| Other receivables | 13 | 7,178,610 | 16,363,786 |
| Cash and cash equivalents | 14 | 991,566 | 23,568,453 |
| Other financial assets | 15 | 862,888 | - |
| | | **9,033,064** | **39,932,240** |
| **Total assets** | | **1,215,578,038** | **1,251,969,616** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 17 | 284,505,000 | 284,505,000 |
| Additional paid-in capital | 17 | 118,133,404 | 118,133,404 |
| Retained earnings | | 247,793,067 | 160,671,817 |
| Other reserves | 17 | 10,843,145 | 10,843,145 |
| **Total Equity** | | **661,274,616** | **574,153,366** |
| **Non-current liabilities** | | | |
| Bonds issued | 18 | 487,480,259 | 484,468,755 |
| Loans payable | 19 | - | 96,072,370 |
| | | **487,480,259** | **580,541,125** |
| **Current liabilities** | | | |
| Loans payable | 19 | 59,758,750 | 81,357,400 |
| Interest payable | 20 | 5,864,712 | 14,737,036 |
| Financial guarantees | 21 | 760,650 | - |
| Other payables and accruals | | 439,051 | 1,180,689 |
| | | **66,823,163** | **97,275,125** |
| **Total liabilities** | | **554,303,422** | **677,816,250** |
| **Total equity and liabilities** | | **1,215,578,038** | **1,251,969,616** |

On 23 of March 2021 the Board of Directors of MHP SE authorized these financial statements for issue.

On behalf of the Board of Directors

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

The notes on pages 16 to 45 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

| | Share capital | Additional paid-in capital | Other reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ |
| **Balance at 1 January 2019** | **284,505,000** | **118,133,404** | **10,843,145** | **108,007,354** | **521,488,903** |
| Net profit for the year | - | - | - | 132,664,820 | 132,664,820 |
| Dividends (Note 10) | - | - | - | (80,000,357) | (80,000,357) |
| **Balance at 31 December 2019/1 January 2020** | **284,505,000** | **118,133,404** | **10,843,145** | **160,671,817** | **574,153,366** |
| Net profit for the year | - | - | - | 117,124,058 | 117,124,058 |
| Dividends (Note 10) | - | - | - | (30,002,808) | (30,002,808) |
| **Balance at 31 December 2020** | **284,505,000** | **118,133,404** | **10,843,145** | **247,793,067** | **661,274,616** |

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the Company for the account of the shareholders.

The notes on pages 16 to 45 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

| | Note | 2020 US$ | 2019 US$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit before tax** | | **118,045,772** | **133,052,075** |
| Adjustments for: | | | |
| Foreign exchange loss/(profit) | **7** | 1,280,108 | (2,938,098) |
| Expected credit losses allowance/(reversal) | **3.2,12** | 4,318,429 | (5,098,130) |
| Interest revenue | **5** | (43,205,127) | (50,211,644) |
| Interest expense and other finance costs | **7** | 45,425,242 | 59,388,152 |
| Gain from sale of investments | **11** | (1,450,052) | |
| Dividends income | **5** | (127,662,285) | (142,371,703) |
| Depreciation | | 42,588 | 42,588 |
| **Operating cash flows before working capital changes** | | **(3,205,325)** | **(8,136,760)** |
| Decrease in other receivables | | 2,595,859 | 11,724,310 |
| Increase in other payables and accruals | | 19,011 | 109,293 |
| **Cash (used in)/from operations** | | **(590,455)** | **3,696,843** |
| Dividends received | | 129,600,242 | 186,986,665 |
| Interest received | | 47,058,249 | 77,851,415 |
| Income tax paid | | (220,063) | - |
| Interest paid | | (51,095,782) | (48,789,148) |
| **Net cash generated from operating activities** | | **124,752,191** | **219,745,775** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital contribution to subsidiaries | | - | (246,834,212) |
| Purchase of fixed assets | | - | (3,668) |
| Sales of investments | | 2,102,471 | - |
| Repayments of loans granted | | - | 22,121,478 |
| **Net cash generated from/(used in) investing activities** | | **2,102,471** | **(224,716,402)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Loans proceeds | | 44,197,677 | 326,297,374 |
| Loans repaid | | (163,626,418) | (137,743,994) |
| Dividends paid | | (30,002,808) | (80,000,357) |
| Transaction costs related to corporate bonds issued | | - | (2,154,583) |
| Repayment of bonds | | - | (79,417,000) |
| **Net cash (used in)/generated from financing activities** | | **(149,431,549)** | **26,981,440** |
| **Net (decrease)/increase in cash and cash equivalents** | | (22,576,887) | 22,010,813 |
| Cash and cash equivalents at the beginning of the year | | 23,568,453 | 1,557,640 |
| **Cash and cash equivalents at the end of the year** | **14** | **991,566** | **23,568,453** |

The notes on pages 16 to 45 form an integral part of these financial statements

## 1. Incorporation and principal activities

### Country of incorporation

MHP SE ("the Company"), a limited liability company (Societas Europaea) registered under the laws of Cyprus, was formed in Luxembourg on 30 May 2006 under the name MHP S.A.. It was converted from a public limited liability company ("société anonyme") into a European company ("Societas Europaea") with effect from 7 August 2017.

On 27 December 2017, the Company transferred its registered office (the "Seat Transfer") from 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, to 16-18 Zinas Kanther Street, Ayia Triada, 3035 Limassol, Cyprus. The Seat Transfer was made pursuant to the provisions of the SE European Regulation and provisions of the laws of Cyprus and was registered in the Cyprus Companies Registry for SE companies under number SE 27. As of the date of transfer the Company has adopted a new Memorandum and Articles of Association in compliance with the laws applicable to SE companies and with the Cyprus Companies Law Cap.113.

The Company serves as the ultimate holding company of PrJSC "MHP" (formerly known as PJSC "Myronivsky Hliboproduct") and its subsidiaries (hereinafter, MHP SE and its subsidiaries are referred to as the "MHP SE Group" or the "Group"), registered and operating in Ukraine and Europe. The Company's shares are listed on the London Stock Exchange ("LSE") in the form of global depositary receipts ("GDRs").

The ultimate controlling party of the Company is Mr. Yuriy Kosyuk, who owns 100% of the shares of WTI Trading Limited, which is the immediate majority shareholder of the Company, which in turn directly owns of 59,7% of the total outstanding share capital of MHP SE.

### Principal activities and nature of operations of the Company and the Group

The principal activities of the Company are holding of participations in any form in foreign companies, acquisition by purchase, subscription, and exchange of stock, bonds, debentures, deposits and provision of finance to group companies as well as consultancy and legal services. The principal business activities of the Group are in Ukraine and are in poultry and related operations, grain growing, as well as other agricultural operations (meat processing and meat products ready for consumption). During 2019 the Group expanded its operations in Europe by acquiring Perutnina Ptuj d.d. which has the same principal activities as the Group.

## 2. Significant accounting policies

### Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

These separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113 and the consolidated financial statements can be obtained from http://www.mhp.com.cy. Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements for the year ended 31 December 2020 in order to obtain a proper understanding of the financial position, performance and cash flows of the Company and the Group.

## 2. Significant accounting policies (Cont'd)

### Basis of preparation (Cont'd)

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

### Adoption of new and revised IFRSs

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following standards were adopted by the Group on 1 January 2020:

- Amendments to IFRS 3: Business Combinations: Definition of a Business;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform;
- Amendments to references to the Conceptual Framework in IFRS standards;
- Amendments to IFRS 16: Covid-19 Related Rent Concessions.

Adoption of this standards did not have an impact on these separate financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

### Standards and Interpretations issued but not yet effective

At the date of authorization of these separate financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

***Standards and Interpretations issued by the IASB and adopted by the European Union***

| *Standards and Interpretations* | *Effective for annual period beginning on or after* |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 | 1 January 2021 |

## 2. Significant accounting policies (Cont'd)

**Basis of preparation(Cont'd)**

***Standards and Interpretations issued by IASB but not adopted by European Union***

| *Standards and Interpretations* | *Effective for annual period beginning on or after* |
|---|---|
| IFRS 17 Insurance Contracts | 1 January 2023 |
| Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use | 1 January 2022 |
| Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of accounting policies | 1 January 2023 |
| Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates | 1 January 2023 |
| IFRS 14 Regulatory Deferral Accounts | the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard |

The above are expected to have no significant impact on the Company's financial statements when they become effective.

**Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year**.**

**Investments in subsidiary companies**

Subsidiaries are undertakings over which the Company has control and achieved when the Company:

- has power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that that there are changes to one or more of the three elements of control listed above.
Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

**Property, plant and equipment**

All property, plant and equipment are showing at historical cost less accumulated depreciation.

The historical cost of an item of property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, (d) the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period; and (e) for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

## 2. Significant accounting policies (Cont'd)

### Property, plant and equipment (Cont'd)

Depreciation of property, plant and equipment is charged so as to write off the depreciable amount over the useful life of an asset and is calculated using a straight line method. Useful lives of property, plant and equipment are as follows:

- Furniture and fittings 10 years
- Computers 4 years
- Renovations 3 years

Depreciable amount is the cost of an item of property, plant and equipment, or revalued amount, less its residual value. The residual value is the estimated amount that the Company would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The residual value, the useful lives and depreciation method are reviewed at each financial year-end. The effect of any changes from previous estimates is accounted for prospectively as a change in an accounting estimate.

The gain or loss arising on sale or disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized within profit or loss in the statement of comprehensive income.

### Revenue recognition

Revenue comprises interest received on loans granted and dividends received as well as revenue earned from providing consultancy and administrative services. Revenues earned by the Company are recognised on the following bases:

**(i) Dividend income**

Dividend income is recognized when the right to receive payment is established.

**(ii) Consultancy and administrative services**

The Company earns income from consultancy and administrative services it provided to its customers. Revenue is measured based on the consideration to which the Company expects to be entitled in exchange of providing services. The Company recognises revenue at a point in time upon satisfaction of a service provided or at the end of the contract period for a service provided over time. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to a customer.

**(iii) Interest Revenue**

Interest revenue is recognized using the effective interest rate method in IFRS 9.

### Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

### Foreign currency translation

**(1)** Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$), which is the Company's functional and presentation currency.

## 2. Significant accounting policies (Cont'd)

### Foreign currency translation (Cont'd)

**(2)** <u>Transactions and balances</u>

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

### Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

### Dividends

Proposed dividends are recognised as a liability in the financial statements in the period in which they are approved by the shareholders. Any interim dividends approved for distribution by the Board of Directors are recognised within equity in the period in which the decision is made.

### Provisions and contingencies

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the obligation can be reliably estimated.

### Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities of the Company are represented by loans granted, cash and cash equivalents, other receivables, corporate bonds issued and other long-term payables. The accounting policies for initial recognition and subsequent measurement of financial instruments are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

***<u>Financial assets</u>***

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

## 2. Significant accounting policies (Cont'd)

**Financial instruments (Cont'd)**

***Financial assets (Cont'd)***

*Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

-the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

-the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

-the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

(i)Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest revenue over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest revenue is recognised using the effective interest rate method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest revenue is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest revenue is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest revenue by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest revenue is recognised in profit or loss and separately presented in the statement of comprehensive income as “Interest revenue” line item.

## 2. Significant accounting policies (Cont'd)

### Financial instruments (Cont'd)

***<u>Financial assets (Cont'd)</u>***

*Impairment of financial assets*

The Company recognises a loss allowance for expected credit losses (ECL) on loans receivable, dividends receivable, cash and equivalents and other financial assets, as well as on financial guarantee contracts.

ECLs are estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount based on 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Both lifetime ECL and 12-months ECL are calculated on either an individual basis or a collective basis, depending on the nature of particular financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Company calculates ECL for loans receivable based on two probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of default (PD) constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- The Exposure at Default (EAD)is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- The Loss given default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

## 2. Significant accounting policies (Cont'd)

### Financial instruments (Cont'd)

***<u>Financial assets (Cont'd)</u>***

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

*Low credit risk financial instruments*

Despite the foregoing, Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations

*Default definition*

The Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Credit impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

*Write-off policy*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

## 2. Significant accounting policies (Cont'd)

### Financial instruments (Cont'd)

***Financial liabilities***

*Initial recognition and measurement*

The Company's financial liabilities include trade and other payables, bonds, loans and borrowings.

All financial liabilities are recognised initially at fair value and are measured subsequently at amortised cost using the effective interest method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss.

***Financial guarantees***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank.

### Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 2. Significant accounting policies (Cont'd)

### Share capital

Ordinary shares are classified as equity.

### Treasury shares

Treasury shares are GDRs which were bought back by the Company reducing the number of outstanding shares on the open market. Repurchased GDRs are classified as treasury shares under a separate reserve within equity. When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within other reserves.

## 3. Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk and, currency risk and arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

### 3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

The Company's interest rate risk arises from loans granted to and loans received from its subsidiary and indirect subsidiary companies. All loans are in fixed rates and the Company is not exposed to cash flow interest rate risk.

### *3.2* Credit risk

The Company's exposure to credit risk for each class of financial instruments subject to the expected credit loss model is set out below:

*Loans receivable and other receivables*

The Company assesses, on an individual basis, its exposure to credit risk arising from loans and other receivables. This assessment takes into account, amongst others, the period the loan receivable or other receivable balance is past due (in days), expectations around changes in business, financial or economic conditions as well as expectations around the performance of the counterparty.

The following table contains an analysis of the credit risk exposure for loans receivable and other receivables by reference to the Company's internal credit risk rating grades. The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets:

## 1. Financial risk factors (Cont'd)

### 3.2 Credit risk (Cont'd)

| Internal credit risk rating grade | Company definition of category | *Gross carrying amount* | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Loans receivable** | | **Other receivables** | | **Financial guarantees** | |
| | | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| | | **US$** | **US$** | **US$** | **US$** | **US$** | **US$** |
| Performing | Stage 1 – Counterparties have a low risk of default and a strong capacity to meet contractual cash flows | 547,492,461 | 552,048,650 | 7,178,610 | 16,363,786 | 34,018,742 | - |
| Under-performing | Stage 2 – Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due | - | - | - | - | - | - |
| Non-performing or credit-impaired | Stage 3 – Interest and/or principal repayments are 90 days past due | - | - | - | - | - | - |

The gross carrying amounts, as per above, represent the Company's maximum exposure to credit risk on these assets as at 31 December 2020, without taking account of any collateral held. The Company does not hold any collateral as security for any loans receivable or other receivable balances.

Expected credit losses

The Company determines the 12 months expected credit loss of other non-current loan receivables based on different scenarios of probability of default and expected credit loss applicable to each of the material underlying balances. The movement in expected credit loss allowance for loan receivables classified at amortised cost is detailed below:

| | **2020** | **2019** |
|---|---|---|
| | **US$** | **US$** |
| Opening balance as at 1 January | 10,161,339 | 15,259,469 |
| Charged/(reversed) | 3,557,780 | (5,098,130) |
| At 31 December | **13,719,118** | **10,161,339** |

**3.Financial risk factors (Cont'd)**

**3.2 Credit risk (Cont'd)**

The estimated expected credit loss allowance on other receivable balances as at 31 December 2019 and 31 December 2020 was not material.

*Cash and cash equivalents*

The Company assesses, on an individual basis, its exposure to credit risk arising from cash at bank based on ratings from external credit rating institutions and internal reviews, if external ratings are not available.

The estimated expected credit loss allowance on cash and cash equivalents as at 31 December 2019 and 31 December 2020, based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2019 and 31 December 2020.

*Financial guarantee contract liabilities*

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Company will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable.

The Company has issued financial guarantees on the borrowings of its subsidiaries and quoted bonds issued by its subsidiaries (Note 18 and Note 21). As a result, the Company is exposed to credit risk arising from potential risk of default of the Company's subsidiaries on their external debt. As of 31 December 2020 and 31 December 2019, none of the Company's subsidiaries had defaulted on or breached any covenants on their borrowings/bonds.

The following table presents the estimated provision as at 31 December 2020 for free of charge financial guarantees issued by the Company for unsecured or under-pledged obligations of its subsidiaries in accordance with loan agreements with financial institutions and quoted bonds issued by subsidiaries (Note 21). The amount recognized originally as required by IFRS 9.

| | **2020** |
|---|---|
| | **US$** |
| Opening balance as at 1 January | - |
| Charged during the period | 760,650 |
| At 31 December | **760,650** |

### 3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

**3. Financial risk factors (Cont'd)**

**3.3 Liquidity risk(Cont'd)**

The following tables provide a summary of the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

| **2020** | **Average effective interest rate** | **Less than 1 year or on demand** | **Between 2-5 years or on demand** | **After 5 years** | **Contractual amount** | **Carrying amount** |
|---|---|---|---|---|---|---|
| | | **US$** | **US$** | **US$** | **US$** | **US$** |
| Bonds issued | 7.77% | 44,131,952 | 596,875,000 | | 641,006,952 | 492,862,211 |
| Loans payable, including interest payments | 2.68% | 61,498,185 | - | - | 61,498,185 | 60,241,510 |
| Financial guarantees (i) | - | 20,575,249 | 14,133,083 | - | 34,708,332 | 34,018,742 |
| | | **126,205,386** | **611,008,083** | **-** | **737,213,469** | **587,122,464** |

(i) No cash outflows may be required if the guarantee would not called.

| **2019** | **Average effective interest rate** | **Less than 1 year or on demand** | **Between 2-5 years or on demand** | **After 5 years** | **Contractual amount** | **Carrying amount** |
|---|---|---|---|---|---|---|
| | | **US$** | **US$** | **US$** | **US$** | **US$** |
| Bonds issued | 8.79% | 44,131,948 | 635,625,000 | | 679,756,948 | 489,850,703 |
| Loans payable, including interest payments | 2.63% | 92,114,974 | 14,836,455 | 94,572,898 | 201,524,326 | 186,784,857 |
| Other payables and accruals | - | 1,180,689 | - | - | 1,180,689 | 1,180,689 |
| | | **137,427,611** | **650,461,455** | **94,572,898** | **882,461,964** | **677,816,250** |

## 3. Financial risk factors (Cont'd)

### 3.4 Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). The Company is not significantly exposed to foreign exchange risk as the Company does not hold material balances in foreign currency. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

### 3.5 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization between debt and equity.

The Company's net debt as of 31 December 2020 and 2019 was as follows:

| | 2020<br>US$ | 2019<br>US$ |
|---|---|---|
| Loans payable | 60,241,510 | 186,784,857 |
| Bonds issued | 492,862,211 | 489,850,703 |
| **Total debt** | **553,103,722** | **676,635,561** |
| Less: | | |
| Cash and cash equivalents | (991,566) | (23,568,453) |
| **Net debt** | **552,112,156** | **653,067,107** |
| **Operating profit** | **161,892,485** | **191,019,684** |
| **Net debt to operating profit** | **3.41** | **3.42** |

### 3.6 Fair value estimation

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 - 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.

Due to their short-term nature, the fair value is estimated to approximate the carrying value for the following categories of financial instruments: cash and cash equivalents, other receivables and other payables.

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

## 3. Financial risk factors (Cont'd)

### 3.6 Fair value estimation (Cont'd)

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **US$** | **US$** | **US$** | **US$** |
| **Financial assets** | | | | |
| Loans receivable | 533,773,343 | 541,887,311 | 522,875,019 | 549,070,857 |
| Restricted cash | 3,628,384 | 3,321,758 | 3,059,610 | 2,709,809 |
| **Financial liabilities** | | | | |
| Loans due to related parties | (60,241,510) | (186,784,857) | (58,287,020) | (171,842,204) |
| Bonds | (492,862,211) | (489,850,703) | (550,170,000) | (541,415,000) |

The carrying amount of loans receivable, loans payable and bonds includes interest accrued at each of the respective dates.

The fair value of Bonds was estimated based on market quotations and is within Level 1 of the fair value hierarchy.
The fair value of loans receivable and loans payable was estimated by discounting the expected future cash outflows by a market rate of interest: 7.06% and 5,51% respectively (2019: 7.02% and 4,65%and is within Level 2 of the fair value hierarchy.

### 3.7 Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.
<u>Changes in liabilities arising from financing activities</u>

| | Loans payable US$ | Bonds issued US$ | Total US$ |
|---|---|---|---|
| **As of 01 January 2020** | 177,429,770 | 484,468,755 | 661,898,525 |
| Cash flow from proceeds / (repayments), net | (119,428,741) | - | (119,428,741) |
| | | | - |
| *Non-cash movements* | | | - |
| Finance costs | 3,467,457 | 41,761,508 | 45,228,965 |
| Reclassification to accrued interest payable | (3,467,457) | (38,750,004) | (42,217,461) |
| Foreign exchange movements | 1,757,721 | - | 1,757,721 |
| **As of 31 December 2020** | **59,758,750** | **487,480,259** | **547,239,009** |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

## 3. Financial risk factors (Cont'd)

### 3.7 Reconciliation of liabilities arising from financing activities (Cont'd)

The cash flows from bank loans, loans from related parties and Bonds make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

| | Loans payable US$ | Bonds issued US$ | Total US$ |
|---|---|---|---|
| **As of 01 January 2019** | 76,401,383 | 558,764,086 | 635,165,469 |
| Cash flow from proceeds / (repayments), net | 188,553,381 | (79,417,000) | 109,136,381 |
| Transaction costs payments | | (2,154,583) | (2,154,583) |
| *Non-cash movements* | | | - |
| Finance costs | 8,199,497 | 51,327,226 | 59,526,723 |
| Reclassification to accrued interest payable | (8,199,497) | (44,050,974) | (52,250,471) |
| Non-cash repayments | (84,229,000) | | (84,229,000) |
| Foreign exchange movements | (3,295,993) | - | (3,295,993) |
| **As of 31 December 2019** | **177,429,770** | **484,468,755** | **661,898,525** |

The cash flows from bank loans, loans from related parties and Bonds make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

## 4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Significant increase in credit risk**

As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

## 4. Critical accounting estimates and judgements

- **Impairment of loans issued and financial guarantee contracts**

IFRS 9 requires entities to recognise expected credit losses for financial instruments. The Company follows the general approach as described in Note 3.

In order to assess the probability default rate, management is considering whether there has been an actual or expected significant change in the operating results of the debtor since the receivable was first recognised. This included considering whether there were any actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems, or changes in the scope of business or organisational structure (such as the discontinuance of a segment of the business) that would result in a significant change in the debtor's ability to meet its debtor's obligations.

The Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- **Impairment of investments in subsidiaries**

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated recoverable amounts of these subsidiaries (higher of their value in use or fair value les costs to sell) would be compared to their carrying amounts. If the recoverable amount in lower than the carrying amount of a particular investment, a write-down to the recoverable amount is made. The management has determined there were no indications for impairment as at 31 December 2020 and 31 December 2019 even in the COVID-19 environment.

## 5. Revenue

| | **2020** | **2019** |
|---|---|---|
| | **US$** | **US$** |
| Interest revenue (i) | 43,205,127 | 50,211,644 |
| **Other revenue** | | |
| Dividends income | 127,662,285 | 142,371,703 |
| Consultancy and administrative services | - | 2,409,566 |
| | **170,867,412** | **194,992,913** |

(i) Interest revenue included interest received from related parties US$ 43,118,075 (2019: US$ 49,856,782) (Note 22.1) and interest on deposits US$ 87,053 (2019: US$ 354,862).

## 6. Administration Expenses

| | 2020 US$ | 2019 US$ |
|---|---|---|
| Legal and other professional fees (ii) | 1,786,349 | 5,000,238 |
| Directors fees (i) (Note 22.2) | 1,579,296 | 1,265,600 |
| Salaries | 96,165 | 290,717 |
| Social Insurances and other contributions | 37,710 | 25,078 |
| Non-recoverable VAT | 605,555 | 760,589 |
| Auditors' remuneration (ii) | 393,716 | 198,264 |
| Other administrative expenses | 115,119 | 482,694 |
| Depreciation | 42,588 | 42,588 |
| | **4,656,498** | **8,065,767** |

(i) Directors' fees comprise of amounts attributable to the directors of the Company. As at 31 December 2020 and 2019, there were 6 and 5 directors respectively. There are 2 and 4 employees as at 31 December 2020 and 2019 respectively.

(ii) Auditor's remuneration includes statutory audit fees amounting to US$ 107,962 (2019: US$ 171,400). Legal and other professional fees includes tax advisory services to US$ 36,661 (2019: US$ 43,536), other non-audit services US$ 540 (2019: US$ 393).

## 7. Finance cost

| | 2020 US$ | 2019 US$ |
|---|---|---|
| Interest on bonds | (38,750,004) | (44,050,974) |
| Bond issuance cost (i) | (3,011,504) | (7,276,252) |
| Other finance expenses | (196,277) | (3,157,422) |
| Interest expense on loan payable (Note 22.3) | (3,467,457) | (8,199,497) |
| Foreign exchange (loss)/gain | (1,280,108) | 3,295,993 |
| | **(46,705,350)** | **(59,388,152)** |

(i) This presents the amortization of premium and debt issue costs on bonds.

## 8. Other income

| | 2020 | 2019 |
|---|---|---|
| | **US$** | **US$** |
| Other finance income (i) | 1,408,585 | 1,420,544 |
| | **1,408,585** | **1,420,544** |

(i) Other income includes an amount of US$1,420,544 (2019: US$1,420,544) which was reimbursed from the depositary of GDRs.

## 9. Taxation

| | 2020 | 2019 |
|---|---|---|
| | **US$** | **US$** |
| Profit before income tax | 118,045,772 | 133,052,075 |
| Income tax calculated at the applicable tax rates | 14,755,721 | 16,631,509 |
| Tax effect of expenses not deductible for tax purposes | 1,416,196 | 1,721,287 |
| Tax effect of allowances and income not subject to income tax | (16,321,073) | (18,786,330) |
| Under-provision of prior years Income tax | 220,063 | - |
| Overseas tax suffered at source | 701,181 | 387,255 |
| Income tax paid at source | 470 | - |
| Tax effect of tax loss of the year | 149,155 | 433,534 |
| **Tax charge** | **921,714** | **387,255** |

The corporation tax rate is 12,5%.

In Cyprus under certain conditions, interest income may be subject to defence contribution at the rate of 30% (2018: 30%). In such cases, this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% for tax year 2014 and thereafter.

Special defence contribution is imposed on dividend income, 'passive' interest income and 'passive' rental income earned by companies tax resident in Cyprus.

During the year ended 31 December 2020 and 31 December 2019, there were no such income on which special defence contribution is imposed.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

## 10. Dividends

On 13 of April 2020, the Board of Directors of the Company approved the payment of an interim dividend of US$ 0.2803 per share, amounting to US$ 30,002,808 which was paid to the shareholders (2019: US$ 80,000,357).

## 11. Investments in subsidiaries

| | 2020 | 2019 |
|---|---|---|
| | **US$** | **US$** |
| Balance as at 1 January | 678,400,999 | 408,772,790 |
| Additions (ii) | 2,873,782 | 269,628,209 |
| Disposals (i) | (652,419) | - |
| Reorganizations (ii) | (2,873,782) | - |
| Capital contribution reduction (iii) | (683,354) | - |
| Balance as at 31 December | **677,065,226** | **678,400,999** |

The details of subsidiaries are as follows:

| **Name** | **Country of incorporation** | **Principal activities** | **2020 Holding %** | **2019 Holding %** |
|---|---|---|---|---|
| Raftan Holding Limited | Cyprus | Holding of investments, provision of finance to other group companies | 100 | 100 |
| MHP B.V. | Netherlands | Chicken meat processing | 100.00 | 100.00 |
| Eledem Investments Limited | Cyprus | Holding of investments, provision of finance to other related companies | 100.00 | 100.00 |
| Hemiak Investments Ltd | Cyprus | Holding of investments | 100.00 | 100.00 |
| MHP Lux S.A. | Luxemburg | Provision of finance to related companies | 100.00 | 100.00 |
| Urozhay NVF(*) | Ukraine | Grain cultivation | 0.5 | 0.5 |
| Starynska Ptahofabryka(i) | Ukraine | Breeder farm | - | 0.85 |
| MHP East Europe s.r.o (*) | Slovakia | Provision of finance to related companies | 0.01 | 0.01 |
| Zernoproduct (*) | Ukraine | Grain cultivation | 0.32 | 0.32 |
| MHP Trade B.V.(ii) | Netherlands | Trading in poultry meat | 100.00 | - |
| IM Poultry B.V.(ii) | Netherlands | Trading in poultry meat | 100.00 | - |
| EU Meatex B.V.(ii) | Netherlands | Trading in poultry meat | 100.00 | - |

(*) Starynska PF, Zernoproduct, Urozhay NVF and MHP East Europe s.r.o. are directly and indirectly 100% owned by the Company.

**Investments in subsidiaries (Cont'd)**

(i) On 16 October 2020 the total share capital of Starynska Ptahofabrika which is 0.8506% has been sold to Raftan Holding Limited. Gain from sale of investments US$ 1,450,052 have been recognized Statement of comprehensive income.

(ii) On 27 January 2020, MHP B.V., a subsidiary of the Company, transferred to the Company the interests in IM Poultry BV, EU Meatex BV and MHP Trade BV, which were direct subsidiaries of the MHP B.V. The transaction was legally structured as repayment of the additional paid in capital formed in prior years and was accounted for in these financial statements as return of the capital form subsidiary. As result, investments in new subsidiaries were recognised at their fair values and with corresponding decrease in the carrying value of the investment existing subsidiary, MHP B.V. Fair value of investment in MHP Trade B.V. at the dte of transaction was US$ 2,873,562 (€ 2,606,404), fair values of in IM Poultry BV and EU Meatex BV, which is an empty companies were negligible.

(iii) On 9 November 2018, MHP SE established Hemiak Investments Limited as a wholly owned subsidiary. The total issued share capital of the subsidiary consists of 1,000 ordinary shares with a nominal value EUR 1.00. During 2019, the Company made capital contributions to Hemiak Investments Limited for an amount of US$ 269,627,398. During 2020 capital reduction made by the Company for an amount of US$ 683,354.

## 12. Non-current loans receivable

| | 2020 | 2019 |
|---|---|---|
| | US$ | US$ |
| Loans receivable from subsidiary company (note 22.4) (i) | 540,388,863 | 540,388,863 |
| Expected credit losses allowance | (13,719,118) | (10,161,339) |
| | **526,669,745** | **530,227,524** |

(i) The loans granted to the subsidiary companies are denominated in United States Dollars, bear interest at rates ranging from 4.15 % to 8.30% per annum and are due for repayment between 2022 and 2026. The loans granted are unsecured.

*Expected credit losses*

The Company determines the lifetime expected credit loss of other non-current loan receivables based on different scenarios of probability of default and expected loss applicable to each of the material underlying balances. The movement in loss allowance for loan receivables classified at amortised cost is detailed below:

| | US$ |
|---|---|
| **As at 01 January 2019** | **15,259,469** |
| Reversal during the period | (5,098,130) |
| **As at 01 January 2020** | **10,161,339** |
| Charge during the period | 3,557,780 |
| **As at 31 December 2020** | **13,719,118** |

*Fair values*

The fair values of loans receivable as at 31 December 2020 are disclosed in Note 3.

The exposure of the Company to credit risk and impairment losses, if any, in relation to loans receivable is reported in Note 3 of the financial statements.

## 13. Other receivables

| | 31 December 2020 US$ | 31 December 2019 US$ |
|---|---|---|
| Interest on loans to subsidiary and indirect subsidiary companies (Note 22.4) | 7,103,598 | 11,659,787 |
| Dividends receivable – Raftan Holding Limited(Note 22.4) | - | 2,058,057 |
| Other receivables (i) | 75,012 | 2,645,942 |
| | **7,178,610** | **16,363,786** |

(i) Balance of other receivables includes balances with relates parties as shown in (Note 22.4)

The fair values of other receivables as at 31 December 2020 are disclosed in Note 3.

The exposure of the Company to credit risk and impairment losses if any, in relation to other receivables is reported in Note 3 of the financial statements.

## 14. Cash and Cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include the following:

| | 31 December 2020 US$ | 31 December 2019 US$ |
|---|---|---|
| Cash at bank | 991,566 | 23,568,453 |
| | **991,566** | **23,568,453** |

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in Note 3 to the financial statements.

## 15. Other financial assets

| | 31 December 2020 US$ | 31 December 2019 US$ |
|---|---|---|
| Restricted cash at bank current portion | 862,888 | - |
| Restricted cash at bank non-current portion | 2,765,496 | 3,321,758 |
| | **3,628,384** | **3,321,758** |

As of 31 December 2020, the Company held cash at bank in the amount of US$ 3,628,384 (2019: US$ 3,321,758) that were blocked serving as collateral to secure bank borrowings of subsidiaries of the Company.

The Company opened Reserve Accounts with Coöperatieve Rabobank U.A. in accordance with Loan Agreement dated March 29, 2016, Loan Agreements dated December 23, 2015, Loan Agreements dated July 05, 2016, Loan Agreements dated August 04, 2017, Loan Agreement dated October 31, 2017, Loan Agreement dated December 06, 2018 and made respectively between PrJSC “MHP” (formerly known as PJSC "Myronivsky Hliboproduct") as Borrower and Coöperatieve Rabobank U.A. as Lender.

**15. Other financial assets (Cont'd)**

As of 31 December 2020, the balance of the reserve accounts amounted to US$ 3,628,384 (2019: US$ 3,321,758).
The exposure of the Company to credit risk and impairment losses, if any, is reported in Note 3 of the financial statements.

**16. Property, plant and equipment**

| | Renovations | Furniture and Fittings | Computers | Total |
|---|---|---|---|---|
| | **US$** | **US$** | **US$** | **US$** |
| *Cost* | | | | |
| **At 1 January 2019** | 103,460 | 60,047 | 3,998 | 167,505 |
| Additions | - | 536 | 3,132 | 3,668 |
| **At 31 December 2019/1 January 2020** | **103,460** | **60,583** | **7,130** | **171,173** |
| Additions | - | - | - | - |
| **At 31 December 2020** | **103,460** | **60,583** | **7,130** | **171,173** |
| *Depreciation:* | | | | |
| **At 1 January 2019** | 34,487 | 6,004 | 999 | 41,490 |
| Additions | 34,487 | 6,058 | 2,043 | 42,588 |
| **At 31 December 2019/1 January 2020** | **68,974** | **12,062** | **3,042** | **84,078** |
| Additions | 34,486 | 6,058 | 2,043 | 42,587 |
| **At 31 December 2020** | **103,460** | **18,120** | **5,085** | **126,665** |
| *Net book value* | | | | |
| **At 31 December 2020** | **-** | **42,463** | **2,045** | **44,508** |
| **At 1 January 2020** | **34,486** | **48,521** | **4,088** | **87,095** |

**17. Shareholders' equity**

Share capital and share premium

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

| | *2020* | *2019* |
|---|---|---|
| Number of ordinary shares – authorised share capital | 110,770,000 | 110,770,000 |
| Number of ordinary shares – issued and fully paid | 110,770,000 | 110,770,000 |

As of 31 December 2020 and 31 December 2019 the authorised share capital of the Company was EUR 221,540,000 divided into 110,770,000 ordinary shares, each having a nominal value of EUR 2 each. The authorised share capital of the Company is fully issued and all the shares are fully paid up.

As at 31 December 2020 and 2019, the Company had no direct holding of treasury shares. 3,731,792 (31 December 2019: 3,731,792) ordinary shares, represented by an equal amount of GDRs, were held by the Company's direct and indirect subsidiaries, Raftan Holding Ltd and PrJSC MHP.

**Shareholders' equity(Cont'd)**

Other reserves

Other reserves mainly comprise of the following items:

(i) Bond issuance costs in the amount of US$ 13,196,088 settlement of which was assumed by subsidiary companies without any recharge.

(ii) Effect of acquisition of additional interest in subsidiary company in the amount of US$ 2,900,660. The effect is represented by the difference between the fair value of GDRs held as treasury shares transferred as a consideration and their acquisition price previously recorded as deduction in equity.

## 18. Bonds issued

| | *Carrying amount* | | *Nominal amount* | |
|---|---|---|---|---|
| | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| 7.75% Senior Notes due in 2024 | 487,480,259 | 484,468,755 | 500,000,000 | 500,000,000 |
| **Total bonds issued** | 487,480,259 | 484,468,755 | 500,000,000 | 500,000,000 |

As of 31 December 2020 and 31 December 2019 interest payable on bonds issued was US$ 5,381,952 and US$ 5,381,948 respectively (see Note 20). On 21 October 2019 the Group redeemed all US$ 79,471,000 of the aggregate principal amount outstanding of its 8.25% Senior Notes due in 2020 in accordance with the terms of the indenture.

The Senior Notes are listed for trading on the Global Exchange Market of the Irish Stock Exchange.

**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 the amount of USD 245,200 thousand were designated for redemption and exchange of existing 8.25% Senior Notes due in 2020.

Early redemption of the 8.25% Senior Notes due in 2020 from the issue of the 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 the 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 the 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 the consent fees, in the amount of USD 4,599 thousand were expensed as incurred.

## 18. Bonds issued (Cont'd)

### 7.75% Senior Notes (Cont'd)

The carrying amount of the Senior Notes was adjusted on transition to IFRS 9. Under IFRS 9, as a result of a non-substantial modification, the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate should be recognised as a gain at the date of modification. The difference between the carrying amount of the Senior Notes under IAS 39 and IFRS 9 was recognised in opening retained earnings in the amount of USD 7,566 thousand.

The Senior Notes are jointly and severally guaranteed on a senior basis by PrJSC "MHP", 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 Company 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 Company, declare all outstanding Senior Notes to be due and payable immediately. If a change of control occurs, the Company 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 31 December 2020 and 31 December 2019.

As at 31 December 2020 the leverage ratio of the Group is 3.66 to 1 (31 December 2019: 3.01 to 1), higher than the defined limit 3.0 to 1. Thus, from 13 April 2020, the date of publication of audited consolidated financial statements as of and for the year ended 31 December 2019, and as at 23 March 2021 the aforementioned restrictions are binding on the Group.

<u>Weighted average effective interest</u>

The weighted average effective interest rate on the Senior Notes is 7.77% per annum and 8.79% per annum for the year ended 31 December 2020 and 2019, respectively.

## 19. Loans payable

| | 31 December 2020 US$ | 31 December 2019 US$ |
|---|---|---|
| Loans payable to subsidiary and indirect subsidiary companies (Note 22.5) | | |
| Current portion | 59,758,750 | 81,357,400 |
| Non-current portion | - | 96,072,370 |
| | **59,758,750** | **177,429,770** |

The loans payable are denominated in United States Dollars and in Euro, bear interest ranging from 2% to 3% and 2,5% to 4% per annum for the year ended 31 December 2020 and 2019 respectively and are repayable during 2021.

Fair values

The fair values of loans payable as at 31 December 2020 are disclosed in Note 3.

## 20. Interest payable

| | 31 December 2020 US$ | 31 December 2019 US$ |
|---|---|---|
| Interest payable on bonds issued (Note 18) | 5,381,952 | 5,381,948 |
| Interest payable on loans payable to subsidiary and indirect subsidiary companies (Note 22.5) | 482,760 | 9,355,088 |
| | **5,864,712** | **14,737,036** |

## 21. Financial guarantees

| | 31 December 2020 US$ | 31 December 2019 US$ |
|---|---|---|
| Estimated provision for free of charge financial guarantees issued (Note 3.2) | 760,650 | -- |

The Company has issued financial guarantees on the borrowings of its subsidiaries and quoted bonds issued by its subsidiaries (Note 18).

Securities on the bank borrowings

The Company has provided guarantees in relation to the following outstanding indebtedness under the bank loan agreements entered into by the Company's direct or indirect subsidiaries:

- Rabobank for an amount of EUR 11,860,057 (2019: EUR 17,347,963)
- Ing bank N.V. bank for an amount of EUR 7,000,000 (2019: EUR 3,000,000)
- LandesBank Berlin AG bank for an amount of EUR 709,957 (2019: EUR 2,121,173)
- EBRD for an amount EUR 14,144,444 (2019:EUR 25,000,000)
- Pravexbank EUR 100,000,000 (2019: EUR nil)
- Citibank US$ 15,000,000 (2019: US$ nil)

**21. Financial guarantees (Cont'd)**

The Company has provided guarantees in relation to the following outstanding indebtedness under the bonds issued by the Company's wholly owned subsidiary MHP Lux S.A., a public company with limited liability (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg:

- US$ 550,000,000 6.95% Senior Notes due in 2026 at par value issued on 3 April 2018.

The Senior Notes are jointly and severally guaranteed on a senior basis by the Company and the following direct and indirect subsidiaries of the Company: MHP, Peremoga Nova, Oril-Leader, Myronivsky Plant of Manufacturing Feeds and Groats, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Katerynopilsky Elevator, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Scylla Capital Limited and Raftan Holding Limited.

- US$ 350,000,000 6.25% Senior Notes due in 2029 at par value issued on 19 September 2019.

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

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 Adjusted EBITDA ratio as defined by the indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. The debt covenants are calculated by reference to Group financial statements.

If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the 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.

The Senior Notes are jointly and severally guaranteed on a senior basis by the Company and the following direct and indirect subsidiaries of the Company: PrJSC "MHP", PrJSC "ZERNOPRODUKT MHP", PrJSC "AGROFORT", PrJSC "ORIL-LEADER", PrJSC "MYRONIVSKA PTICEFABRIKA", "SPF "UROZHAY" LLC, "STARYNSKA PTAKHOFABRYKA" ALLC, "VINNYTSKA PTAKHOFABRYKA" LLC, "PEREMOGA NOVA" SE, "KATERINOPOLSKIY ELEVATOR" LLC 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 Adjusted EBITDA ratio as defined by the indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. The debt covenants are calculated by reference to Group financial statements.

If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the 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.

## 22. Related party transactions

The ultimate controlling party 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, directly ownings of 59,7% of the total outstanding share capital of MHP SE.

Details of related party transactions and balances between the Company and its related parties are disclosed below.

### 22.1 Income from subsidiary and indirect subsidiary companies (Note 5)

| | 2020 US$ | 2019 US$ |
|---|---|---|
| Dividends income | 127,662,285 | 142,371,703 |
| Interest revenue | 43,118,075 | 49,856,782 |
| Consultancy and administrative services | - | 2,409,566 |
| | **170,780,360** | **194,638,051** |

### 22.2 Directors' fees (Note 6)

| | 2020 US$ | 2019 US$ |
|---|---|---|
| Directors' fees | 1,579,296 | 1,265,600 |
| | **1,579,296** | **1,265,600** |

### 22.3 Expenses payable to subsidiary and indirect subsidiary companies (Note 7)

| | 2020 US$ | 2019 US$ |
|---|---|---|
| Interest expense | 3,467,457 | 8,199,497 |
| | **3,467,457** | **8,199,497** |

### 22.4 Receivables from related companies (Notes 12 and 13)

| | 31 December 2020 US$ | 31 December 2019 US$ |
|---|---|---|
| Loans receivable from subsidiary and indirect subsidiary companies | 526,669,745 | 530,227,524 |
| Interest receivable on loans issued to subsidiary and indirect subsidiary companies | 7,103,598 | 11,659,787 |
| Dividends receivable from subsidiary companies | - | 2,058,057 |
| Other receivables from related parties | 68,144 | 2,603,474 |
| | **533,841,487** | **546,548,842** |

## 22. Related party transactions (Cont'd)

### 22.5 Payables to related companies (Notes 19 and 20)

| | 31 December 2020 US$ | 31 December 2019 US$ |
|---|---|---|
| Loans payable to subsidiary and indirect subsidiary companies | 59,758,750 | 177,429,770 |
| Interest payable on loans from subsidiary and indirect subsidiary companies | 482,760 | 9,355,088 |
| Other payables to subsidiaries | 101,815 | 119,687 |
| Directors' fee payable | 100,724 | 72,853 |
| | **60,444,049** | **186,977,397** |

### 22.6 Loans provided to shareholders

On 21 January 2020, the Board approved a loan facility of up to USD 80,000 thousand to the company's 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 31 December 2020, the Companies' subsidiary had advanced loans to WTI in the aggregate amount of USD 67,400 thousand (31 December 2019: USD 20,400 thousand). During the year ended 31 December 2020 the Companies' subsidiary provided loans to WTI in gross amount of USD 57,000 thousand (31 December 2019: USD 35,000 thousand) and received repayments from WTI in the amount of USD 10,000 thousand (31 December 2019: USD 17,200 thousand). The loans, with a maturity in July - December 2021, bear interest at a rate of 8.25% to 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 18).

## 23. Operating environment in Ukraine

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 4.2% for year ended 31 December 2020 (2019: growth 3.6%). Annual inflation is modest during 2020 at 5.0% (2019: 4.1%).

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.

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 18.0% in January 2019 to 6.0% in December 2020.

The degree of macroeconomic uncertainty in Ukraine in 2021 still remains high due to a significant amount of public debt scheduled for repayment in 2021, 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.

## 23. Operating environment in Ukraine (Cont'd)

Further economic growth depends, to a large extent, upon the 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 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 in Q2 2020 had been adversely impacted by the aftereffects of the pandemic such as the decrease in market prices and exported volumes, while in H2 2020 situation has stabilised temporarily. Such trends might be expected to continue in the foreseeable future, depending on the duration and the incidence of the next waves of 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 exists. Based on these reviews, there were no indicators of impairment as of 31 December 2020.

## 24. Commitments and contingent liabilities

The Company had no commitments and contingent liabilities as at 31 December 2020 and 31 December 2019.

## 25. Events after the reporting period

At the extraordinary general meeting of the Shareholders of MHP SE, which was held on 18 March 2021, the Shareholders have approved the merger of MHP SE with Raftan Holding Limited ("Raftan"), Hemiak Investments Limited ("Hemiak") and Eledem Investments Limited ("Eledem"), being its wholly owned subsidiary companies. All the undertakings, properties and assets of Raftan, Hemiak and Eledem, as reflected in the audited financial statements of each of Raftan, Hemiak and Eledem, for the year ended 31 December 2020, shall be transferred to and vest in MHP SE, subject to all existing encumbrances thereon, and all the debts and liabilities of Raftan, Hemiak and Eledem, as reflected in the audited financial statements of each of Raftan, Hemiak and Eledem, for the year ended 31 December 2020, shall be transferred to, assumed by and become the debts and liabilities of MHP SE.

MHP SE shall be the entity resulting from the merger and Raftan, Hemiak and Eledem, would be dissolved without winding up.

Taking into account the current challenging market dynamics, and with a Net Debt to EBITDA ratio at the Group level of 3.66 at 31 December 2020 (above 3.0, beyond which certain restrictions become effective, please see Note 18), the Board felt it prudent to continue to conserve cash and, subject to shareholder approval, to pay an unchanged dividend of US$ 0.2803 per share (approximately US$ 30 million) for 2020, payable in April 2021 (approximately US$ 30 million for 2019, paid April 2020).