MHP

AGRO & INDUSTRIAL HOLDING

A LEADING INTERNATIONAL AGRO-INDUSTRIAL COMPANY

ANNUAL REPORT
AND ACCOUNTS 2020

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[1] Adjusted EBITDA (net of IFRS 16)

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TRANSFORMATION TO CULINARY COMPANY

Launch of a number of pilot projects during 2020 to continue development of more customer-centric products and routes to market

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Continued investment in business efficiency through strategic modernisation and cost optimisation

PERUTNINA PTUJ INTEGRATION CONTINUED

US$ 335 million contribution to Group revenue in 2020 with 16% adjusted EBITDA[1] margin

FINANCIAL HIGHLIGHTS

US$ million
1,911
Revenue
(-7% y/y;
2019: US$ 2,056 million)

US$ million
1,016
Export revenue
(-14% y/y;
2019: US$ 1,186 million)

% of total revenue
53%
Export revenue
(2019: 58%)

US$ million
340
Adjusted EBITDA[1]
(-10% y/y;
2019: US$ 376 million)

US$
(1.26)
(Loss)/Earnings per share
(2019: US$ 2.10)

US$ million
1,244
Net Debt
(net of IFRS 16)
(31 Dec 2019: US$ 1,139)

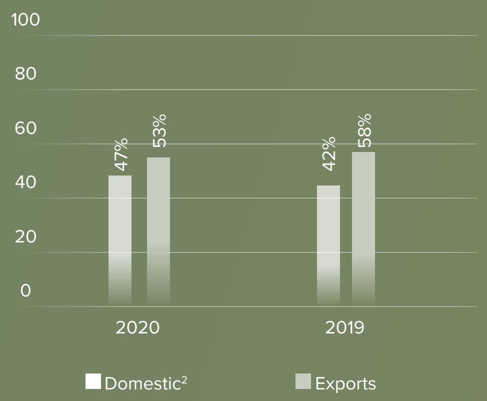
3.66
Net Debt/ LTM Adjusted EBITDA[1] ratio
(31 Dec 2019: 3.01)

GROUP OVERVIEW

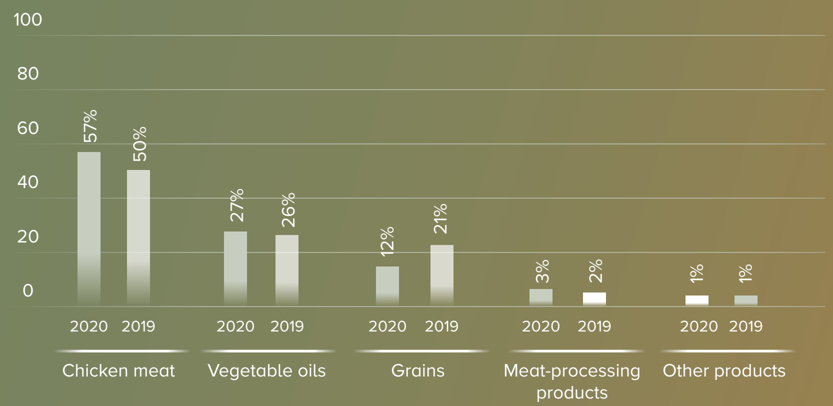
MHP IS A LEADING AND VERTICALLY-INTEGRATED INTERNATIONAL AGRO-INDUSTRIAL GROUP HEADQUARTERED IN UKRAINE WITH OPERATIONS IN UKRAINE AND THE BALKANS.

IT IS THE LEADING PRODUCER OF POULTRY PRODUCTS IN UKRAINE WITH THE HIGHEST DOMESTIC MARKET SHARE AND STRONGEST DOMESTIC BRAND RECOGNITION[1].

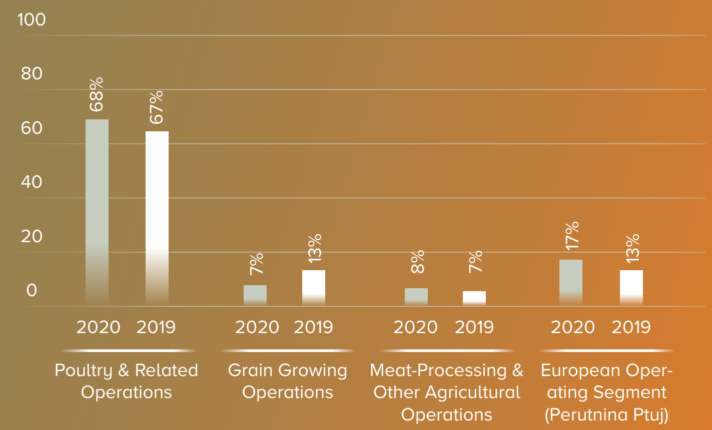
THE GROUP IS IN THE PROCESS OF TRANSFORMING TO A CULINARY COMPANY FOCUSSED ON VALUE-ADDED AND FURTHER PROCESSED PRODUCTS.



2020 GROUP REVENUE, %



2020 GROUP EXPORT REVENUE BY PRODUCT TYPE, %



2020 CONTRIBUTION TO GROUP REVENUE BY BUSINESS[3]

[1] InMind
[2] Domestic revenue comprises revenue generated from sales by MHP Ukraine in Ukraine; and revenue generated from sales by Perutnina Ptuj in the Balkans
[3] For information on the performance of each business segment and on the drivers behind the year-on-year trends please see the Financial and Operational Review section on page 31.

[1] Domestic revenue comprises revenue generated from sales by MHP Ukraine (Poultry & Related Operations; Grain Growing Operations; and Meat-Processing & Other Agricultural Operations) in Ukraine.
[2] Domestic revenue comprises revenue generated from sales by Perutnina Ptuj in the Balkans.

The Group is organised into and operates through four business segments: Poultry and Related Operations; Grain Growing Operations; Meat-Processing and Other Agricultural Operations; and the European Operating Segment ("EOS", comprising the operations of Perutnina Ptuj or "PP").

More information on the operational and financial results of each of the business segments can be found in this Group Overview and in the Financial and Operational Review section on pages 5 and 31. A snapshot of the operations and strategy of each business segment is set out below.

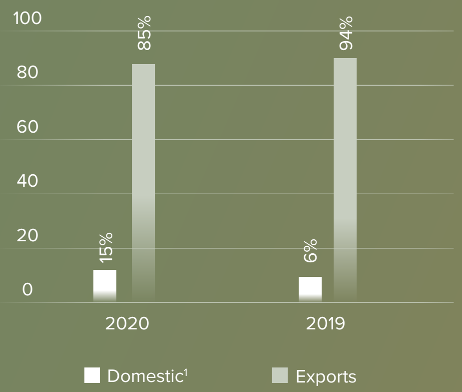
REVENUE BY DESTINATION BY BUSINESS SEGMENT

POULTRY & RELATED OPERATIONS, %

Processes and sells chicken meat (fresh and frozen), vegetable oils (sunflower and soybean) and mixed fodder.

Strategy

A twofold approach: for export markets, international diversification and product optimisation, including a shift towards value-added products in some markets; for domestic markets, a focus on more value-added products and market penetration through development of sales channels.

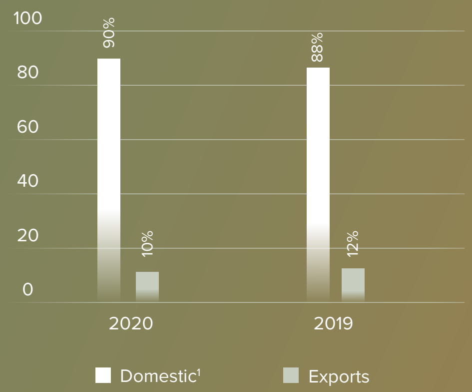


GRAIN GROWING OPERATIONS, %

Grows crops for fodder production and for sale to third-parties.

Strategy

Sustainable optimisation of the landbank; technology-driven efficiency improvements.

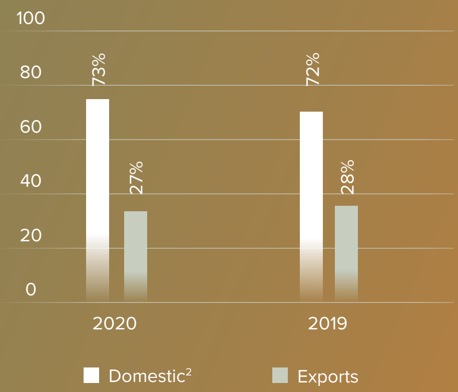


MEAT-PROCESSING & OTHER AGRICULTURAL OPERATIONS

Produces and sells sausage and cooked meat, convenience foods and produce from cattle and dairy operations.

Strategy

Focus on more value-added products and market penetration.



EUROPEAN OPERATING SEGMENT (PERUTNINA PTUJ), %

A poultry meat and meat-processing company headquartered in Slovenia and with production assets in Slovenia, Croatia, Serbia, Bosnia and Herzegovina.

Strategy

To become the number one producer of poultry meat and processed-meat products across the Balkans; a focus on more value-added products, export markets and market penetration.

[1] SSSU
[2] Adjusted EBITDA (net of IFRS 16)

THE GROUP'S VISION IS TO BE A WORLD-LEADING SUSTAINABLE FOOD PRODUCER.

THE GROUP'S MISSION IS TO PROVIDE ITS CUSTOMERS WITH HIGH-QUALITY, SUSTAINABLE, ANIMAL-WELFARE FRIENDLY AND SAFE FOOD PRODUCTS, ANTICIPATING AND MEETING THEIR EVOLVING PRIORITIES AND REQUIREMENTS.

GROUP OVERVIEW

The Group's vision is to be a world-leading sustainable food producer.

The Group's mission is to provide its customers with high-quality, sustainable, animal-welfare friendly and safe food products, anticipating and meeting their evolving priorities and requirements.

The Group is the leading producer of poultry products in Ukraine, and one of the leaders in poultry production and meat-processing in the Balkans through its Perutnina Ptuj ("PP") operations. It is also one of the largest grain producers in Ukraine, the leading processed-meat producer in Ukraine[1] and the leading biogas producer in Ukraine[1].

The Group's vertically-integrated business model, experienced management team, diversified growth strategy and deployment of modern innovative technologies combine to underpin and drive MHP's success. The Group's response to the COVID-19 Pandemic highlights the resilience and adaptability of the business model and the commitment of our people; despite the challenges, our 2020 financial performance was robust, with adjusted EBITDA[2] decreasing by only 10% year-on-year.

The impact of COVID-19 on the Group and the Group's response to the Pandemic is set out in more detail in the Chairman's Statement and the CEO's Statement on pages 16 and 21.

SUSTAINABLE GROWTH DRIVEN BY DIVERSIFIED INTERNATIONAL AND DOMESTIC STRATEGY

MHP continues to develop its international markets supported by a strong position in its domestic markets.

The Group is in the process of transforming to a culinary company, and its strategy in the domestic market and in export markets remains, focussed on the shift towards higher value-added and further processed products, such as those in the "ready-to-cook" and "ready-to-eat" ranges. For more information about the development of these routes to market please see the CEO's Statement on pages 21 to 24.

As a result of the continued execution of the Group's geographic diversification strategy, combined with product mix optimisation (the "right product to the right market"), the Group now exports to over 80 countries, with export revenue constituting 53% of total revenue in 2020 (2019: 58%). MENA, EU, CIS and Africa are the primary export markets.

The Group continues to monitor global developments and potential M&A opportunities, and MHP is well-positioned to be an active participant in continued industry consolidation.

The Group's strategy and its evolution is discussed in more detail in the Chairman's Statement, the CEO's Statement and in the Management Report on pages 16, 21 and 83.

THE GROUP'S VERTICAL INTEGRATION MARKS IT OUT FROM ITS PEERS

Both MHP Ukraine and PP operate vertically-integrated business models, owning and operating modern facilities at each of the key stages of the chicken meat production process: grain and fodder production; egg production and incubation; hatching; breeding; slaughtering; sausage and convenience food production; sales, marketing and distribution.

A graphical overview of the business models at both MHP Ukraine and PP can be found in the Business Model section on pages 14 and 15.

The Company's vertically-integrated business models ensure a highly competitive cost-base versus industry peers, as well as enhanced quality control and higher biosecurity of the poultry flock and poultry production. These business models also significantly reduce the Group's dependence on suppliers and farmers and its exposure to raw material price volatility, whilst also providing employment opportunities and supporting the widening of food choices beyond local staples, thus meeting consumer preferences in terms of taste, form and quality.

Vertical integration is also a key enabler of MHP's contribution to the Global Food Security Index ("GFSI") with regard to quality, safety, financial and physical accessibility of food, natural resources and sustainability.

OUR BUSINESS SEGMENTS

Detail on the operations, brands and strategy of each of the Group's four business segments is set out below.

POULTRY & RELATED OPERATIONS SEGMENT (68% of Group revenue in 2020)

(MHP Ukraine operations only)

Operations

The Poultry & Related Operations Segment produces, processes and sells chicken meat (fresh and frozen), vegetable oils (sunflower and soybean) and mixed fodder. It includes three chicken meat complexes, two breeding complexes, three sunflower oil plants, one soybean crushing plant, three feed mills and two biogas complexes.

MHP is the leading poultry producer in Ukraine[1], accounting for approximately 30% of chicken meat consumed in the country in 2020. MHP supplies chilled and frozen chicken and other meat products to a number of nationwide supermarket chains, including Fozzy, Metro Cash & Carry, ECO, Novus and Auchan.

MHP also produces and sells vegetable oils (sunflower and soybean oils) as a by-product of its fodder production, mainly to international traders. This is an important source of hard currency revenue.

Brands

An overview of the poultry meat brand portfolio (Ukraine and export) is shown below.

- Ukrainian focussed
- Chilled products
- Available whole and in parts

- Ukrainian focussed
- Chilled marinated products
- Available only in parts

- Ukrainian focussed
- Chilled marinated products
- Available only in parts

- Ukrainian focussed
- Chilled products
- Available whole and in parts

- Ukrainian focussed
- Frozen products
- Available whole and in parts

- Ukrainian focussed with sales to HoReCa
- Chilled/frozen products

- Export product (all locations)
- Chilled/frozen products
- Available whole and in parts

- Export product (excl. EU & Asia)
- Frozen products
- Available whole and in parts

- Export product (excl. EU)
- Frozen products
- Available whole and in parts

- Export product (excl. EU & Asia)
- Chilled/frozen products

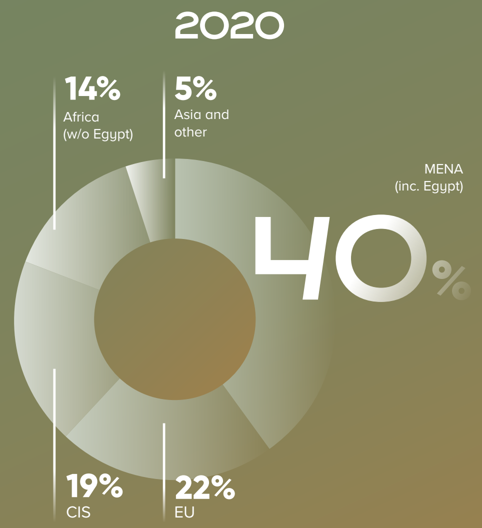
- Export product (Iraq)
- Frozen products
- Available whole and in parts

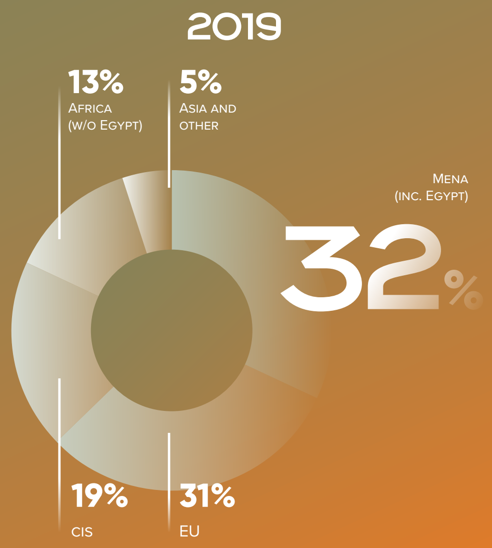
- Export product (Georgia)
- Frozen products
- Available only whole

[1] SSSU

[1] Only MHP Ukraine, excluding Perutnina Ptuj.

POULTRY EXPORT VOLUMES[1] BY REGION IN TONNES, %





Strategy

Poultry division of the Poultry & Related Operations Segment continues to execute upon its strategy in both export and domestic markets as part of the Group's transformation to a culinary company. In export markets, the strategy remains one of international diversification and product optimisation ("right products to the right markets"). In domestic markets, the focus is on the development of the Nasha Ryaba brand through packed and unpacked poultry products (predominantly parts), production of more value-added and further processed primary and cooked products, and the evolution of its routes to market strategy through retail, HoReCa, modern trade and franchises.

The Segment's export revenue by region for both 2020 and 2019 is shown on the left. The year-on-year movements in the percentage of exports to MENA and the EU were as a consequence of the Group's response to the imposition of trade barriers due to Avian Influenza, and the closure of export markets due to both COVID-19 and Avian Influenza. The Group's response highlights the resilience and flexibility of its operations and business model. For a detailed explanation of these trends please see the Financial and Operational Review on pages 34.

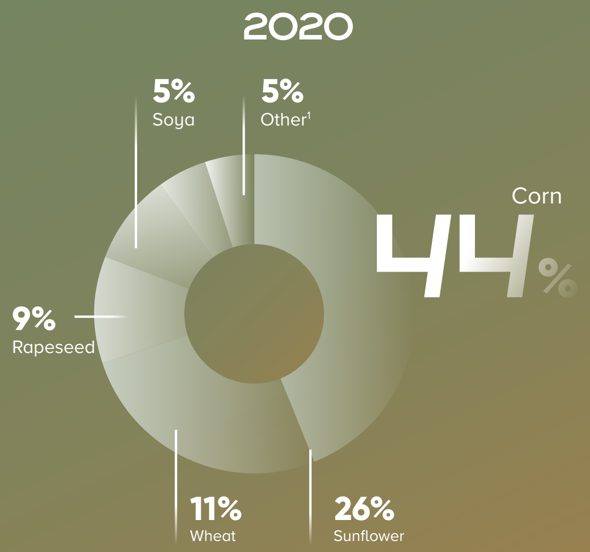
Poultry & Related Operations Production Figures

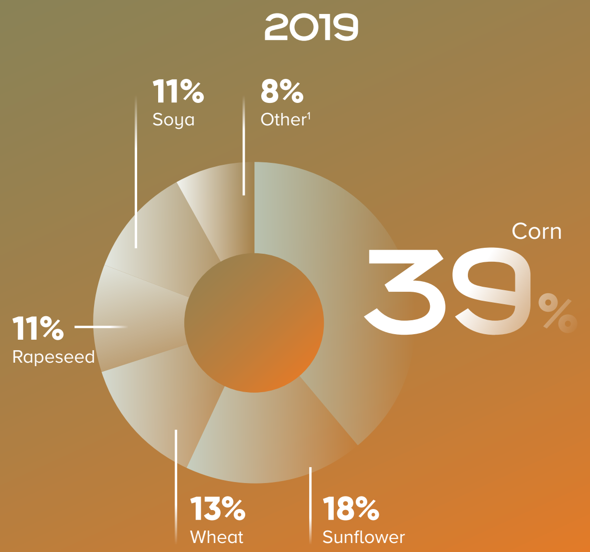
Product	2020	2019
Chicken meat, tonnes	731,279	728,917
Hatching eggs, million	559	528
Sunflower oil, tonnes	329,552	366,135
Soybean oil, tonnes	40,850	47,743
Mixed fodder, tonnes	1,894,284	1,944,726
Biogas, MW	17	5

The Segment's operational and financial performance is disclosed in the Segment Performance section of the Financial and Operational Review on page 31.

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

CROPPED AREA BREAKDOWN FOR GRAIN GROWING OPERATIONS, %





GRAIN GROWING SEGMENT
(7% of Group revenue in 2020)

Operations

MHP is one of the leading grain cultivation businesses in Ukraine. The Segment grows corn, sunflower and soybean as well as other grains including rape and wheat, both for fodder production to support the vertical integration of its chicken production, and to export for sale to third parties, thereby providing one of the Group's sources of hard currency revenue.

MHP leases agricultural land located primarily in the highly fertile black soil regions of Ukraine. In 2020 MHP's total landbank constituted approximately 380,000 hectares ("ha") of land, representing one of the largest land portfolios in Ukraine. A breakdown of the Segment's cropped area in 2019 and 2020 is shown on the left.

In 2020, MHP harvested 356,046 ha of land, yielding 1,706,942 tonnes of grain, a decrease of 29% year-on-year, mainly due to unusually hot and arid weather conditions in the final weeks of the growing season, particularly in the central regions (Cherkasy and Vinnytsia regions) of Ukraine. This led to significantly lower yields across most crops compared with 2019; however, despite the abnormal weather conditions, crop yields remained above the Ukrainian average due to operational efficiencies and the employment of best practice.

Grain storage facilities totalled 1,590,000 m^3 with a capacity of 694,395 tonnes (in plastic bags).

Land Reform

The Group leases land from landowners on a long-term basis and the abolition of the moratorium on the sale of agricultural land, due to come into effect for private individuals in July 2021 and in January 2024 for legal entities registered or domiciled in Ukraine only, is expected to have no significant impact on MHP's land portfolio or business model as MHP can continue to cultivate land through land leasing.

Additional information on the land reforms is provided in the Risk Management section on pages 43 to 53.

Strategy

The Group aims to increase the Segment's profitability through sustainable optimisation of the landbank. This will be achieved via innovation and technology including Artificial Intelligence ("AI") and machine-learning algorithms for real-time analysis, forecasting and facilitation of decision making.

The Segment's operational and financial performance is disclosed in the Segment Performance section of the Financial and Operational Review on page 35.

MEAT-PROCESSING & OTHER AGRICULTURAL OPERATIONS SEGMENT (8% of Group revenue in 2020)

Operations

The Meat-Processing & Other Agricultural Operations Segment produces and sells sausage and cooked meat, convenience foods and produce from cattle and dairy operations. It incorporates two facilities for the production of prepared meat products and a number of farms.

The meat-processing operations are is the Segment's core business and an important driver of the Segment's profitability, driven by the sale of value-added products: these include fresh meat, pre-prepared and ready-to-eat products, predominantly from chicken meat.

MHP is a leader in the highly fragmented meat-processing market in Ukraine, accounting for approximately 14% of all sausage and cooked meat produced in Ukraine in 2020[1], with some non-branded processed-meat products exported. The Segment produced 33,635 tonnes of meat-processing products and 20,346 tonnes of convenience foods in 2020.

Brands

The Company's convenience food and processed food brands for the Ukrainian market include Bashchinsky, Lehko!, Sytni and Qualiko. At the end of 2020, in line with the Group's transformation to a culinary company, MHP launched pilot brands including Ho Perekusyty™, a sub-brand of Bashchinsky, and Ryabchyk, dried chicken fillets with soy sauce. An overview of MHP's established meat-processing and convenience food brand portfolio is shown to the left.

Strategy

The Segment will continue to focus upon its core meat-processing operations and the evolution of its route to market strategy through retail, HoReCa, modern trade and franchises.

The Segment's operational and financial performance is disclosed in the Segment Performance section of the Financial and Operational Review on page 36.

- Ukrainian focussed
- Sausages, chilled convenience products, smoked chicken

- Ukrainian focussed
- Frozen convenience food

- Ukrainian focussed
- Frozen convenience food

- Export products
- Frozen convenience food

EUROPEAN OPERATING SEGMENT (PP) (17% of Group revenue in 2020)

Operations

The European Operating Segment comprises 100% of Perutnina Ptuj ("PP"), a leading poultry and processed-meat producer in the Balkans[2] with production assets in Slovenia, Croatia, Serbia, Bosnia and Herzegovina, and distribution companies in Austria, North Macedonia and Romania. PP supplies products to 15 European countries. In 2020, 73% of the Segment's revenue was generated from domestic markets which proved resilient during the Pandemic, in particular retail markets; the remaining 27% was generated from exports, mainly from HoReCa and B2B sales.

PP was the first company in Slovenia to introduce a new standard aligned to the latest research into the wellbeing of animals. This standard exceeds EU legislative requirements. A large and growing part of PP's production is governed by a rigid animal welfare breeding standard thus allowing the Company to sell products under the PP Natur Premium Brand.

Brands

PP supplies products under its PP brands (meat, sausages and snacks for quickly-prepared, warm and healthy meals) and Poli (sausages, cold meats, pate and snacks) brands, with a shift in 2020 towards more packaged and ready-to-eat (convenience) products with added value and higher margin. An overview of the Company's brand portfolio is shown on the next page.

Strategy

The Company will continue to invest in the region with the aim of becoming the most efficient and undisputed number one producer of poultry meat and processed-meat products across the Balkans by market share and volume. As part of this strategy there will be a continued drive towards more value-added products, export markets and market penetration, including investment in new sales channels (for example e-commerce, including online shopping, and food delivery).

[1] SSCU
[2] SURS (Statistical Office of the Republic of Slovenia)

[1] Results from 21 February 2019 when the acquisition of PP was completed.

European Operating Segment Production Figures

Product	2020	2019[1]
Chicken meat, tonnes	102,157	69,053
Meat-processing products, tonnes	39,026	36,813
Hatching eggs, millions	43.3	46.7
Mixed fodder, tonnes	227,065	233,682
Biogas, MW	1	1

PP's total grain storage capacity is approximately 90,000 tonnes.

The Segment's operational and financial performance is disclosed in the Segment Performance section of the Financial and Operational Review on page 37.

poli

Perutnina Ptuj
Brand Portfolio

MEAT

Natur
Poultry products, with packaging highlighting low fat and cholesterol content

Natur Premium
Products from poultry bred in accordance with premium breeding standards

Gurman
Marinaded poultry products

Piknik
Cut and pre-seasoned fresh poultry products

MEAT PRODUCTS

Perutnina Ptuj
Sausages, frankfurters, frozen and other ready-made products

Slim & Fit
Low-fat poultry products

Golica
Traditional Slovenian chicken frankfurters

Pepe
We developed a line of high-quality products that is airned specifically at children taste

Perfect Poultry
Is a same brand as **Perutnina Ptuj** but for specific export markets

OUR BUSINESS MODEL

HOW WE GENERATE REVENUE

POULTRY & RELATED OPERATIONS SEGMENT

We produce and sell chicken meat (fresh and frozen); vegetable oils (sunflower and soybean); and mixed fodder.

US$

1,298 million revenue

731,279 tonnes of poultry produced

GRAIN GROWING SEGMENT

We grow crops for fodder production and for sale to third parties.

US$

134 million revenue

1.7 million tonnes of crops produced

MEAT-PROCESSING & OTHER AGRICULTURAL SEGMENT

We produce and sell sausages; processed and cooked meat; convenience foods; and produce from cattle and dairy operations.

US$

144 million revenue

53,981 tonnes of meat products produced

EUROPEAN OPERATING SEGMENT

We produce and sell chicken meat and processed poultry meat products.

US$

335 million revenue

102,157 tonnes of poultry produced

HOW WE CREATE VALUE

SUSTAINED INVESTMENT IN CAPEX AND R&D

Sustained CAPEX and R&D programmes have enabled consistent efficiency and cost controls, developed and maintained product quality, and ensured high standards of product safety.

MARKETPLACE

MHP is always looking to new initiatives on product development and for new markets for its products, and now sells to over 80 countries in the world.

INNOVATION

The Company looks for dynamic and innovative ways to develop its production and agricultural processes to improve efficiency, drive down costs and reduce its environmental impacts.

LONG-TERM CASH AND REVENUE GENERATION

Our businesses have a consistent track record of revenue and cash generation providing a solid platform for value creation.

OUR ASSETS

OUR PEOPLE

We have a highly skilled and knowledgeable workforce, an experienced, strong and innovative management team and we are committed to continuously investing in training and development.

VERTICALLY-INTEGRATED STRUCTURE

Our structure differentiates us from our peers, and enables us to reduce our dependence on third-party suppliers and our exposure to raw material price volatility. It also ensures the maintenance of strict biosecurity and quality standards throughout the production process.

MODERN AND EFFICIENT PRODUCTION ASSETS

Extensive investment has enabled us to employ modern, state-of-the-art production assets. The Company believes that its chicken complexes are amongst the most efficient in the world.

STRONG BRANDS

Our brands have high domestic recognition with a reputation for quality, enabling products to be sold at premium prices.

[1] Including 33,635 tonnes of processed-meat products and 20,346 tonnes of convenience food
[2] Biogas complexes at Oril-Leader (5 MW) and at Vinnytsia (12 MW)
[3] MHP total landbank

OUR BUSINESS MODEL AT MHP UKRAINE

LAND
on long-term lease in Ukraine with a harvest of 1.7 million tonnes of grain per annum

380,000
HECTARES[3]

SUNFLOWER AND SOYBEAN PROTEIN PRODUCTION
of cakes, oils and granulated husk provides a natural currency hedge

US$ 275
MILLION IN EXPORTS

BIOGAS
2 projects[2]. All the manure and husks generated from MHP's operations are used to generate biogas

17MW

FODDER PRODUCTION
3 production facilities

1.9
MILLION TONNES

HATCHING EGGS
2 breeding complexes with 559 million hatching eggs produced in 2020

100%
IN-HOUSE PRODUCTION

POULTRY PRODUCTION
3 vertically-integrated poultry complexes, from hatching to rearing and processing

7.8
MILLION HEADS PER WEEK

MEAT-PROCESSING
2 production facilities

53,981
TONNES[1]

DISTRIBUTION
9 distribution centres in Ukraine

417
VEHICLES

RETAIL

1,800
DEDICATED OUTLETS

OUR BUSINESS MODEL AT PERUTNINA PTUJ

LAND

4,000
HECTARES

FODDER PRODUCTION

3 production facilities

84%
IN-HOUSE PRODUCTION

DISTRIBUTION & LOGISTICS

MEAT-PROCESSING AND CONVENIENCE FOOD

5 production facilities

BIOGAS

1 plant

1MW

PARENT STOCK/HATCHING EGGS PRODUCTION

3 locations (Serbia, Bosnia & Herzegovina, Slovenia)

92%
IN-HOUSE PRODUCTION

RETAIL

10%
OF SALES THROUGH OWN RETAIL OUTLETS

SLAUGHTERHOUSES

4 facilities

POULTRY PRODUCTION

4 locations (Serbia, Bosnia & Herzegovina, Slovenia, Croatia)

5%
IN-HOUSE PRODUCTION

HATCHING EGGS

4 facilities

89%
IN-HOUSE PRODUCTION

CHAIRMAN'S STATEMENT

THE OUTBREAK AND SPREAD OF COVID-19 HAS IMPACTED ALL OUR LIVES ON AN UNPRECEDENTED SCALE SINCE I WROTE TO YOU THIS TIME LAST YEAR. AS AN EASTERN EUROPEAN-BASED PROTEIN AGRI-BUSINESS, FOR MHP THE IMPACT OF COVID-19 WAS COMPOUNDED BY TWO OTHER FACTORS: OUTBREAKS OF AVIAN INFLUENZA; AND EXCEPTIONALLY DRY WEATHER CONDITIONS IN UKRAINE. I AM PARTICULARLY PROUD OF THE WAY OUR PEOPLE ADAPTED AND COLLECTIVELY RESPONDED TO THESE CHALLENGES TO DELIVER A ROBUST PERFORMANCE FOR 2020.

OUR VISION IS TO BE A WORLD-LEADING SUSTAINABLE FOOD PRODUCER AND I REMAIN CONFIDENT THAT THE COMPANY IS WELL-POSITIONED IN THE CURRENT TURBULENT MARKETS TO CAPITALISE UPON SIGNIFICANT AND SUSTAINABLE LONG-TERM OPPORTUNITIES.

MY CONFIDENCE IS UNDERPINNED BY THE COMMITMENT OF OUR PEOPLE, COMBINED WITH MHP'S VERTICALLY-INTEGRATED AND EVOLVING BUSINESS MODEL, DIVERSIFIED EXPORT STRATEGY, STRONG CASH GENERATION AND EXPERIENCED AND PROFESSIONAL MANAGEMENT TEAM.

Dear Shareholder,

2020 dealt us the "perfect storm": a global Pandemic, outbreaks of Avian Influenza and adverse weather conditions, all set against a backdrop of unprecedented global uncertainty. Yet, as I write to you today, I am able to do so with realistic confidence for the future. I set out here the headlines of the challenges MHP faced; how the Company, our people and the Board responded; and the factors which provide grounds for our positive outlook.

PEOPLE

Our people have always been a top priority for MHP. Never has this been so pertinent as during the year under review; a year during which we transformed our HR function at the same time as delivering for our people by providing a high level of care for our workforce during the Pandemic.

These processes were driven by MHP's Deputy CEO - People, Andriy Bulakh. Since Andriy's appointment a year ago, his priorities have included developing the corporate culture and values, improving the efficiency of centralised support functions, modernising remuneration and incentivisation policies, and prioritising resources for taking care of the workforce's physical and mental wellbeing during the Pandemic and thereafter.

MHP now employs 30,471 people across 11 countries. I am impressed by the dedication of our workforce at the production sites who, despite the inherent risks of the Pandemic, have continued to turn up, day in and day out. Very sadly, the Company lost four colleagues due to COVID-19 during 2020; our thoughts go out to their families and loved ones.

You can read more information about the People initiatives MHP put in place in theCorporate Responsibility section on pages 57 of this Report.

PANDEMIC

An underlying strength of the Company is its 20-years'-plus experience of dealing effectively with viruses including SARS and Avian Influenza. Armed with that experience, MHP was a confident early-mover and took the COVID-19 Pandemic seriously right from the start. Throughout the crisis to date, MHP has put in place, monitored and revised measures that have enabled its sites to operate safely, thereby fulfilling its essential role as a food producer during this challenging period for everyone.

One positive result of COVID-19 and the recent, more frequent outbreaks of Avian Influenza, has been to encourage us to evolve and advance our strategy. I say more about this in the Product section below.

PRODUCT

The strength of our diversified international export and domestic growth strategy was well demonstrated by the Company's flexibility and resilience during the year. Despite turbulent markets, MHP continued to execute its strategies of both geographic diversification and product mix optimisation, developing partnerships across MENA, CIS and African countries.

MHP's strong and innovative leadership team has been moving the Company towards a more value-added product model for some time. The first phase in the Company's ambition to transform from a 'commodity' company to a 'culinary' company can be seen in the development of ready-to-cook doner and shawarma meat products in Ukraine.

The second stage in this transformation is the move towards ready-to-eat products that are cooked, sliced and vacuum-packed by MHP. This was originally intended to be a 'slow burn' development. However, in light of the prevailing market conditions, MHP's leadership team reviewed its plans as well as considering successful models adopted in different parts of the world, where Avian Influenza has been endemic for almost 20 years and where the business model has evolved from the sale of raw poultry to cooked value-added products. As a result of this review, this second phase has been accelerated with early stages of piloting now underway.

PURPOSE

MHP aims to be a best-in-class generator of shareholder and stakeholder value by conducting all of its activities in a responsible and sustainable manner. Clear indicators of this approach include MHP's commitment to rapid technological development and its industry-leading product quality and hygiene standards maintenance.

In particular, I would highlight our approach to stakeholders and society in the S172 Statement & Stakeholder Engagement section on pages 54; and to society and the environment in the Corporate Responsibility section on pages 57.

[1] Adjusted EBITDA (net of IFRS 16)

PLANET & CLIMATE CHANGE

MHP aims to conduct all of its activities in an environmentally-responsible manner and to meet the global challenge presented to everyone by climate change.

I would like to highlight here a key tenet of MHP's Sustainable Environmental Policy and a clear signal of the Company's commitment to taking a responsible approach to climate change: that is, the Company's target to become carbon neutral by 2030. In pursuit of this target, and prior to the outbreak of COVID-19, MHP initiated a partnership with Alltech ECO2 to reduce the Company's carbon footprint. The Company has embarked on a substantial medium-term project with a view to achieving carbon accreditation with the Carbon Trust. The Company's vast agricultural holdings mean that significant amounts of carbon can be sequestered, putting MHP in a unique position amongst poultry companies to sequester carbon into the soil.

More information on the Company's Purpose and its approach to climate change and protecting the planet can be found in the Corporate Responsibility section on pages 57 and in the Non-Financial Report to be published later this year.

2020 PERFORMANCE

Over the year, MHP continued to invest in its long-term growth strategy. Despite the challenges set out in my opening paragraph, our financial performance was robust, with Adjusted EBITDA[1] decreasing by only 10% year-on-year due to the resilience of our business model and the successful execution of our strategy. The CEO's Statement discusses performance in more detail on pages 21 to 24.

CORPORATE GOVERNANCE

The Company recognises the importance of strong corporate governance in line with good international practice and aims to comply with the requirements of the UK Corporate Governance Code 2018 ("UK Code") to the extent practicable. An external gap analysis was commissioned during the year to highlight areas for improvement in the Company's governance processes, which have been implemented since 2020.

At my request, the Senior Independent Director is overseeing further developments to strengthen MHP's governance practices. Some have already been implemented and others will follow during 2021. More information can be found on pages 62 and 86 of this Report.

BOARD DEVELOPMENTS

During the year under review, the Board comprised five non-executive directors (four of whom were independent) and four executive directors including the Executive Chairman. Whilst the composition of the Board provided the broad skills and experience to enable it to discharge its duties and responsibilities effectively, it was recognised that there was a need to improve the balance between independent and executive directors. Accordingly, in the first quarter of this year the Board has been realigned, with Roberto Banfi agreeing to step down as a director. Roberto Banfi (who was deemed not to be independent) will continue to advise the Company on a consultancy basis and is retained as an advisor to the Board.

Roger Wills, an Independent Non-Executive Director ("NED") and Chairman of the Nominations & Remuneration Committee, resigned on 19 January 2021. A London-based firm has been appointed to conduct a search for a replacement Independent NED and I have been appointed Interim Chairman of the Nominations & Remuneration Committee until an appointment is made.

I would like to record my thanks to both Roberto and Roger for their valued service on the Board.

Following these developments, the Board now comprises three Independent "NEDs" and four Executive Directors (including the Executive Chairman).

The Board formed a new committee, the International Government Relations & Public Affairs Committee, during the course of the year. This Committee is responsible for setting the strategy and goals for these important aspects of the Company's business as well as for overseeing sustainability matters and the development of the Company in this respect. The Committee's report is on pages 80 to 82.

A new executive bonus scheme, with formalised objectives and assessment of key results ("OKRs"), is in the process of being implemented for executive directors and senior executives in 2021. Further information is in the report of the Nominations & Remuneration Committee on pages 78 to 79.

ADJUSTED EBITDA[1] DECREASED BY

10%

YEAR-ON-YEAR DUE TO THE RESILIENCE OF OUR BUSINESS MODEL AND THE EXECUTION OF OUR STRATEGY

THE BOARD AGREED TO LIMIT THE 2020 DIVIDEND PAYMENT AS STIPULATED BY ITS EUROBOND AGREEMENTS.

US$ 30 MILLION

STAKEHOLDER ENGAGEMENT

Regular engagement, dialogue and feedback from MHP's internal and external stakeholders are important elements of the success of the Company and the operation of its business model. Understanding our stakeholders' views informs and assists MHP's decision-making processes and helps drive progress towards the achievement of MHP's aims, objectives and strategy. In 2020, engagements included the conduct of a shareholder perception audit, the findings of which were reported to the Board in September 2020 and will be factored into the decision-making process in 2021.

In keeping with the requirements of Section 172 (1) of the UK Companies Act 2006, we have set out on pages 54 to 56 MHP's key stakeholder groups, their material issues and how MHP engages with them. Each stakeholder group requires a tailored engagement approach to foster effective and mutually beneficial relationships.

CORPORATE RESPONSIBILITY

Responsible business is a critical element of the Company's long-term strategy and the Board is pleased with the progress achieved during 2020. A key achievement has been the manner in which we have successfully addressed the challenges presented by the Pandemic through maintaining high levels of uninterrupted production and operations whilst, successfully providing a working environment which protects our employees as interacting constructively with external communities.

I am proud of the work that the Company is undertaking in a number of key research and development areas including carbon sequestration, food quality and security, animal wellbeing, and nutrition. For more information on these development areas please see the Corporate Responsibility section on page 57.

DIVIDEND

Taking into account the current challenging market dynamics, and with the Group's net debt to LTM adjusted EBITDA ratio above 3.0x on 31 December 2020, the Board agreed to limit the 2020 annual dividend payment as stipulated by its Eurobond agreements.

On 23 March 2021 the Board approved payment of an unchanged annual dividend of US$ 0.2803 per share, equivalent to approximately US$ 30 million (2019: US$ 30 million), to be paid by the end of April 2021. Further information may be found in the Management Report on pages 83 to 86.

OUTLOOK

The global outlook for poultry for 2021 is set to be very challenging, with continued COVID-19 disruption, soft economic conditions, high feed prices, a highly active Avian Influenza winter season and global oversupply; for example, at the time of writing, the EU is holding around 500,000 metric tonnes of frozen poultry stock in cold storage.

A year ago, my Chairman's Statement set out the factors underpinning my confidence in the business. Those still hold true and so, looking ahead for 2021, I will return to my theme at the beginning of this Statement and set out the additional factors which give me grounds for confidence and optimism:

- **Transformation to a culinary company:** MHP is expanding its focus. The experience of global poultry producers supports MHP's strategic shift to a culinary company. Moreover, we are transforming our relationship with retail, HoReCa and franchisees in order to reach more customers and meet their evolving needs by providing them with new safe and high quality products. Current challenges have led us to accelerate this strategic shift.

- **Strong cost position relative to peers:** MHP's vertically-integrated business model delivers a considerably lower cost-base versus industry peers, as well as enhanced quality control and higher biosecurity of the poultry flock. These are critical factors in an increasingly regulated industry and for consumer choice and confidence. This business model also reduces the Company's exposure to raw material price volatility.

- **Strongest animal protein sector:** poultry is regarded as the strongest meat protein sector for a number of reasons: affordability - it is the 'go-to' meat protein in developing countries, in some of which increasing numbers of citizens are in a financial position to purchase meat for the first time; poultry consumption is not impeded by religious barriers; and, using less water and feed to rear, it is more sustainable than red meats with a significantly lower carbon footprint. Demand for poultry is going up at the same time as demand for red meat is falling .

- **Customer-centric response to health and nutrition trends:** the COVID Pandemic has placed greater emphasis on health and nutrition. MHP's unique poultry feeding systems produce meat that is lower in saturated fats and higher in polyunsaturated fats which will be significantly more attractive for the market, as well as being healthier for consumers, given the post COVID re-evaluation of human nutrition.

- **M&A opportunities.** We continue to monitor global developments and potential M&A opportunities. MHP is well-positioned to be an active participant in continued industry consolidation.

Overall, MHP is well-placed to navigate the anticipated continuing disruption of 2021.

John Rich
Executive Chairman
23 March 2021

CEO'S STATEMENT

FIRST AND FOREMOST, I WANT TO EXPRESS MY GRATITUDE TO OUR PEOPLE FOR THEIR TREMENDOUS EFFORTS AND FOR THE COMMITMENT THEY HAVE DEMONSTRATED THIS YEAR; THE COVID-19 PANDEMIC IS A 'BLACK SWAN' EVENT AND I AM PROUD OF THE WAY OUR EMPLOYEES HAVE NOT ONLY ADAPTED TO THE CONSIDERABLE CHALLENGES BUT ALSO INCREASED THEIR RESILIENCE, EMERGING STRONGER AND WITH ENERGY AND CONFIDENCE FOR THE FUTURE.

2020 PROVED TO BE AT LEAST AS CHALLENGING AS 2019; YET CRISES ALSO PRESENT OPPORTUNITIES. DURING THE YEAR WE HAVE CONTINUED TO IMPROVE THE EFFICIENCY OF OUR BUSINESS PROCESSES AT THE SAME TIME AS ADVANCING OUR STRATEGY TO TRANSFORM FROM A RAW MATERIALS COMPANY TO A SUSTAINABLE CULINARY COMPANY, LAUNCHING A NUMBER OF PILOT PROJECTS DURING 2020.

My primary focus this year has been on three areas: the health and wellbeing of our people facing challenges in 2020; the strategic transformation to a culinary company; and continuous cost optimisation and modernisation of our operations. MHP is emerging stronger: more agile, more competitive and more customer-centric.

GROUP REVENUE WAS US$ 1,911 MILLION

OUR PEOPLE ROSE TO THE CHALLENGE

The Chairman's Statement pays tribute in his statement to the efforts of MHP's workforce at all levels of the Company. I should like to take this opportunity to do the same.

I would like to stress that at MHP, we, successfully managed to go through all challenges of 2020 and, contrary to industry peers in the world, during and due to COVID-19 pandemic, we didn't stop our production and, apart from a two-month period in the first quarter when some export markets were closed due to Avian Influenza, continued to operate at full capacity as a result of a strong employees' commitment to the Company and professional management team.

MHP places emphasis on ensuring that the Company provides a healthy and safe workplace for everyone; the opportunity for employees to nurture their own personal wellbeing and that of their families; an inclusive and welcoming working environment for everyone, including the promotion of opportunities for women; and an environment that enables every employee to develop their skills to their maximum potential. Put simply, when our employees thrive, the Company thrives.

Andriy Bulakh joined our senior management team as Deputy CEO, People, in early 2020. Andriy brings with him a wealth of experience and he and his team worked during the year to ensure that the Company's workforce aims were continuously achieved against a backdrop of dynamic market conditions and other significant business challenges including the COVID-19 Pandemic.

PERFORMANCE HIGHLIGHTS

Despite the significant challenges presented during the year, the Group continued to successfully execute upon its strategy and its financial performance was strong.

Taking into account all challenges of 2020 – several outbreaks of Avian Influenza, the COVID-19 Pandemic, and terrible weather conditions in Ukraine - Group's adjusted EBITDA (net of IFRS 16) decreased by only 10% year-on-year to US$ 340 million. The Group adjusted EBITDA margin (net of IFRS 16) was 18%, driven by a decrease in EBITDA in the Poultry and Related Operations Segment mainly due to lower poultry prices, partly offset by an increase in EBITDA in the Grain Growing segment and European Operating Segment (PP).

PP performance was robust and resulted in a 16% EBITDA margin – one of the best financial results among international peers, which proved the resilience to challenges of both its business model and management team.

Further information can be found in the Business Review below.

BUSINESS REVIEW

The resilience and flexibility of the Group's business models, combined with the management team's considerable experience, enabled the Group to operate safely and efficiently during the year despite the challenges.

I have set out below some of the highlights of our progress during 2020.

Operations in Ukraine

MHP continued operating at 100% capacity, except for two months where it ran at 90% of capacity. In product mix, effective management of production assets enabled the Company to respond rapidly to dynamic market changes and consequently to adjust the relative production shares of different products. In exports, the Company responsively switched sales from the EU to MENA as trade barriers were imposed (due to Avian Influenza), export markets closed (due to COVID-19 and Avian Influenza), the HoReCa market dramatically collapsed (due to COVID-19) and prices sharply decreased (due to COVID-19 causing overstocking in the EU). In Ukraine, the Company continued to focus on efficient cooperation with franchisees, retail chains and HoReCa for all poultry products with a number of pilot projects in support of the culinary transformation of MHP.

PP'S ADJUSTED IN 2020

16%

Integration of Perutnina Ptuj ("PP")

The successful integration of PP continued, with PP contributing US$ 335 million to Group revenue in 2020. A number of strategic cost optimisation initiatives were implemented and significant modernisation investments made focussing on: increasing capacity; improving working conditions; and improving animal welfare and wastewater treatment standards in Slovenia, Bosnia and Herzegovina.

These initiatives included: modernisation of a slaughterhouse in Bosnia that allowed the Company to obtain an EU number thereby opening up the possibility for export within the wider EU; construction of six growing facilities in Serbia which became operational since Q4 2020; the upgrade of a slaughterhouse and doubling of capacity in Croatia in Q3 2020; and the modernisation of production facilities in Slovenia to ensure the highest standards for PP's products. MHP's total investment in PP amounted to €17.8 million in 2020 (2019: €9.1 million).

The readiness of the management team and the Company to adjust to the challenges of 2020, efficient management of the production assets, PP's high standards of quality, and the strength of itsbrands ensured stronger demand in PP's domestic markets which offset lower prices and demand from PP's export markets and HoReCa customers. Despite the challenging situation in 2020, PP demonstrated strong resilience with an EBITDA margin of 16% - one of the highest margins amongst industry peers demostrating the success of our management team at integrating, managing and improving efficiency of processes of a business outside Ukraine.

PP's flagship brand, Poli, meat products, demonstrated stable growth in all four domestic EU markets in 2020, and in its raw meat and ready-to-cook meat products. More information about PP can be found in the Group Overview and Financial and Operational Review on pages 4 and 31.

Strategic transformation from a raw materials company to a culinary company

Last year I reported on the strategic shift towards more customer-centric, value-added primary and further-processed products for the Ukraine domestic market and some export markets. This strategic shift resulted in the launch of a number of pilot projects for the culinary transformation of the Company including "Meat Market" convenience stores and "DönerMarket" houses. These offerings are at an early pilot stage and I look forward to updating you on progress in due course as this model is rolled-out more extensively over the next several years, transforming the Group's sales from a commodity production base to a branded value-added base.

FUTURE STRATEGIC PRIORITIES

The Group's strategy and its evolution is also discussed in the Management Report on pages 83 to 86. I report here on operational dimensions.

Transformation to a culinary company

As we continue to transform, we will further develop both our sales channels / routes to market and our product offerings.

- **Routes to market:** We will continue to focus on developing new models of Meat Markets and streetmarkets together with our franchisee partners; on our culinary shops and meat and vegetable meal offerings; and on increasing market penetration by developing different sales channels and ways of cooperation with retail, including partnerships with new retail networks and products including more marinated chicken; modern trade including supermarket chains, hypermarkets and mini-supermarkets; HoReCa including Dark Kitchens (serving only delivery customers); and our street and fast food concepts.
- **Product development:** The evolution of our customer-centric product offerings will continue and, from spring 2021, will be supported by a dedicated R&D centre.

  > **Antibiotic free:** MHP remains committed to eliminating the use of antibiotics in the chicken meat production process in line with our strategy and action plan. Since 2020, Nasha Riaba product labelling has highlighted this long-term commitment and this step further reinforces MHP's commitment to improving human health and healthy eating.

  > **Value-added products:** Development will focus on our packed poultry, ready-to-cook and ready-to-eat ranges.

- **Healthy protein:** Following a two-year research programme, the Company is able to confirm that its poultry products have lower levels of saturated fats and higher levels of polyunsaturated fats - this is a key driver of sales growth for increasingly health conscious consumers.

More information about the Company's commitment to product innovation can be found in Case Study 3 in the Corporate Responsibility Section on page 57.

Exports
We will continue to follow our strategy of international diversification and product optimisation including the sale of more value-added products to some export markets.

Digital transformation - SAP
A digital transformation strategy, including the implementation of ERP, is in place across all entities within the MHP Group focussing on the upgrades, optimisation and automation of key business processes.

Increase production efficiency
As well as the further roll-out of SAO modules, additional Group-wide (including PP) investments will be made during 2021 to enable futher advancements in the efficiency of business processes through modernisation, innovation, and improvements in quality and cost control. These developments will include strategic projects such as a low fibre sunflower-processing line and a brand new R&D complex; and further investment in production flexibility (IQF / BQF; fresh versus frozen).

To be a targeted participant in international consolidation
We will continue to explore M&A opportunities and to potentially acquire further meat-processing and/or poultry production companies internationally.

Sustainable development
MHP is committed to reducing greenhouse gas emissions with a long-term goal of being carbon neutral for every kilogram of poultry meat produced. In addition, as elaborated upon in the Chairman's Statement on page 16, a research programme focussed on carbon sequestration, whereby carbon dioxide and other forms of carbon are stored in the soil for the long term, is ongoing.

Yuriy Kosyuk
CEO and Founder of MHP
23 March 2021

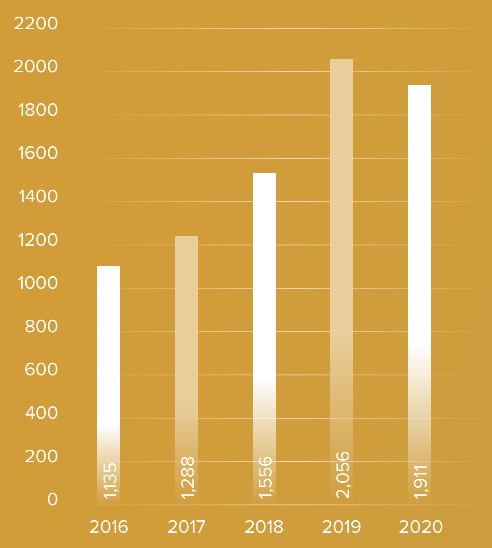
BUSINESS REVIEW

[1] Adjusted EBITDA margin for Grain Growing segment was calculated based on the revenue that includes ICO sales.
[2] Adjusted EBITDA margin (net of IFRS 16)

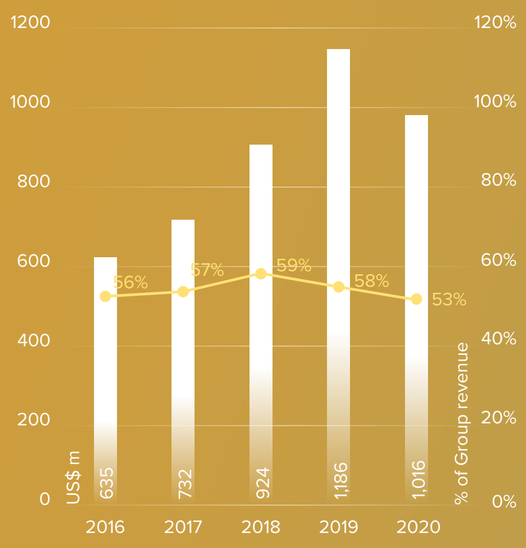
KEY PERFORMANCE INDICATORS

WE MONITOR PROGRESS AGAINST THE DELIVERY OF OUR STRATEGIC GOALS USING SEVERAL FINANCIAL KEY PERFORMANCE INDICATORS ("KPIs").

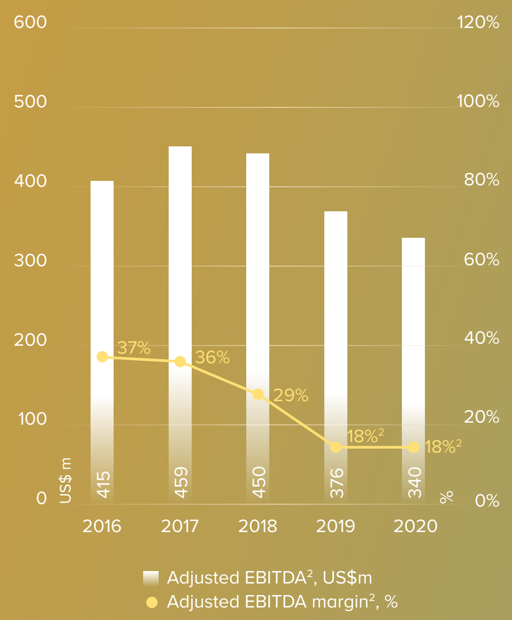
Each KPI provides a way of measuring elements of our strategy. Our strategy is focussed upon the medium to long term and therefore we consider how we have performed over a number of years, showing the KPIs for the last five years.



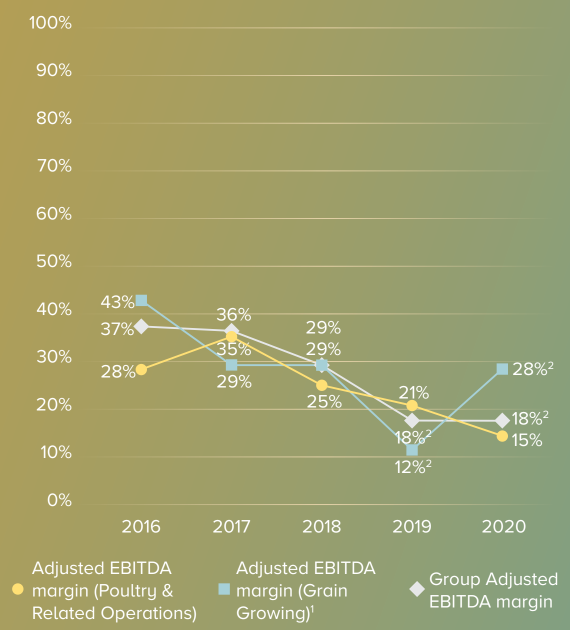
GROUP REVENUE, US$M



GROUP EXPORT REVENUE, US$M



GROUP ADJUSTED EBITDA (NET OF IFRS 16), US$M



ADJUSTED EBITDA MARGIN, %

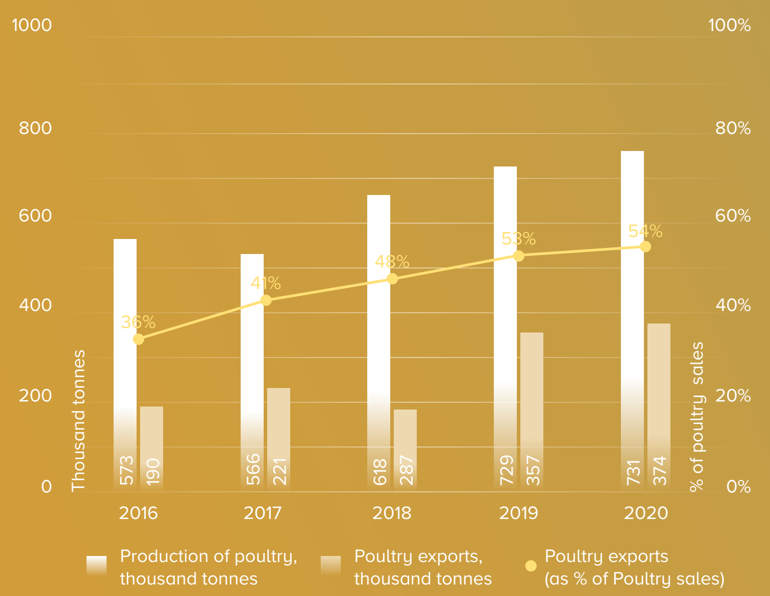
KEY PERFORMANCE INDICATORS

REVENUE, US$m	EXPORT REVENUE, US$m	ADJUSTED EBITDA, US$m
How we calculate it		
As reported.	Revenue to destinations outside of country of production.	Adjusted EBITDA is defined as profit before tax, net finance costs, depreciation and amortisation, net after-tax exceptional and non-recurring items, net foreign exchange loss, and net other expenses.
Why we measure it		
To ensure we are successful in growing the business.	To ensure we are delivering on our strategy of international expansion in turn leading to additional hard currency revenue. Export revenue provides MHP with a natural hedge against local currency volatility.	To track the underlying performance of the business.
2020 Progress		
Revenue was down 7% y/y mainly driven by a decrease in the sales of grain due to bad weather conditions in central regions of Ukraine.	Export revenue was down 14% y/y driven by the impact of several outbreaks of Avian Influenza, by the adverse effect of the COVID-19 Pandemic throughout the year, and by a weak result in Grain Growing Operations.	Adjusted EBITDA (net of IFRS 16) was down by 10% y/y mainly due to a decrease in both poultry prices and sales volumes of vegetable oils partly offset by an increase in EBITDA from the Grain Growing Segment and the European Operating Segment.
Link to strategy		
Execution of our diversified sales strategy – both for exports and domestic sales.	Export growth through sales diversification and market targeting.	Production efficiency and a focus on more value-added and further processed products as we transform to a culinary company.
Change to KPI		
KPI unchanged y/y.	KPI unchangved y/y.	KPI unchanged y/y.

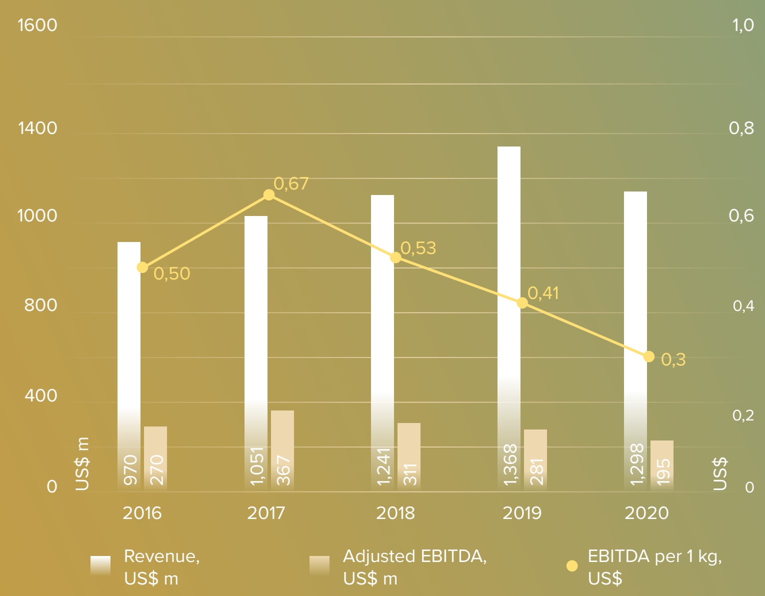
KEY PERFORMANCE INDICATORS BY SEGMENT

THE GROUP IS UNDERPINNED BY ITS VERTICALLY-INTEGRATED BUSINESS MODELS, ITS EXPERIENCED MANAGEMENT TEAM AND ITS DIVERSIFICATION STRATEGY IN BOTH DOMESTIC AND INTERNATIONAL MARKETS.

POULTRY AND RELATED OPERATIONS

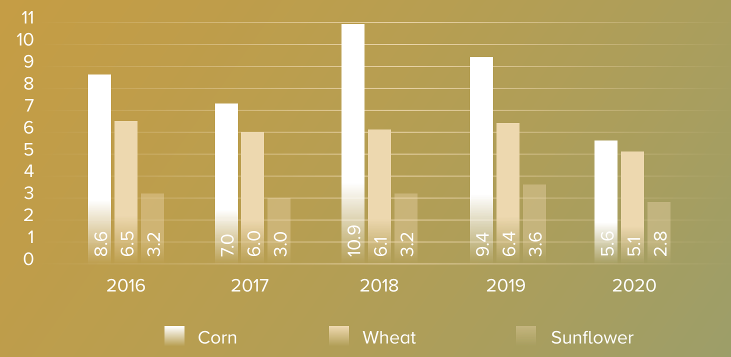


PRODUCTION AND EXPORT SALES

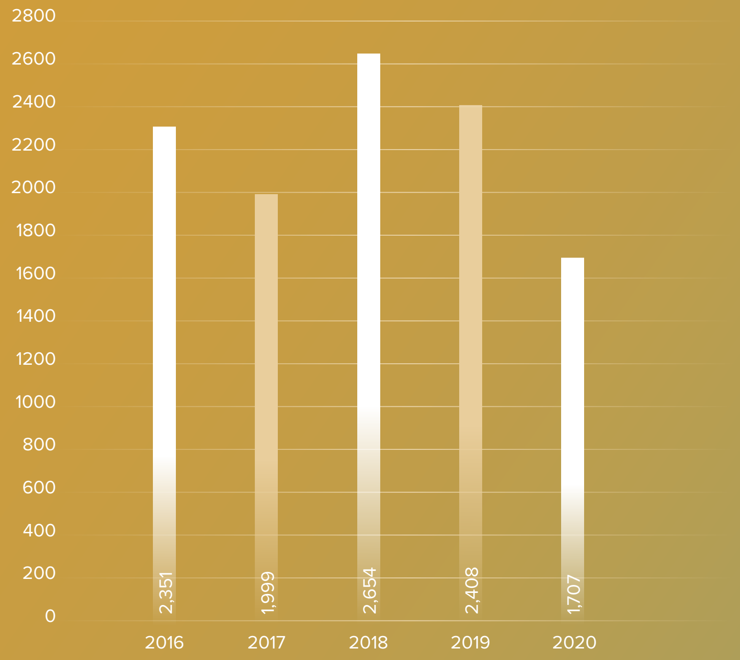


REVENUE AND EBITDA

GRAIN GROWING SEGMENT



YIELDS, TONNES PER HECTARE (HA)



PRODUCTION OF GRAINS, THOUSAND TONNES

REVENUE AND ADJUSTED EBITDA (NET OF IFRS 16)

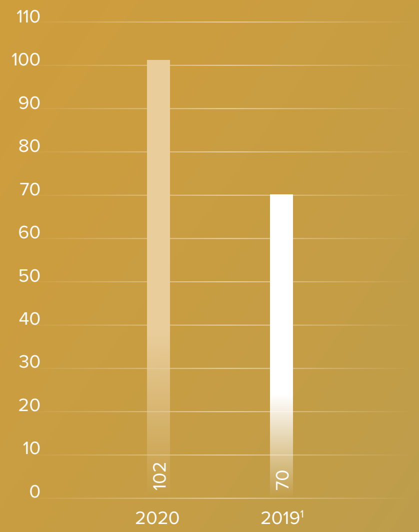
[1] Results from 21 February 2019 when the acquisition of PP was completed.
[2] Adjusted EBITDA margin (net of IFRS 16)

EUROPEAN OPERATING SEGMENT (PP)

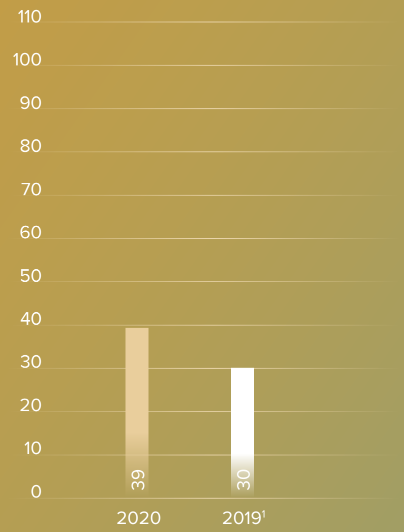
ADJUSTED EBITDA MARGIN[2]

16%

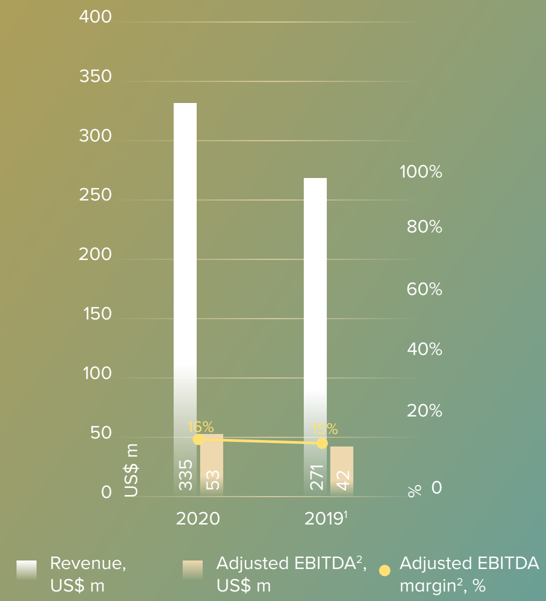
IN 2020



PRODUCTION OF POULTRY, THOUSAND TONNES



PRODUCTION OF MEAT-PROCESSING PRODUCTS, THOUSAND TONNES



REVENUE AND EBITDA

[1] Production volumes comprise chicken meat only, without by-products.
[2] The European Operating Segment comprises Perutnina Ptuj's (PP) operations.
[3] Results from 21 February 2019 when the acquisition of PP was completed.

FINANCIAL AND OPERATIONAL REVIEW

STRATEGIC HIGHLIGHTS

- The successful integration of Perutnina Ptuj ("PP") into the Group continued, with PP contributing US$ 335 million to Group revenue in 2020 and reporting a 16% adjusted EBITDA (net of IFRS 16) margin.
- A number of pilot projects were launched during the year for the Group's strategic transformation into a culinary company, through the development of more customer-centric products, including more value-added primary and further processed products for the domestic market, and routes to market.
- The Group continued to focus on improving the efficiency of business processes across all the business segments through the launch of modernisation and optimisation initiatives.

OPERATIONAL HIGHLIGHTS

- Poultry production volumes[1] (excluding the European Operating Segment) remained stable at 731,279 tonnes (2019: 728,917 tonnes). Poultry production volumes for the European operating segment[2] were up 48% year-on-year to 102,157 tonnes (2019: 69,053 tonnes)[3].
- The average price of chicken meat decreased by 5% year-on-year to 36.11 UAH per kg (2019: 38.06 UAH per kg) (excluding VAT). The average price of chicken meat produced by PP during 2020 was EUR 2.52 per kg (2019: EUR 2.63 per kg).
- Poultry export sales volumes (excluding the European Operating Segment) increased by 5% year-on-year to 373,733 tonnes (excluding PP's 17,001 tonnes; 2019: 13,881 tonnes).

POULTRY PRODUCTION VOLUMES[3] FOR THE EUROPEAN OPERATING SEGMENT WERE UP

48% YEAR-ON-YEAR

[1] Adjusted EBITDA (net of IFRS 16).
[2] Information for the year ended 31 December 2019 is presented excluding results of discontinued operations, which is presented as a single amount as loss after tax from discontinued operations.
[3] pps – percentage points

ADJUSTED EBITDA US $

340

MILLION[1]

FINANCIAL HIGHLIGHTS

- Revenue of US$ 1,911 million, decreased by 7% year-on-year (2019: US$ 2,056 million) mainly driven by a decrease in the sale of grain.
- Export revenue amounted to US$ 1,016 million, representing 53% of total revenue (2019: US$ 1,186 million, 58% of total revenue), down 14% year-on-year. The situation in export markets deteriorated significantly due to several outbreaks of Avian Influenza at the beginning and at the end of the year 2020, and due to the adverse effects of the COVID-19 Pandemic throughout the year.
- Operating profit was US$ 201 million, down 7% year-on-year (2019: US$ 216 million); operating margin remained stable at 11%.
- Adjusted EBITDA margin (net of IFRS 16) was flat at 18%; adjusted EBITDA (net of IFRS 16) decreased to US$ 340 million (2019: US$ 376 million) driven mainly by a decrease in the adjusted EBITDA (net of IFRS 16) of the Poultry and Related Operations Segment in turn driven by the decrease in poultry prices and sales volumes of vegetable oils, partly offset by an increase in EBITDA from the Grain Growing segment and the European Operating Segment.
- Net profit before foreign exchange differences for 2020 was US$ 71 million (2019: US$ 30 million). After foreign exchange differences the net loss for the period was US$ 133 million (2019: US$ 215 million), primarily due to US$ 204 million in non-cash foreign exchange losses in 2020, reflecting a 16% year-on-year weakening in the Ukrainian Hryvnia/US Dollar exchange rate, compared to a gain of US$ 185 million in 2019.

in mln. US$, unless indicated otherwise	2020	2019[2]	% change[3]
Revenue	**1,911**	**2,056**	**-7%**
IAS 41 standard gains/(losses)	31	(40)	-178%
Gross profit	**398**	**398**	**0%**
Gross profit margin	21%	19%	2 pps
Operating profit	**201**	**216**	**-7%**
Operating profit margin	11%	11%	0 pps
Adjusted EBITDA	**395**	**427**	**-7%**
Adjusted EBITDA margin	21%	21%	0 pps
Adjusted EBITDA (net of IFRS 16)	**340**	**376**	**-10%**
Adjusted EBITDA margin (net of IFRS 16)	18%	18%	0 pps
Net profit before foreign exchange differences	**71**	**30**	**137%**
Net profit margin before foreign exhange gain/(loss)	4%	1%	3 pps
Foreign exchange gain/(loss)	(204)	185	-210%
Net profit gain/(loss)	**(133)**	**215**	**-162%**
Net profit margin	-7%	10%	-17 pps

CURRENCY RISK

During the year ended 31 December 2020, the Ukrainian Hryvnia depreciated against the EUR and US$ by 23.94% and 16.23% respectively (2019: appreciated against the EUR by 20.03% and 16.90% against the US$). As a result, during the year ended 31 December 2020 the Group recognised a net foreign exchange loss of US$ 203 million (2019: net foreign exchange gain of US$ 185 million) in the consolidated statement of profit or loss and other comprehensive income.

The currency risk is mitigated by the generation of foreign currency-denominated revenue from sales of sunflower oil, grain and chicken meat. This is sufficient for servicing the Group's foreign currency denominated liabilities.

Export sales denominated in foreign currency for the years ended 31 December 2020 and 31 December 2019 are shown in the table below:

Product type	2020 (US$ thousand)	2019 (US$ thousand)
Chicken meat and related products	577,255	588,903
Vegetable oil and related products	274,979	302,600
Grain	114,304	251,836
Other agricultural segment products	49,217	42,362
Group Export Revenue	**1,015,755**	**1,185,701**

RELEVANT EXCHANGE RATES

Currency	Closing rate as of 31 December 2020	Average for 2020	Closing rate as of 31 December 2019	Average for 2019
UAH/USD	28.2746	26.9639	23.6862	25.8373
UAH/EUR	34.7396	30.8013	26.4220	28.9406

FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency for the Ukrainian companies of the Group is the Ukrainian Hryvnia ("UAH"); the functional currency for the companies of the Group based in Cyprus and Luxembourg is US Dollars ("USD"); and the functional currency of the european companies of the Group is the Euro ("EUR"), the functional currency of the United Arab Emirates companies is Dirham ("AED").

Transactions in currencies other than the functional currencies of the entities concerned are treated as transactions in foreign currencies. Such transactions are initially recorded at the rates of exchange at the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. All realised and unrealised gains and losses arising on exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income for the period.

The consolidated financial statements are presented in US Dollars, which is the Group's presentation currency for the convenience of stakeholders.

SEGMENT PERFORMANCE

THE AGGREGATE VOLUME OF CHICKEN MEAT SOLD TO THIRD PARTIES INCREASED BY

4%

YEAR-ON-YEAR

POULTRY & RELATED OPERATIONS SEGMENT – KEY OPERATIONAL DATA

	2020	2019	% change
Poultry			
Sales volume, third parties, tonnes	**698,020**	**669,865**	**4%**
-Sales in Ukraine, third parties, tonnes	324,287	312,541	4%
-Export sales volume, third parties, tonnes	373,733	357,324	5%
Average price per 1 kg net of VAT, UAH	36.11	38.06	-5%
Average price per 1 kg net of VAT, USD	1.34	1.47	-9%
Average price per 1 kg net of VAT, UAH (Ukraine)	34.57	37.49	-8%
Average price per 1 kg net of VAT, US$ (export)	1.40	1.49	-6%
Sunflower oil			
Sales volume, third parties (tonnes)	330,823	384,150	-14%
Soybean oil			
Sales volume, third parties (tonnes)	40,904	51,771	-21%

CHICKEN MEAT

The aggregate volume of chicken meat sold to third parties increased by 4% during 2020 as the Segment executed its strategy of decreasing poultry stocks accumulated during the preceding periods; this was achieved due to increased sales predominantly to the MENA region as well as to Africa and Asia.

Through the 12M 2020 the average export chicken meat price was USD 1.40, 6% lower year-on-year, mainly driven by weaker prices for chiken fillet particularly in the EU as many global competitors experienced reduced demand, which resulted in significant excess stocks. However, this was offset by a change in product mix to higher priced units with an increase in sales to MENA (breast fillets and small whole birds mainly). Average poultry prices in the domestic market decreased by 8% year-on-year mainly driven by significant excess stocks in Ukraine as well as a higher proportion of lower-priced frozen chicken sales in Ukraine. In the Q4 2020, the average meat price remained relatively stable compared to Q4 2019.

VEGETABLE OIL (SUNFLOWER AND SOYBEAN)

During 2020, sales of sunflower oil decreased by 14% year-on-year and amounted to 330,823 tonnes; the decline was mainly driven by a decrease in the production of oil as a result of the decreased production of fodder and the decrease in the share of sunflower cake in fodder; and partially as a result of a change in delivery terms from delivered-at-place ("DAP") to free on board ("FOB").

Sales of soybeans oil have decreased by 21% year-on-year to 40,904 tonnes, mainly as a result of decreased production of fodder and share of soya cake in fodder and partially as a result of a change in delivery terms from DAP to FOB.

[1] MHP yields are net weight
[2] pps - percentage points
[2] Including barley, rye, sugar beet, sorghum and other and excluding land left fallow as part of crop rotation
[3] Ukraine yields are bunker weight, MHP yields are net weight

POULTRY & RELATED OPERATIONS SEGMENT – FINANCIAL RESULTS AND TRENDS

in mln. US$, unless indicated otherwise	2020	2019	% change
Revenue	**1,298**	**1,368**	**-5%**
Poultry and other	1,022	1,073	-5%
Vegetable oil	276	295	-6%
IAS 41 standard gains/(losses)	**(17)**	**9**	**-289%**
Gross profit	**191**	**273**	**-30%**
Gross margin	15%	20%	-5 pps
Adjusted EBITDA	**194**	**281**	**-31%**
Adjusted EBITDA margin	15%	21%	-6 pps[2]
Adjusted EBITDA per 1 kg (net of IAS 41)	0.30	0.41	-27%

During 2020 Segment revenue decreased by 5% year-on-year driven mostly by the decreased price of chicken meat and by the decreased sales volume of vegetable oil, partly offset by an increase in sales volume of chicken meat.

IAS 41 standard gains/(losses) reflects the net change in fair value of biological assets and agricultural produce. The IAS 41 standard loss during 2020 was US$ 17 million mainly as a result of an increase in poultry costs in Q4 2020 due to higher grain prices compared to last year.

The gross profit for the Segment for 2020 decreased by 30% year-on-year driven by lower prices of chicken meat. During 2020, adjusted EBITDA decreased by 31% in line with a decrease in gross profit.

GRAIN GROWING SEGMENT – KEY OPERATIONAL DATA

In 2020, MHP harvested around 356,000 hectares of land in Ukraine and gathered around 1.71 million tonnes of crops, 29% lower year-on-year mainly due to the unusually hot and arid weather conditions in the final weeks of the growing season, particularly in the central regions of Ukraine (Cherkasy and Vinnytsia regions). However, MHP's average yields remain well above the average for Ukraine for almost all crops due to operational efficiency and the employment of best practices.

The tables below set out the Segment's harvest campaign results and its yields relative to those in Ukraine.

Harvest campaign results

	2020[1]		2019[1]	
	Production volume (in tonnes)	Cropped land (in hectares)	Production volume (in tonnes)	Cropped land (in hectares)
Corn	864,537	155,094	1,312,416	140,221
Wheat	208,143	40,827	300,396	46,797
Sunflower	261,886	93,713	237,755	65,447
Rapeseed	80,708	30,857	122,597	41,233
Soya	43,192	19,118	102,418	38,197
Other[3]	248,476	16,437	332,007	27,581
Total	**1,706,942**	**356,046**	**2,407,589**	**359,476**

Harvest yields

	2020[4]		2019[4]	
	MHP's average	Ukraine's average	MHP's average	Ukraine's average
	(tonnes per hectare)		(tonnes per hectare)	
Corn	5.6	5.4	9.4	7.1
Wheat	5.1	3.7	6.4	4.3
Sunflower	2.8	2.0	3.6	2.6
Rapeseed	2.6	2.2	3.0	2.6
Soya	2.3	2.0	2.7	2.3

[1] Includes milk, cattle and feed grains
[2] Adjusted EBITDA (net of IFRS 16)

GRAIN GROWING SEGMENT – FINANCIAL RESULTS AND TRENDS

in mln. US$, unless indicated otherwise	2020	2019	% change
Revenue	**134**	**268**	**-50%**
IAS 41 standard gains/(losses)	46	(50)	192%
Gross profit	**94**	**29**	**224%**
Adjusted EBITDA	**150**	**109**	**38%**
Adjusted EBITDA (net of IFRS 16)	**97**	**60**	**62%**
Adjusted EBITDA per 1 hectare (net of IFRS 16)	272	167	63%

Segment revenue for 2020 was US$ 134 million (2019: US$ 268 million). The significant decrease in revenue was mainly attributable to the lower volumes of crops sold in 2020 as a result of the weaker harvest in 2020 compared to 2019.

The IAS 41 standard gain for 2020 was US$ 46 million (2019: US$ 50 million loss). The gain was primarily driven by a substantial increase in the prices of crops (especially corn).

The 2020 adjusted EBITDA (net of IFRS 16) of the segment increased by 62% year-on-year, mainly due to an increase in grain prices, partly offset by the weaker harvest in 2020 compared to 2019.

GRAIN GROWING ADJUSTED EBITDA US$

97 MILLION[2]

MEAT-PROCESSING & OTHER AGRICULTURAL OPERATIONS SEGMENT – KEY OPERATIONAL DATA

Meat-processing products	2020	2019	% change
Sales volume, third parties (tonnes)	32,626	35,544	-8%
Price per 1 kg net of VAT, UAH	70.78	67.34	5%

Sales of processed-meat products decreased by 8% during the year and amounted to 32,626 tonnes; the decrease was as a result of the challenging environment in HoReCa and open market trade caused by the COVID-19 lockdowns. The average price of processed meat increased by 5% year-over-year to UAH 70.78 per kg (excluding VAT) in 2020.

Convenience food	2020	2019	% change
Sales volume, third parties (tonnes)	19,905	19,251	3%
Price per 1 kg net of VAT, UAH	39.94	40.97	-3%

Sales volumes of convenience food increased by 3% year-on-year to 19,905 tonnes. The average price during the year decreased by 3% to 39.94 UAH per kg (excluding VAT).

MEAT PROCESSING & OTHER AGRICULTURAL OPERATIONS SEGMENT – FINANCIAL RESULTS AND TRENDS

in mln. US$, unless indicated otherwise	2020	2019	% change
Revenue	**144**	**149**	**-3%**
Meat processing	114	118	-3%
Other[1]	30	31	-3%
IAS 41 standard gains	**-**	**2**	**-100%**
Gross profit	**19**	**19**	**0%**
Gross margin	13%	13%	0 pps
Adjusted EBITDA	**20**	**20**	**0%**
Adjusted EBITDA margin	14%	13%	1 pps

Segment revenue for 2020 was US$ 144 million, a 3% decrease year-on-year mainly due to a decrease in the sales volumes of meat-processing products partly offset by an increase in price.

The segment's adjusted EBITDA remained flat year-on-year at US$ 20 million.

[1] Results from 21 February 2019 when the acquisition of PP was completed.
12M 2019 poultry sales (if calculated since 01 January 2019) were at 59,804 tonnes.
[2] Includes sausages and convenience foods.
[3] 12M 2019 meat processing products sales (if calculated since 01 January 2019) were at 35,430 tonnes.
[4] Results of PP from 21 February 2019 when the acquisition was completed.

EUROPEAN OPERATING SEGMENT (PP) – KEY OPERATIONAL DATA

Poultry	2020	2019[1]	% change
Sales volume, third parties (tonnes)	63,007	51,157	23%
Price per 1 kg net of VAT, EUR	2.52	2.63	-4%

In 2020 sales volumes of poultry were 63,007 tonnes, 23% higher year-on-year, with an average price of EUR 2.52.

Meat processing products[2]	2020	2019[3]	% change
Sales volume, third parties (tonnes)	38,771	30,254	28%
Price per 1 kg net of VAT, EUR	2.72	2.70	1%

In 2020 sales volumes were 38,771 tonnes, 28% higher year-on-year, with an average price of EUR 2.72.

EUROPEAN OPERATING SEGMENT (PP) – FINANCIAL RESULTS AND TRENDS

(in mln. US$, unless indicated otherwise)	2020	2019[4]	% change
Revenue	335	271	24%
IAS 41 standard gain	1	-	100%
Gross profit	**93**	**77**	**21%**
Gross margin	28%	28%	0 pps
Adjusted EBITDA	**55**	**44**	**25%**
Adjusted EBITDA margin	16%	16%	0 pps
Adjusted EBITDA (net of IFRS 16)	**53**	**42**	**26%**
Adjusted EBITDA margin (net of IFRS 16)	16%	15%	1 pps

The European Operating Segment's revenue was US$ 335 million in 2020. Adjusted EBITDA (net of IFRS 16) was US$ 53 million for 2020 and the adjusted EBITDA margin (net of IFRS 16) was 16%.

[1] Calculated as cash used for purchases of property, plant and equipment plus cash used for purchases of other non-current assets.
[2] Calculated as Net Cash from operating activities plus Cash used in investing activities plus Total financial activities.
[3] Net of IFRS 16 adjustments: as if any lease that would have been treated as an operating lease under IAS 17 as was in effect before 1 January 2019, is treated as an operating lease for purposes of this calculation. In accordance with covenants in MHP's bond and loan agreements, these data exclude the effects of IFRS 16 on accounting for operating leases.
[4] Indebtedness under trade credit facilities that is required to be repaid within 12 months of drawdown should be excluded for purposes of this calculation.

CURRENT GROUP FINANCIAL POSITION AND CASH FLOW

(in mln. US$)	2020	2019
Cash from operations	**225**	**310**
Change in working capital	(154)	192
Net cash from operating activities	**71**	**502**
Cash used in investing activities	**(129)**	**(333)**
Including:		
Net cash outflow on acquisition of subsidiaries	-	(206)
CAPEX[1]	(79)	(113)
Cash used in financing activities	**(21)**	**37**
Dividends	(31)	(85)
Total financial activities	**(52)**	**(48)**
Total change in cash[2]	**(110)**	**121**

Cash flow from operations before changes in working capital for 2020 amounted to US$ 225 million (2019: US$ 310 million).

The change in working capital during 2020 compared to 2019 was mostly due to higher investments in the stock of crops designated for internal use as of 31 December 2020 compared to 31 December 2019, mainly due to an increase in the price of grain in Q4 2020. This effect was compounded by an increase in amounts of VAT receivable that will be reimbursed in 2021.

During 2020 total CAPEX amounted to US$ 79 million mainly related to modernisation projects, new product development and the maintenance and improvement of Perutnina Ptuj's production facilities.

DEBT STRUCTURE AND LIQUIDITY

in mln. US$	31 December 2020	31 December 2019
Total Debt[3]	**1,462**	**1,480**
Long-term Debt[3]	1,453	1,448
Short-term Debt[4]	36	32
Trade credit facilities[4]	(27)	-
Cash and cash equivalents	(218)	(341)
Net Debt[3]	**1,244**	**1,139**
LTM adjusted EBITDA[3]	**340**	**379**
Net Debt / LTM adjusted EBITDA[3]	3.66	3.01

As of 31 December 2020, long-term debt represented 99% of total outstanding debt. The weighted average interest rate was around 7%.

As of 31 December 2020, MHP's cash and cash equivalents amounted to US$ 218 million.

Net debt increased to US$ 1,244 million, compared to US$ 1,139 million as of 31 December 2019.

The Net Debt / LTM adjusted EBITDA (net of IFRS 16) ratio was 3.66 as of 31 December 2020, which is higher than the limit of 3.0 defined by the Eurobond agreement. Although exceeding the ratio of 3.0 does not constitute the breach of any covenant under the indebtedness agreement, it does lead to the introduction of additional control measures by MHP. In particular, MHP has to supervise and assess any incurrence of additional indebtedness, restricted payments (e.g. dividend distribution, investments in third parties), mergers with third parties outside the Group, and the granting of financing of any kind to third parties.

These measures became effective from the date of publication of the audited consolidated financial statements for the year ended 31 December 2019 (14 April 2020) until publication of the audited consolidated financial statements for the year ended 31 December 2020 (24 March 2021).

DEBT STRUCTURE AND LIQUIDITY (continued)

As a hedge for currency risks, revenue from the export of grain, sunflower and soybean oil, sunflower husks, and chicken meat are denominated in US Dollars and Euros, covering debt service expenses in full. Export revenue for 2020 amounted to US$ 1,016 million or 53% of total revenue (2019: US$ 1,186 million or 58% of total revenue).

BREXIT AND ITS CONSEQUENCES FOR MHP

From 01 January 2021, as a result of the end of the transitional period following the United Kingdom's exit from the European Union, the Takeover Panel will no longer exercise shared jurisdiction over transactions involving the Company which would otherwise be subject to the Takeover Code, including takeover bids, merger transactions, or schemes of arrangement resulting in the change of or consolidation of control over the Company.

In addition, from 01 January 2021, the London Stock Exchange (where the Company's Global Depositary Receipts are admitted to trading) will no longer be a regulated market as defined in Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments; as a result, the legislation in Cyprus regulating takeovers implementing the provisions of Directive 2004/25/EC of the European Parliament and of the Council on takeover bids requiring mandatory takeover offers in certain situations, will no longer be applicable to the Company.

FINANCIAL POLICIES

MHP HAS INCLUDED CERTAIN MEASURES IN THIS REPORT THAT ARE NOT MEASURES OF PERFORMANCE UNDER IFRS, INCLUDING EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION ("EBITDA") AND LAST TWELVE MONTHS' EBITDA ("LTM EBITDA") BOTH AT A CONSOLIDATED AND AT A SEGMENT LEVEL.

Adjusted EBITDA, LTM Adjusted EBITDA and Segment Adjusted EBITDA are presented in this Report because the Directors consider them to be important supplemental measures of the Group's financial performance. Additionally, the Directors believe these measures are frequently used by investors, analysts and stakeholders to evaluate the efficiency of the Group's operations and its ability to employ its earnings for the repayment of debt, capital expenditure and working capital requirements. MHP defines Adjusted EBITDA as profit for the year before income tax expense, finance costs, finance income, depreciation and amortisation expense, impairment of property, plant and equipment, net foreign exchange gain/loss, and net other expenses. Depreciation and amortisation expenses are components of both cost of sales and selling, general and administrative expenses in the consolidated financial statements.

The introduction of IFRS 16 on Leases from January 2019 has caused adjustments to the financial statements. MHP has chosen to present Adjusted EBITDA for 2019 and 2020 both before and after adjustment for IFRS 16. LTM Adjusted EBITDA (net of IFRS 16) is defined as Adjusted EBITDA (net of IFRS 16) for the prior 12 consecutive months ending on such date of measurement; LTM Adjusted EBITDA is calculated as if acquisitions of subsidiaries had occurred on the first day of the prior 12 consecutive months ending on such date of measurement.

LTM Adjusted EBITDA excludes the effects of IFRS 16 on accounting for operating leases. Adjusted EBITDA is derived by adjusting EBITDA (as defined above) for losses/gains on impairment/reversal of impairment of property, plant and equipment, net losses on disposals of subsidiaries, other expenses, net and foreign exchange (loss)/gain. The Group believes that this measure is more useful in evaluating the financial performance of the Company and its subsidiaries than traditional EBITDA due to the exclusion of items that Management considers not to be representative of the underlying operations of the Group.

The Group's Segment measure in the consolidated financial statements is defined as "Segment result" and represents operating profit by Segment before unallocated corporate expense, being the Segment measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of Segment performance. Within the Management Report, the reported Segment result is adjusted for the amount of depreciation and amortisation per Segment in order to present "Segment Adjusted EBITDA" to external users, which MHP feels is a more commonly-used external metric familiar to investors.

Net debt is defined as bank borrowings, bonds issued and lease obligations less cash and cash equivalents. Net Debt (net of IFRS 16) is defined as Net debt less the effects of lease liabilities recognised under IFRS 16. The Group believes that net debt is commonly used by securities analysts, investors and other interested parties in the evaluation of a company's leverage.

In MHP's bond and loan agreement covenants the definitions Adjusted EBITDA, LTM Adjusted EBITDA and Net debt exclude the effects of IFRS 16 on accounting for operating leases. They are calculated as if any lease that would have been treated as an operating lease under IAS 17 (as was in effect before 1 January 2019), is treated as an operating lease.

Adjusted EBITDA is not a measure of MHP's operating performance under IFRS and should not be considered as an alternative to profit for the year, operating profit, Segment result or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of MHP's liquidity. Such measures presented in this Annual Report may not be comparable to similarly titled measures of performance presented by other companies, and should not be considered as substitutes for the information contained in the consolidated financial statements.

RECONCILIATION OF ADJUSTED EBITDA

US$ thousand	Year ended 31 December 2020	Year ended 31 December 2019
Profit for the year from continuing operations	131,575	221,105
Income taxes	(5,132)	32,107
Finance costs	144,257	147,552
Finance income	(13,584)	(8,034)
Depreciation and amortisation expense	192,103	205,691
EBITDA	**186,069**	**598,421**
Adjustments:		
Loss on impairment	1,730	6,244
Other expenses, net	3,491	8,064
Foreign exchange loss/(gain), net	203,664	(185,291)
Adjusted EBITDA	**394,954**	**427,438**
Effect of IFRS 16	(54,672)	(50,975)
Adjusted EBITDA (net of IFRS 16)	**340,282**	**376,463**

RECONCILIATION OF NET DEBT

Calculation of net debt was aligned with definitions used for the purpose of assessment of compliance with debt covenants provided in the respective loan agreements. Thus, the accrued interest which has been included previously as part of the carrying amount of bank borrowings, bonds issued and finance lease obligations has been excluded from the amount of total debt.
As of 31 December 2020 and 2019, net debt was as follows:

US$ thousand	Year ended 31 December 2020	Year ended 31 December 2019
Bank borrowings	104,396	100,825
Bonds issued	1,370,999	1,365,669
Finance lease obligations	198,499	215,863
Total debt	**1,673,894**	**1,682,357**
Cash and cash equivalents	(217,579)	(340,735)
Net debt	**1,456,315**	**1,341,622**
Effect of IFRS 16	(184,795)	(202,802)
Trade credit facilities	(27,138)	-
Net debt (net of IFRS 16)	**1,244,382**	**1,138,820**

SEGMENT PERFORMANCE

Segment results represent operating profit, as adjusted for unallocated corporate expenses, which is reconciled to Segment Adjusted EBITDA before unallocated expenses by adding back Segment depreciation as illustrated in the following tables:

Year ended 31 December 2020						
US$ thousand	**Poultry & Related Operations Segment**	**Grain Growing Segment**	**Meat-Processing & Other Agricultural Operations Segment**	**European Operating Segment**	**Eliminations**	**Consolidated**
External sales	1,297,904	133,713	144,472	335,048	-	1,911,137
Sales between business segments	41,642	213,419	387	-	(255,448)	-
Total revenue	1,339,546	347,132	144,859	335,048	(255,448)	1,911,137
Segment results	**95,797**	**80,866**	**13,284**	**37,718**	**-**	**227,655**
Depreciation and amortisation	98,138	68,778	6,755	17,316	-	190,987
Segment Adjusted EBITDA before unallocated expenses	**193,935**	**149,644**	**20,039**	**55,034**	**-**	**418,652**
Unallocated expenses						(24,814)
Unallocated depreciation and amortisation						1,116
Adjusted EBITDA						**394,954**

RISK MANAGEMENT

The environment and markets in which we operate are dynamic and subject to constant change. We must be able to respond to these changes, taking appropriate levels of risk to protect our market position and to capitalise on opportunities. A failure to manage these changes and risks could have an adverse impact on our business and on the achievement of our strategic goals and financial performance. We have integrated our risk management processes into our strategy and embedded them throughout the Company, thereby aligning risk management, strategy and performance across all entities, departments and functions. This enables us to make better business decisions.

RISK MANAGEMENT FRAMEWORK

To understand our risk profile and align it with our objectives and decision-making processes, we operate a global risk framework based upon the recommendations in the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) Enterprise RIsk Management Framework. The COSO Framework defines how to identify, classify, assess and manage the risks that MHP faces in order to provide reasonable assurance regarding the achievement of the Company`s strategy and objectives. The implementation and functioning of our Risk Management Policy is supported by training programmes for management and employees.

1 STEP
Identify Risk

- Our Management team identifies risks that may affect the achievement of the Group's strategy and business objectives.

2 STEP
Measure Potential Impact

- Identified risks are assessed and risk tolerance is set.
- Risks are prioritised in order of severity of potential impact on strategy and business objectives.
- A risk scoring system is used to help quantify both the probability and potential impact of each major risk after the effect of mitigating actions, to assess residual risks against the Company's risk appetite and prioritise further risk management actions.
- A portfolio view of risk appetite is assumed.

3 STEP
Manage Risk

- Responses to risks are implemented in the context of the Group's risk appetite.

4 STEP
Monitor Risk

- New risks and changes in existing risks are monitored on a continuous basis.

5 STEP
Communication and Reporting

- Key risks are discussed regularly by the Management team and reported at least annually to the Board through the Audit Committee.
- Risk management information is used to make informed decisions.

CONTINUOUS ASSESSMENT AND IMPROVEMENT OF RISK MANAGEMENT FRAMEWORK

RISK OVERSIGHT

The Audit Committee monitors the effectiveness of the Company's risk management and control systems through regular updates from Management, reviews of the key findings of the external and internal auditors, and an annual review of the risk management process and risk matrix. Results are reported regularly to the Board, which has overall responsibility for risk management.

The Internal Audit function provides objective assurance to the Management team and to the Audit Committee on the effectiveness of risk management and helps Management to continuously improve its risk management framework and processes.

The Company's approach to the identification and assessment of risks, and the response to risks, is based on best business practices and international COSO Enterprise Risk Management standards.

ENHANCEMENTS TO RISK MANAGEMENT OVER THE PAST 12 MONTHS

2020 was a turbulent year as the COVID-19 Pandemic and outbreaks of Avian Influenza impacted both domestic and international markets. To ensure business continuity and high performance throughout the period, the Management team performed robust risk assessments and developed and implemented appropriate response plans.

At the same time, we continued to enhance our risk management throughout the Group, including conducting a series of training programmes for our workforce and operational management to ensure implementation of our risk management culture.

I. **Encouraging the identification of risks:**
Managers encourage open communication and promote and support disclosure and risk management discussions.

II. **Embedding risk management within every role and function:**
Every employee shares the responsibility for managing risk.

III. **Continuous identification and assessment of risks:**
Process owners regularly look for new operational risks, reassess the status of known risks, and re-evaluate or update plans to prevent or respond to problems associated with these risks.

THE PRINCIPAL RISKS FACING THE GROUP ARE SET OUT IN THE TABLE BELOW

Principal risk	Year-on-year change in risk level	Impact	How we manage the risk
BUSINESS RISKS			
Fluctuations in prices for grains and related products required for production input	↑	Unfavourable weather conditions in Ukraine and globally and the consequent reduction in yields in 2020 led to significant increases in prices for corn and oilseeds required for production of fodder; this materially affects the cost of chicken production and MHP's operating results.	`MHP drives cost efficiency across all its businesses, supported by its vertically-integrated business model. MHP's grain growing operations produce internally 100% of the corn required for poultry feed production. The Company adopts innovative approaches for improving feed recipes and the structure of feed so as to optimise cost and increase the conversion ratio at the same time.
Fluctuations in demand for and market prices of chicken meat and crops	↑	MHP's business and financial results are affected by prices for chicken products and crops, both in Ukraine and worldwide. The risk increased in 2020 due to lower chicken sales volumes and prices year-on-year as the result of demand fluctuations during the global COVID-19 Pandemic.	Demand for chicken in Ukraine is expected to remain strong and to have further growth potential as beef and pork are mostly produced by households and small farms and are far more expensive to produce and purchase than chicken. Chicken meat is the most affordable kind of meat from both a price and diet perspective. MHP products are available for purchase through different sales channels at all times and the Company offers competitive trade terms to its customers. MHP's domestic strategy and in particular its focus on higher value-add products are drivers for increasing the Company's profitability from chicken meat sales in Ukraine. In international markets, MHP continues to execute upon its strategy of geographic diversification of exports combined with product mix optimisation and a focus on customised products for new potential markets.
Failure to implement growth strategy and expansion into export markets	↑	MHP may be unsuccessful in its attempt to increase market share in export markets for its chicken meat and may be impacted by import restrictions imposed on agricultural commodities by other countries. The risk increased in 2020 due to regulatory restrictions on poultry sales to the Kingdom of Saudi Arabia ("KSA"), one of the Group's largest and most profitable export markets; between September 2019 and February 2020, MHP was prohibited from exporting poultry to KSA. In addition, there was a cessation of exports into the EU due to Avian Influenza and the COVID-19 Pandemic.	MHP has in place a long-term strategy for the Group's expansion into diversified export markets. Although there are varying levels of uncertainty regarding MHP's export markets, MHP's share of its key poultry markets remains relatively low (less than 10%) allowing MHP to redistribute volumes between markets without disruption and to grow its presence gradually; this will be partly through growth in population and consumption per capita and partly through offering better service and quality to our customers. To reduce the impact of any disruptions to trade flows in future, MHP will continue to execute its strategy of geographic diversification.

Principal risk	Year-on-year change in risk level	Impact	How we manage the risk
Outbreaks of Avian Influenza and other livestock diseases	↑	Avian Influenza and other diseases may result in: • loss of livestock; • loss of customers; • export restrictions; • distribution of disease; and • significant financial losses. The risk level increased during 2020 as there were several outbreaks of Avian Influenza at other poultry producers, resulting in temporary export restrictions.	To ensure the well-being of livestock at MHP's facilities, the Company has implemented high biosecurity standards and systems supplemented by a set of preventive veterinary-sanitary and hygiene measures, including: • Ongoing monitoring of Avian Influenza cases worldwide followed by rigorous assessment of MHP's existing biosecurity systems based on identifying the causes of those cases; • Geographic separation of poultry-rearing facilities with a significant distance between each facility; • Where any infected areas are identified, immediate actions are taken to limit the access of all visitors to MHP facilities; • Constant monitoring of poultry conditions, including analysis of indicators of poultry well-being and health and investigation of the quality of raw materials (litter, food, water) and products (poultry carcasses); and • Monitoring compliance with biosafety rules. MHP is also assisting all other poultry producers (mainly egg layers) in the Vinnytsia region to strengthen their own biosecurity.
Moratorium on the sale of agricultural land in Ukraine	↔	Ukraine's parliament, Verkhovna Rada, voted on 30 March 2020 to abolish a moratorium on the sale of agricultural land. The law comes into force for private individuals in July 2021 and for legal entities (registered or domiciled in Ukraine only) in January 2024. The Group leases land from landowners on a long-term basis. For MHP, the abolition of the moratorium could mean that current landowners initiate the sale of their land which could lead to a reduction in the size of MHP's leased landbank.	MHP supports the opening of the land market and free competition in this area. The Group estimates the risk level to be stable, due to MHP's long-term land lease agreements, and continuous monitoring of the situation in the regions in which the Group operates. It is expected to have no significant impact on its land portfolio or business model.
Occurrence of a significant health and safety incident	↔	The occurrence of a significant health and safety incident could impact day-to-day operations, leading to financial penalties and reputational harm.	MHP maintains robust environmental and health and safety policies, management systems and procedures in line with best practice and legal requirements. These are regularly reviewed and updated, and employees participate in frequent training and development activities.

Principal risk	Year-on-year change in risk level	Impact	How we manage the risk
Occurrence of a material product quality or product safety incident	↔	The occurrence of a material product quality or product safety incident could impact day-to-day operations, leading to financial penalties and a reduction in brand value.	MHP prioritises product safety and quality in line with international best practice and applicable regulations. It maintains robust quality and safety management systems and has an excellent track record in this area.
Fluctuations in commodity prices such as gas, fuel and energy	↔	Changes in commodity prices affect MHP's production and distribution costs and in turn impact operating results and cash flows.	MHP tightly monitors and controls its gas, fuel and energy costs. Energy price risks are mitigated by a priority focus on developing renewable sources of energy and a continued increase in the use of co-generation and alternative energy technology. The processing of sunflowers results in the production of large volumes of husks that are burned to generate steam heat for fodder complexes.
Unfavourable weather conditions	↑	Extreme changes in temperature or rainfall including weather change in summer and winter could influence agricultural productivity as a whole and crop yield, harvesting and transportation costs in particular. Ukraine's weather is generally temperate, with plenty of sunshine in summer and adequate rainfall. This combines with extremely fertile soil to create excellent growing conditions. However, the risk level increased in 2020 due to the significant impact of unfavourable weather conditions on MHP's grain growing operations.	MHP's management team constantly uses modern technology and implements improvements year-on-year to minimize the impact of extreme weather change.
Global climate change	↔	Global climate change is already causing extreme weather events that negatively affect crop and livestock production: sudden changes in temperature and unpredictable precipitation leading to floods or droughts can cause changes in soil moisture levels, reduced yields, animal discomfort and in the future will lead to degradation of soil.	MHP aims to conduct all of its activities in an environmentally-responsible manner and to meet the global challenge presented to everyone by climate change. MHPachieves this by: • reducing its the total energy consumption year-on-year; • planting tree saplings together with communities; • replacing fossil fuels with renewable energy (biogas, solar energy, straw, sunflower husk); • growing rapeseed and maize for biofuel production, which are exported under ISCC contracts https://www.iscc-system.org after the relevant Certification Audits; • calculating greenhouse gas emissions annually. A key tenet of the Company's Sustainable Environmental Policy is to become carbon neutral by 2030. In 2021, MHP has begun partnering with independent third party Alltech ECO2 which will audit ongoing greenhouse gas emissions and advise on potential opportunities to reduce greenhouse gas emissions further. There is also sets a target to achieve carbon accreditation with the Carbon Trust.

Principal risk	Year-on-year change in risk level	Impact	How we manage the risk
Irrational water use	↔	Irrational and irresponsible water use has an extremely negative impact on water sources, which can often be unalterable for both the local population and the company's production processes: • Excessive water intake and water consumption can lead to depletion of water resources; • Insufficient wastewater treatment can lead to significant pollution of water supply sources (surface and groundwater);	To ensure rational water consumption: • all water wells and shafts are certified and equipped with water meters, which are regularly checked; • the first zone of the Sanitary Protection zone for each underground water supply source is calculated in accordance with the legislation and enclosed by a fence; • for each enterprise of the group the calculation of normative water consumption with definition of monthly limits of water consumption is made; • for each enterprise of the group a register of wells and mine wells for water is created, which is updated annually; • for each of the sources of water intake, the limits set by the state are strictly observed. To prevent pollution of surface waters and groundwater aquifers, there is the following list of measures: • laboratory quality control of wastewater treatment at biological treatment facilities is performed at each stage, according to the Sampling Schedules developed at the enterprises; • places of storage of waste and oil products are equipped in such a way as to exclude pollution of ground waters; • waterproofing of all places for temporary storage of sewage is executed; • due to the reduction of water consumption per bird, the amount of wastewater itself decreases. In 2021, MHP plans to replace those meters that have been in use far more than 10 years.
Deforestation and conversion of high-carbon lands into agricultural land, including drainage of peat bogs	↔	The increase in arable land due to deforestation and the conversion of high-carbon land is one of the most significafit factors in climate change. MHP considers such actions inadmissible. More information and objectives can be found in the Policy on the Company web site.	MHP guarantees the absence of deforestation and the conversion of high-carbon lands to agricultural land through the following: • the MHP land bank consists exclusively of lands on which there has been no conversion or deforestation; • each field has its own agrochemical passport, which allows you to trace its history; • each field was tested for deforestation and land conversion using the online tool Global Risk Assessment Services https://www.gras-system.org/ • MHP Group companies undergo annual field inspections for deforestation and land conversion during the International Sustainability and Carbon Certification Certification Audit https://www.iscc-system.org/ • MHP does not import soybeans. which guarantees that no deforestation has been carried out for its cultivation. In 2021, it is planned to stipulate in any soybean procurement contracts a separate clause requiring the supplier to report the region of origin of soybeans and to confirm that they have been grown on land that has not been deforested or converted. MHP's Corporate Sustainable Environmental Policy sets a number of objectives to contribute to sustainable development of the country at all locations, where the Company has got its operations, such as: • contribute to the overall fight against climate change, including striving to become a carbon neutral company by 2030; • integrate sustainability considerations into all business decisions; • ensure sustainability in procurement of goods and services with an emphasis on supplier diversity and environmental attributes; • comply with applicable environmental legislation and sustainability commitments and others.

Principal risk	Year-on-year change in risk level	Impact	How we manage the risk
Lack of highly-qualified staff at strategic level and production enterprises	↔	The agriculture industry is facing a number of personnel challenges including: migration of skilled workers to neighbouring countries; move of labour force from villages to urban environment; ageing of the current workforce; and changes in the required skills base. A lack of qualified science, engineering, technical and other employees could increase risks to the long-term future of the business.	MHP works to maintain positive relationships with employees and strives to build upon its reputation as a high-quality, responsible employer of choice. As part of this, MHP provides a number of programmes designed to enrich its employees and the broader community including: • Education and professional programmes for the younger generation; • "Personnel Reserve" and "New Horizon" training programmes for prospective and high-performing employees respectively; • A strategic action plan to build and support schools in regions where its facilities operate; and • Development of a digitalisation strategy that is in the process of implementation and focusses on automating business processes and decision making (including artificial intelligence).
Outdated equipment and technology	↔	Changes in technology and global digital transformation may render the current technologies and IT systems obsolete or require MHP to make substantial capital investments. Manufacturing processes in the agricultural industry are prone to technological and process changes which may render MHP's current processes obsolete. Moreover, IT systems of the Group and the processes within such systems might require transformation to meet the challenges of the digital era. MHP might face a lack of in-house expertise and/or resistance of process owners whilst it is accomplishing its transformation strategy. In order to orchestrate its transformation successfully, MHP may be required to invest substantial sums of money to adopt newer technologies and processes. The level of investment required could have a material adverse effect on MHP's business, results of operations, financial position and prospects.	A digital transformation strategy, including the implementation of ERP, is in place across all entities within the Group focussing on the upgrades, optimisation and automation of key business processes. Experienced and competent internal project managers and subcontractors are in place to direct the successful implementation of the digitalisation strategy. MHP has consistently invested in technology for the automation of business processes and improvement in productivity.
Inefficient procurement and an increase in production costs	↔	An increase in MHP's production costs could materially and adversely affect its profitability.	MHP strives to continually improve its procurement procedures and production processes. The procurement of strategic items is centralised with a high level of regulation and control. KPIs are set and are closely monitored with a view to decreasing the costs of production.

Principal risk	Year-on-year change in risk level	Impact	How we manage the risk
FINANCE RISKS			
Fluctuations in foreign exchange rates	↔	MHP operates globally and has operations and transactions in different currencies. Fluctuations in the value of the Ukrainian Hryvna versus the US$ and other currencies give rise to transaction and translation exposure. In 2020, total FX losses of US$ 204 million were mostly non-cash, representing a revaluation of Eurobonds with maturities starting from 2024.	The majority of MHP's borrowings are denominated in US$. The resulting exposure is effectively hedged by the generation of around 53% of total revenue in US$ in 2020 from the export of sunflower and soybean oils, chicken meat and grain. The hard currency revenue generated is more than sufficient for MHP to continue to service all dollar-denominated loans and payments.
Fluctuations in interest rates	↓	Changes in interest rates affect the cost of borrowings, the value of our financial instruments, profit and loss and shareholders' equity. The proportion of fixed interest rate debt increased year-on-year, decreasing the risk of an adverse impact from interest rate fluctuations.	MHP monitors its interest rate exposure and analyses the potential impact of interest rate movements on its net interest expenses. The majority of MHP's debt portfolio is at fixed interest rates. MHP's debt portfolio has an 99% / 1% share of fixed/floating interest rates. The majority of the Company's debt is in the form of Eurobonds issued at fixed interest rates. Bank borrowings are mostly from foreign banks or Ukrainian subsidiaries of international banks at rates lower than those available from Ukrainian banks.
Credit risk	↔	Counterparties involved in transactions with MHP may fail to make scheduled payments, resulting in financial losses to MHP.	MHP has a diversified pool of customers. The amount of credit allowed to any one customer or group of customers is strictly controlled. Credit offered to major groups of customers, including supermarkets and franchisees is, on average, between 5 and 21 days. To hedge this risk, MHP procedures require verification of counterparties' solvency prior to the signing of an agreement. Policies and operating guidelines include limits in respect of counterparties to ensure that there is no significant concentration of credit risk. Credit risks are managed by security provisions included in agreements with customers. At foreign subsidiaries of MHP, an insurance company is involved to approve the credit limit and to insure against risk of non-payment.

Principal risk	Year-on-year change in risk level	Impact	How we manage the risk
Liquidity risk	↔	If, in the long term, MHP is unable to generate and maintain positive operating cash flows and operating income, it may need additional funding. MHP's inability to raise capital on favourable terms could lead to a default on its payment obligations and could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.	MHP maintains efficient budgeting and cash management processes to ensure that adequate funds are available to meet its business requirements. MHP adopts a flexible CAPEX programme enabling capital projects to be deferred if necessary. MHP holds cash balances in hard currency on correspondent accounts and maintains an adequate level of undrawn credit lines. During 2020 MHP fulfilled all its payment obligations. The total amount of available credit lines at 31 December 2020 was US$ 304 million, in addition to US$ 218 million cash on accounts.
Inefficient investments	↔	Inefficient regulation of the Company's investment appraisal and realisation procedures or a lack of evaluation or proper authorisation of investment projects could result in the implementation of unauthorised and unprofitable investment decisions and subsequent poor use of capital.	MHP has developed and implemented procedures to ensure due process in this area. The Evaluation of Investment Projects procedure requires that the Investment Committee approves investment projects. All of the Company's investment projects are documented with a formal investment appraisal report and financial model which are jointly approved by the Investment Committee. All major investment decisions require approval by the Board.
STAKEHOLDER RELATIONS RISKS			
Local communities	↔	A deterioration in local community relationships may lead to disruption in day-to-day business activities, adverse perceptions about MHP's approach to human rights, the environment and negative reputational effects.	MHP is in regular dialogue with its local communities and other stakeholders in the regions in which it operates. The Company aims to conduct these relationships sensitively and with mutual respect. It also prioritises the human rights of its local communities. MHP has designed and implemented stakeholder relations programmes in line with good international practice. This activity includes regular meetings with local community representatives, roadshows to enable local people to meet the Company and the design and maintenance of a variety of communication channels. MHP also supports, designs and conducts a number of projects in conjunction with local authorities and local communities that aim to improve local standards of living and infrastructure. MHP continued to develop its local stakeholder relations in 2020 following the successful implementation of a range of Corporate Responsibility projects including: • The roll-out of educational programmes at all levels, from kindergarten to adult-learning; • The development and encouragement of local entrepreneurship through new projects and programmes. Entrepreneurship is important for the development of regions and local communities; it creates new jobs, develops infrastructure, and encourages innovation and the rational use of resources. MHP works in partnership with entrepreneurs to develop and improve local communities; and • The development of infrastructure and safety, which includes environmental safety, healthcare, product quality and safety, safety of buildings, structures and other infrastructure.

Principal risk	Year-on-year change in risk level	Impact	How we manage the risk
Investor and other stakeholder relations	↔	Inaccurate or out-of-date information about MHP and its activities leads to negative impacts on the Company's reputation and adverse impacts on its relations with material stakeholders including its shareholders and bond holders.	MHP maintains an experienced and well-resourced communications and investor relations team that is supported by a national and international network of professional advisors. The team is tasked with ensuring that MHP's investor and wider communications activities are conducted in line with international good practice. The team also ensures that information about the Company is distributed in a timely manner, is accurate and up-to-date. MHP also monitors external commentary about its activities to ensure that any inaccuracies are addressed promptly. A qualitative measurement of the Company's image is performed on a regular basis and monitored by its senior management team and the Board.
COMPLIANCE RISKS			
Legal and regulatory risk	↔	The Group's businesses may be affected by regulatory developments in any of the countries in which MHP operates, including changes in fiscal, tax or other regulatory regimes. Potential impacts include higher costs to meet new environmental requirements; the possible expropriation of assets; other taxes; or new requirements for local ownership.	MHP's management team actively monitors regulatory developments in the countries in which the Group operates. MHP's financial control framework has adopted tax and treasury approaches fully in compliance with relevant local laws in the jurisdictions in which the business is registered. MHP pays its taxes in full in all jurisdictions in which it operates. Moreover, MHP is consistently developing and integrating into its business practices standards such as the Market Abuse Regulation and sustainability reporting.
Bribery and corruption	↔	A material bribery or corruption incident could lead to significant reputational harm, adverse stakeholder relations, financial penalties and could threaten MHP's licence to operate.	MHP maintains robust anti-bribery and corruption policies and procedures which are regularly reviewed and monitored by the Audit Committee. These include a Code of Ethical Conduct and investigation procedures which all employees are required to adhere to, and address matters such as bribery, gifts, supplier and customer relations, conflicts of interest and other areas of potentially corrupt activity. MHP operates a whistle blower hotline for the reporting of suspected bribery and corruption
Failure to comply with the covenants under loan agreements	↔	A failure by MHP to comply with restrictive covenants under the terms of its indebtedness could put MHP into default.	MHP has developed and follows control procedures to monitor compliance with the covenants. In 2019, the Company implemented a "Procedure for consolidated leverage ratio more than 3.0x", which contains a roles and responsibility matrix, communication rules and a modelling tool, which is used before approval and actioning of transactions which have limitations if the consolidated leverage ratio exceeds 3.0x.

Principal risk	Year-on-year change in risk level	Impact	How we manage the risk
BUSINESS CONTINUITY RISK			
Failure of IT systems could materially affect MHP's business	↔	MHP is becoming more dependent on IT systems and considers these critical to successful business operations. MHP relies on its IT systems in many areas of its business, including aspects of accounting records, business monitoring, execution, production of orders, invoicing, payment monitoring and health and safety. Although MHP backs up its IT systems and has a disaster recovery plan, the failure of IT systems could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.	A number of measures have been implemented across the Company to reduce the risk of IT system failure. These include: the implementation of additional business continuity measures; the organisation of reserved data channels; moving services to the Cloud; and the establishment of an incident management process providing continuous support for the business. In addition, the Information Security ("IS") team performs regular audits of critical IT services in order to determine any IS weakness and to perform penetration testing of Company vulnerabilities. It also increases employee awareness of IS risks and focusses on developing proper behaviours.
COVID-19	↔	A Pandemic such as COVID-19 can affect the health and welfare of MHP's employees and partners and have an adverse effect on customer demand and on continuity of supply and production. As a result, it can have a material impact on the Company's financial results. In 2020, the major effects of COVID-19 on MHP were: • A sharp reduction in the HoReCa market for poultry, particularly in Europe, resulting in excess supplies and stocks of chicken which reduced prices in the second half of the year; and • Employee absence due to illness or lockdowns. There was only limited impact on continuity of supply and production.	The Management team implemented a range of measures for preventing sickness and the spread of infection within the Company (remote working, additional medical screenings, corporate transfers and protective masks etc.). At production facilities work is organised in shifts of small numbers of people that allows limited contact and minimises the potential spread of infection. To assist employees who became infected, the Company provided paid-for medical support, both screenings and treatment. MHP has developed and implemented flexible production and sales plans that redirect sales from closed channels to other markets and channels as required. This is a continuous activity that is embedded into planning processes across the Group.

S172 STATEMENT & STAKEHOLDER ENGAGEMENT

Section 172 of the UK Companies Act 2006 requires each Director of the Company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In this way, Section 172 requires a Director to have regard, among other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers, and other material stakeholders;
- impact of the Company's operations on local communities and the environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the Company.

In discharging its Section 172 duties, the Board has regularly considered the factors set out above and the views of key stakeholders. By considering MHP's objectives and commitment to responsible business, together with its strategic priorities, the Board aims to ensure that its decisions are consistent, predictable, and always in the best interests of the business.

Further details of the Board's activities can be found in the Governance section of this Report on pages 61 to 86. This includes how the Board reaches its decisions; the matters discussed and debated during the year; the stakeholder considerations that were central to those discussions; and how the Board fosters MHP's relationships with customers, suppliers, and other stakeholders. Other relevant information can be found at MHP's main corporate website at www.mhp.ua.

STAKEHOLDER ENGAGEMENT

Regular engagement, dialogue and feedback with MHP's material internal and external stakeholders is clearly an important element of the success of the Company and the operation of its business model. Understanding their views informs and assists MHP's decision-making process and helps drive progress towards the achievement of MHP's aims, objectives and strategy. The table on the following page summarises MHP's key stakeholders, their areas of interest and how the organisation engages with each stakeholder group.

MHP regularly reviews its understanding of each stakeholder group, their areas of interest and its ongoing communications, reporting and dialogue activities.

MHP employs experienced and qualified employee teams to conduct these activities. They include members of the Board, senior management, investor relations staff, human resources personnel and local stakeholder representatives. These are supported when required by experienced, professionally-qualified external advisors and services.

Stakeholder	Key stakeholder issues	How MHP engages	2020 highlights
WORKFORCE MHP has a dedicated and experienced workforce that is committed to and is a key element in achieving MHP's aims and objectives	• A shared vision for MHP's long-term success; • Learning and development opportunities; • Occupational health and wellbeing; • A conducive workplace featuring diversity, inclusion, flexibility, responsible business practice and clear communication; • Fair and transparent employment terms and conditions.	• Regular two-way communication; • Clear communication of Company and management goals; • Training, education and mentoring; • Programmes for the development of innovative thinking; • Corporate volunteering; • Grievance mechanism; • Regular surveys; • Workplace wellness programme.	• Substantial two-way communication resources applied to ensure safe working for everyone during the COVID-19 Pandemic; • HR team reorganisation improved internal communications throughout MHP; • Annual online 'town hall' meeting with employees by the CEO; • Quarterly vlog with CEO and employees; • Provision of COVID-19 prevention mechanisms to provide a safe environment for on-site working; • Provision of facilities to support remote working and communication during the COVID-19 Pandemic.
COMMUNITIES MHP's reputation and business continuity are supported by its aim to be a proactive and supportive member of its local communities and a good neighbour	• Transparency, clear communication and opportunities to engage; • Development and support of local infrastructure and services; • MHP's approach to environmental, health and safety issues; • Local employment opportunities.	• Stakeholder Engagement Plan; • Grievance mechanism; • Regional recruiting programme; • Medical assistance in the village programme; • Regular public hearings; • Regular investment in public infrastructure in partnership with local stakeholders.	• Ongoing participation in EBRD/IFC mediation process; • Substantial communication support and advice about the effects of the COVID-19 Pandemic; • Regular participation in local community meetings as part of the stakeholder engagement plan; • Participation in numerous projects in partnership with local communities.
CUSTOMERS, BUSINESS PARTNERS AND SUPPLIERS MHP's ongoing and uninterrupted business continuity relies on the strength and maintenance of its relationships with its customers, suppliers and business advisors	• Fair business conduct, terms and conditions; • MHP's approach and performance relating to biosecurity, product quality, environmental, health and safety matters; • Transparency, clear communication channels and opportunities to engage.	• Interaction via tender platform; • Dedicated staff teams to interact with customers, suppliers and business advisors; • Provision of questionnaire facilities; • Participation in regular customer due diligence processes.	• New centrilised approach to community activities, including creation of new centre of expertise. For more information on this see the Case Study in the Corporate Responsibility section. • Regular interaction to manage the effects of the COVID-19 Pandemic; • Provision of facilities to support remote communications and interaction during the COVID-19 Pandemic; • Working closely with suppliers to ensure compliance with MHP's business partner code addressing matters such as environmental and social standards.

Stakeholder	Key stakeholder issues	How MHP engages	2020 highlights
SHAREHOLDERS, FINANCIERS AND THE INVESTMENT COMMUNITY MHP's ongoing access to capital and liquidity depends on maintaining strong and lasting relationships with investors, debt providers, financiers and financial analysts	• Financial and share price performance; • Credit rating; • Strategy; • Risk management; • Environmental, social and governance ("ESG") approach and performance; • Transparency, regular and proactive communication and reporting.	• Regular provision of conference calls for the investment community; • Quarterly results announcements; • One-to-one meetings with investors and financiers; • Annual general meeting; • Dedicated IR section on the Company's website; • Annual financial and non-financial reports; • Site visits; • Investor surveys.	• Investor survey of MHP's performance and investor relations activities; • Launch of new MHP main corporate website to assist understanding of the business; • Provision of regular information about the effects on the business following the COVID-19 Pandemic and Avian Influenza outbreaks; • Regular communication with investors and specialist agencies such as Sustainalytics about ESG matters.
GOVERNMENTS AND REGULATORS MHP's licence to operate is dependent on its relations with governments and regulators and operating within the applicable laws and regulations	• Adherence to applicable laws and regulations; • Support and cooperation with local (Ukraine and also within those countries in the EU, UK and MENA) economic development agencies; • Investment into infrastructure, education and medical facilities; • Transparency, clear communication channels and opportunities to engage.	• Regular meetings with local governments; • Participation in local infrastructure, health and education projects; • Close cooperation with local regulators over matters such as maintenance of strict bio-security, health and safety and environmental matters.	• Regular dialogue to support local and national efforts to address the Pandemic and Avian Influenza outbreaks; • Regular participation in local community events to understand the needs and requirements of local people.
MEDIA An important element of all of MHP's key stakeholder relations is that the media reports timely and accurate information about its activities	• Receipt of timely, complete and up-to-date news and information about MHP's activities; • Contact information for the media; • Transparency, clear communication channels and opportunities to engage.	• Company websites; • Regular distribution of Company news and information; • Availability of senior management for media interviews and briefings; • Site-visits for the media.	• Launch of new MHP main corporate website to assist understanding of the business.

CORPORATE RESPONSIBILITY

THIS SECTION OF THE ANNUAL REPORT IS PROVIDED TO GIVE CURRENT AND PROSPECTIVE SHAREHOLDERS AND OTHER STAKEHOLDERS AN OUTLINE UNDERSTANDING OF MHP'S APPROACH TO CORPORATE RESPONSIBILITY MATTERS. IT REPORTS HOW THIS ASPECT OF THE BUSINESS IS INTEGRATED INTO ITS OVERALL STRATEGY, POLICY INFORMATION, A SUMMARY OF MANAGEMENT STRUCTURES, GREENHOUSE GAS EMISSIONS INFORMATION AND COMMUNITY CASE STUDY INFORMATION. AS IN PREVIOUS YEARS, THE FORTHCOMING NON-FINANCIAL REPORT WILL PROVIDE DETAILED INFORMATION ABOUT THIS ASPECT OF MHP'S BUSINESS AND WILL BE PUBLISHED IN JUNE 2021. THIS WILL APPLY THE LATEST APPLICATE GLOBAL REPORTING INITIATIVE ("GRI") FRAMEWORK.

KEY FOCUS AREAS

MHP's approach to responsible business focusses on seven key areas, which are illustrated in this table, highlighting MHP's key areas of impact and opportunity.

Environment & climate change	Occupational health & safety	Product quality & safety	Animal welfare	Business conduct	People	Local communities
Greenhouse gas and atmospheric emissions	Occupational health	Maintenance of biological safety standards	Antibiotic-free programme	Anti-bribery and corruption	Workplace diversity	Local stakeholder engagement
Biodiversity management	Accident prevention	Product hygiene	Maintenance of appropriate living conditions	Regulatory and legal compliance	Equal opportunities	Effects of business activity
Water use	Provision of healthy workplaces	Product quality	Constant access to balanced food and fresh water	Supplier and customer relationships	Training and development	Local infrastructure investment
Reuse, recycling and waste management	Employee health and well-being	Scientific analysis	Veterinary supervision	Product labelling and pricing	Fair working conditions	Contribution to local economic development
Energy use	Addressing COVID-19	Quality of raw materials	High-quality bedding materials	Data protection and information security	Approach to organised labour	Minimise impact on local communities

POLICY FRAMEWORK

MHP's corporate responsibility framework is regularly reviewed by the Board and will be developed over time supervised by the recently formed International Government Relations and Public Affairs Committee on behalf of the Board. For further information on this Committee, please see page 62.

MHP's related policies form part of the Corporate Governance Charter which is available for download from the Company's websites (www.mhp.com.cy, www.mhp.ua). They comprise the following policy statements and address all the key focus areas in the table on page 57.

MHP's policies also align the organisation with the appropriate industry, regulatory and international standards and guidelines.

- Code of Ethics
- Code of Business Partner Conduct
- Conflict of Interest Management Policy
- Anti-Money Laundering and Combating Terrorist Financing Policy
- Gift and Business Hospitality Policy
- Health and Safety Policy
- Sustainable Environmental Policy
- Corporate Social Responsibility Policy (relating to communities and related stakeholder engagement activities)
- Corporate Philanthropy and Charity Policy
- Anti-Bribery and Corruption Policy
- Related Party Transaction Policy
- Land Use Policy
- Animal Welfare Policy
- Whistleblowing Policy
- Human Resources Policy
- Share Dealing Code

MANAGEMENT SYSTEMS

MHP's policy framework is supported by comprehensive corporate responsibility management systems which have been developed in line with industry best practice and international standards. Board level management of these systems is supervised in the main by the International Government Relations and Public Affairs Committee. The Committee regularly reviews this structure in line with the aim of maintaining a programme of continuous improvement and achieving the highest industry standards. Highlights are recorded below and further information will be recorded within the forthcoming Non-Financial Report.

Environment and climate change	All MHP locations employ environmental specialists and people responsible for the maintenance of environmental standards and compliance with relevant laws and regulations.
Occupational health and safety	This is now managed by the Human Resources team. As well as compliance and accident prevention, the department is tasked with raising and maintaining employee awareness of health and safety through a variety of training, dialogue and communications mechanisms.
Product safety and quality	This aspect of the business is of paramount importance to MHP and it is proud of its record in this area. A key aspect of its management systems is its use of internal and external laboratories to ensure this record is maintained. All are certified for compliance with ISO/IEC 17025.
Animal welfare	Animal welfare is a natural priority and MHP's systems ensure comfortable living conditions and high standards of biological safety. Antibiotic use is prohibited at rearing sites and the Company does not use hormones or growth stimulants. Antibiotics are used selectively based on a diagnosis which indicates that their use is desirable and only with permissions from State and local entity Chief Veterinary Officers. MHP has a programme in place to reduce antibiotic use over time.
Business conduct	MHP's anti-corruption and bribery procedures include regular reviews of the Company's risk management systems by the security department and regular employee training.
People	MHP's HR team has been digitising the department's management systems and rolling out the internationally recognised Objectives and Key Results ("OKR") HR management methodology. It has also been reorganising the department into internal centres of expertise and a front office arm to improve communications with different parts of the business.
Local communities	The Company continues to develop its stakeholder engagement activities and relationships with its local communities (see case study on the following page). This includes the rollout of the Stakeholder Engagement Plan, a programme of investment in local infrastructure and the delivery of support in addressing the COVID-19 pandemic.

GREENHOUSE GAS EMISSIONS

MHP's greenhouse gas emissions data encompasses all its operations in Ukraine that are under MHP's financial control. It does not currently include the emissions from its operations in other countries. The calculation applied the following methodologies.

- Global Warming Potential ("GWP") from IEA – CO2 emissions from Fuel Combustion Highlights (2013 edition)
- IPCC Fifth Assessment Report (Intergovernmental Panel on Climate Change)
- IFC Carbon Emissions Tool ("CEET") www.ifc.org

Emissions for 2020 with prior year comparative

The data has not been externally verified although MHP will consider taking this step in the future.

Emission type	2020 (tonnes CO2e)	2019 (tonnes CO2e)	Change
Scope 1	321,427,650	328,579,760	-2.18%
Scope 2	232,301,650	236,555,610	-1.80%
Total	**553,729,300**	**565,135,370**	**-2.02%**

CASE STUDY: 1
A NEW APPROACH TO MHP'S COMMUNITY AND LOCAL STAKEHOLDER ACTIVITIES

MHP prioritises its relationships with its local stakeholders and views the management of these relationships as important to the long-term success of the business.

During 2020 MHP refined its approach by centralising its activities. Previously individual subsidiary companies managed this aspect of MHP's business at a local level. To achieve this MHP created a new centre of expertise and a new charity called MHP Hromada.

The new approach shifts the emphasis of MHP's community work from acting as a donor to working in partnership with local communities and raising their understanding of how to work with the business sector.

MHP now aims to work in partnership with other large businesses, international donors and national Ukrainian charities in the development of its community projects and to share and develop expertise.

The central team was also strengthened in 2020 to enable this new approach to be supported by employees with specific knowledge and expertise to achieve maximum value for its local stakeholders.

CASE STUDY: 2
PROTECTING MHP'S WORKERS DURING THE COVID-19 PANDEMIC

The COVID-19 Pandemic presents significant challenges to the food production industry. During 2020, notable virus outbreaks were experienced at the operations of several companies around the world operating within MHP's business sector that affected a large number of workers. It was therefore important that all of MHP's businesses promptly put in place robust and effective prevention procedures and protocols to minimise the risk of workers being infected and transmitting the virus in the workplace. It was also important that comprehensive training, advice, support and guidance was provided to everyone that works for MHP. That resulted in undisrupted production during the Pandemic, despite all the new challenges COVID-19 brought to the business and its employees.

MHP's industry-leading track record in the management and maintenance of hygiene standards supported the many Group-wide initiatives to address the difficult issues presented by the Pandemic. None of MHP's production operations experienced the sort of significant disruptions or virus outbreaks within the workforce that were experienced elsewhere within the industry during 2020 and the Management team is proud of and grateful for everyone's ongoing efforts at all of MHP's businesses.

Key features of MHP's approach included:

- The provision of uninterrupted pay and conditions for any worker in isolation as a result of exposure to COVID-19 or infection;
- Home or remote working where this was possible;
- Ensuring that the required medical support was provided for all employees who became infected with the virus;
- The introduction of temperature checks, site access controls, social distancing measures and the provision of personal protection equipment in working environments where this was necessary throughout MHP's businesses;
- The introduction of COVID-19 rapid testing facilities at many of MHP's sites;
- Production of informative webinars to provide information to MHP employees and their families about the virus;
- Access to a medical advisory hotline;
- The introduction of further special hygiene measures to ensure maximum safety (for instance regular probiotic deep cleaning and ventilation treatment at MHP's Kyiv headquarters).

MHP's management of the Pandemic is kept constantly under review by the senior management team and ongoing efforts to refine and develop its approach will continue throughout 2021 and beyond.

CASE STUDY: 3
MHP'S COMMITMENT TO PRODUCT INNOVATION IS UNDERLINED BY THE FORMATION OF THE INNOVATION LAB

Innovation has always been a key element in MHP's long-term business success and will continue to play a key role in the business as it aims to become a customer-centric company. This focus is led by MHP's CEO who believes that this aspect of MHP's business strategy ensures that it continues to address the challenges presented by changing customer behaviour and global technological developments.

In May 2020, day-to-day responsibility for ensuring that MHP's focus on this area is maintained and further developed was passed to the newly-formed Innovation Lab staffed by a highly experienced team. The team's tasks include applying an agile experiment-based process and inter-departmental collaboration to develop new products. An important aspect of the team's activities is a commitment to invest in consumer research to identify current and future trends and culinary preferences.

The Innovation Lab team also plans to engage with a large number of national and international stakeholders to select business partners to help it achieve its aims and objectives. Four companies have already been selected to work with MHP for this purpose. They include an e-commerce delivery service, two hardware companies and a plant-protein producer.

The team has already developed a number of new lines for consumer market-testing in Ukraine. These include soups or broths, meal kits containing pre-prepared ingredients for cooking restaurant-style meals at home and frozen ready-to-cook products. Plans are now in place to distribute the successfully trialled products through MHP's existing business channels to reach the targeted consumer markets. Going forward an innovation pipeline will be created based on a large number of product concepts for market-testing and distribution in the short-, medium- and long-term.

CASE STUDY: 4
BUSINESS CONDUCT

MHP's Board of Directors closely monitors the Company's business conduct progress and performance and responsibility for this aspect of the business is divided between the Audit Committee and the Government Affairs and Public Relations Committee. MHP believes its long-term business success is linked to its business conduct track record and that it is important that its stakeholders regard its policies, management systems and performance as robust and in line with international best practice.

The Ethics and Compliance Programme seeks to ensure that the Company's business practices conform to applicable laws, international regulations and ethical business principles as well as developing a culture of integrity. The Programme aims to align MHP with a number of industry and international business conduct standards including the Copa Cogeca policy framework, the OECD Guidelines for Multinational Enterprises, the Supplier Code of Conduct published by the Food and Agricultural Organisation of the United Nations and the seventeen UN Sustainable Development Goals. MHP also supports the aims and objectives of the European Green Deal and aims to adhere to all of the applicable laws and regulations within the countries in which it operates.

Key features of MHP's Compliance Programme framework include:

- A culture of rigorous assessment and oversight
- Robust leadership and governance structures
- A comprehensive policy and management system framework
- Maintenance of an ethics helpline which is available to all employees
- Regular employee training and development
- Development and rollout of an Ethics and Compliance Ambassadors Programme

The Programme was reviewed and updated as a result of the unique challenges presented to the business by the global COVID-19 Pandemic in 2020.

All employees are required to comply with the Company's Code of Ethics, compliance policies, and policies related to gifts, business entertainment, insider trading, anti-money laundering and promotional materials compliance.

GOVERNANCE

CORPORATE GOVERNANCE REPORT

MHP IS CONSTITUTED AS A EUROPEAN COMPANY ("SOCIETAS EUROPAEA")

Governance structure as of 31 December 2020

BOARD OF DIRECTORS

- **AUDIT COMMITTEE**
- **NOMINATIONS AND REMUNERATION COMMITTEE**
- **INTERNATIONAL GOVERNMENT RELATIONS AND PUBLIC AFFAIRS COMMITTEE**

CHIEF EXECUTIVE OFFICER

SENIOR MANAGEMENT

MHP was established on 30 May 2006. According to the extract issued by the Luxembourg Trade and Companies Register on 8 August 2017, the Company converted from a public limited liability company ("société anonyme") into a European company ("Societas Europaea") effective the previous day.

Effective 27 December 2017, the Company's registered office and central administration was transferred to Cyprus and the Company is currently registered in the Cyprus Registry for SE Companies, under number SE 27. The Company's registered office is at 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus.

In December 2017, the Company adopted a new Memorandum and Articles of Association to comply with the provisions of Cyprus Companies Law, Cap. 113, Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees, the SE Regulation and the European Public Limited – Liability Company Regulations 2006, as applicable in Cyprus.

This new Memorandum and Articles of Association can be found on the Group websites (www.mhp.com.cy, www.mhp.ua). The Company's corporate governance structures, processes and procedures are outlined in its Code of Corporate Governance which can also be viewed at the Group websites. The Company upholds and practises the highest standards of corporate governance with its shareholders, the Board of Directors, personnel, business community and other stakeholders including government and regulatory agencies.

Board structure as of 31 December 2020

EXECUTIVE CHAIRMAN

- **CHIEF EXECUTIVE OFFICER**
- **SENIOR INDEPENDENT DIRECTOR**
- **CHIEF FINANCIAL OFFICER**
- **THREE INDEPENDENT NON-EXECUTIVE DIRECTORS**
- **CHIEF OPERATING OFFICER**
- **ONE NON-EXECUTIVE DIRECTOR**

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018

The Company has been steadily developing its corporate governance processes and procedures over recent years and aspires to the achievement of best practice in line with international standards.

During 2020, it undertook further steps in order to comply as far as practicable with the UK Corporate Governance Code 2018 (available from the Financial Reporting Council at www.frc.org.uk). MHP also complies with the requirements of Cypriot law and regards the UK Corporate Governance Code as the appropriate international best practice benchmark for its approach.

It is the opinion of the Board that during 2020 the Company complied with the principles and requirements of the UK Corporate Governance Code except in relation to the matters noted below.

CHANGES TO THE BOARD IN 2021 PRIOR TO THE PUBLICATION OF THIS REPORT

Roger Wills, Independent Non-Executive Director, left the Board in January 2021 and Roberto Banfi, Non-Executive Director, left the Board in February 2021. In order to continue to satisfy the independence requirements of the UK Corporate Governance Code in relation to overall Board independence, further develop Board and Board Committee independence and to develop the Board's breadth of experience and skills, a search for a replacement Independent Non-Executive Director was immediately commenced using the services of an experienced external recruitment agency. This process is being supervised by the Senior Independent Director and MHP expects to announce further developments shortly.

Provision number	Provision requirement	Explanation
9	The Chair should be independent on appointment under the criteria outlined in Provision 10.	On his appointment in 2017, the Chairman had served on the Board as a Non-Executive Director since 2006. At the time of his appointment he was also employed by the International Finance Corporation as a Senior Regional Consulting Agribusiness Industry Specialist. This role has subsequently ended. After considering the Chairman's credentials, experience, expertise and independence of thought, it was the Board's view that the Chairman was independent at the time of his appointment. In 2018, at the request of the Board, the Chairman agreed to support the Chief Executive Officer with certain specific strategic projects where his extensive knowledge and expertise could be particularly helpful. Subsequently, in March 2019, his role was designated as Executive Chairman. Consequently, he can no longer be regarded as independent. The Board is satisfied that, in view of his credentials, experience, expertise and independence of thought, these arrangements are in the best interests of the Company, its shareholders and other stakeholders.
10	The Board should identify in the annual report each Non-Executive Director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a Non-Executive Director's independence include whether a Director has served on the Board for more than nine years from the date of their first appointment. A clear explanation should be provided if the Board nonetheless considers the Non-Executive Director to be independent.	John Grant has served as a Non-Executive Director of the Company since 2006 and is the Senior Independent Director. The Board values his business perspective in view of his extensive experience as a Director of a wide range of major public companies in a variety of business sectors and is satisfied that he possesses the necessary independence of thought to be regarded as independent.
11	At least half the Board, excluding the Chair, should be Non-Executive Directors whom the Board considers to be independent	This provision was satisfied from March 2020 onwards when Philip J Wilkinson OBE became an Independent Non-Executive Director of MHP.
19	The Chair should not remain in post beyond nine years from the date of their first appointment to the Board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the Chair was an existing Non-Executive Director on appointment.	The Chairman became a Non-Executive Director in 2006 and was appointed Chairman in 2017 at which time the Board was satisfied of his independence of thought and viewed the appointment as in the best interests of the Company, its shareholders and other stakeholders. His subsequent adoption of executive responsibilities was also, and continues to be, viewed as being in the best interests of these parties.
32 to 41	Remuneration	It is the responsibility of the Nominations and Remuneration Committee to ensure that the Executive Management are compensated sufficiently in order to retain and attract high calibre talent and ensure that they are motivated to perform in the best interests of shareholders and other stakeholders. To date, the Company has compensated the Executive Directors mainly in the form of competitive salaries, supplemented by performance-related bonuses. As the Company develops, consideration will be given to adopting other forms of incentive when the Board believes that these could be in the best interests of the Company, shareholders and other stakeholders. Information on remuneration of the Board can be found on page 85. A remuneration consultant (Deloitte) was appointed during 2020 to conduct a comparative review of compensation of the Executive Directors and Senior Management. The results were used to support implementation of the change to a more performance-related bonus scheme.

ABOUT THE BOARD

Biographies of the current Directors are set out on pages 69 to 72.
The Directors who served during the year were;
- John Rich
- John Grant
- Roger Wills
- Roberto Banfi
- Christakis Taoushanis
- Philip J Wilkinson OBE (from March 2020)
- Yuriy Kosyuk
- Yuriy Melnyk
- Viktoria Kapelyushnaya

More information on Board developments and changes during the year can be found below and in the Chairman's Statement on pages 16 to 20.

At 31 December 2020, the Board had nine directors, four of whom were regarded by the Board as independent. Roberto Banfi is not regarded as independent because of his provision of other paid services to the Company. John Rich was viewed by the Board as independent on appointment as Chair in 2017 but is now viewed as not independent because of his subsequent performance of certain executive management functions. The Board considers John Grant to be independent notwithstanding his period of service since 2006.

CHANGES TO THE BOARD OF DIRECTORS AND THE COMMITTEES DURING 2020 AND THE BEGINNING OF 2021

- Philip J Wilkinson OBE was appointed to the Board in March 2020. Please see his biography on page 71. He is an Independent Non-Executive Director and his appointment raised the number of independent directors to four. He joined the Nominations & Remuneration Committee and the Audit Committee. John Rich stepped down simultaneously as a member of the Nominations and Remuneration Committee.
- A new International Government Relations and Public Affairs ("IGR&PA") Committee was formed in July 2020. Please see the Committee's report on page 71. Philip J Wilkinson OBE was appointed as the Chair of this Committee. The other Board members who joined this Committee were John Rich and Roberto Banfi.
- On 19 January 2021 Roger Wills resigned from the Board. John Rich has been appointed as Interim Chairman of the Nominations and Remuneration Committee.
- On 9 February 2021 Roberto Banfi retired from the Board. He will continue to advise the Company on a consultancy basis and is retained as an advisor to the Board.

In order to continue to satisfy the independence requirements of the UK Corporate Governance Code in relation to overall Board independence, further develop Board and Board Committee independence and to ensure that the Company benefits from the appropriate balance of skills, knowledge, independence, experience and diversity, a search for a new Independent Non-Executive Director was commenced in early 2021 using the services of an experienced external recruitment agency. The process is being supervised by the Senior Independent Director and MHP expects to announce further developments shortly.

BOARD MEETINGS

The Board conducted five meetings during 2020. All the Non-Executive Directors and Chairman attended these meetings with the exception of one which Roberto Banfi was unable to attend. Out of five Board meetings, the CFO attended four, the COO attended three and the CEO attended none. In 2020, because of the CEO's need to focus on the transition and development of the Company, Yuriy Kosyuk and John Rich agreed that the CEO would transfer to John Rich all his board responsibilities for 12 months. This will revert to normal in 2021.

Taking into account COVID-19 restrictions, Directors attended the majority ofmeetings via conference calls. The Board of Directors also approved certain decisions through 14 circular resolutions.

At the end of each year, the Board and Committees undertake an assessment of their own effectiveness. In parallel, the Non-Executive Directors meet to discuss and evaluate the performance of the Executive Chairman. The results are considered by the Board at the first Board meeting of the following year.

DIRECTORS AND OFFICERS LITIGATION STATEMENT

No member of the Board of Directors or of MHP's senior Management has, for at least five years:
- Any convictions relating to fraudulent offences;
- Been a senior manager or a member of the administrative or supervisory bodies of any company at the time of, or preceding, any bankruptcy, receivership or liquidation; or
- Been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company, or from acting in the management or conduct of the affairs of a company.

DIRECTORS' INTERESTS

The interests of Directors in MHP's GDRs are shown in the table below.

	GDRs
John Rich	25,000
Roberto Banfi	25,000
John Grant	17,000

RELATED PARTY TRANSACTIONS

The Senior Independent Director is developing proposals to further improve MHP's governance practices. In addition to the Board and Committee changes mentioned above, in July 2020 the Board approved a Related Party Transactions Policy, which tightened controls over all related party transactions. Please see also the Audit Committee Report on pages 73 to 77 and the Nominations and Remuneration Committee Report on pages 78 to 79.

Full information on loans made to WTI Trading Limited is disclosed in the Management Report on pages 83 to 86 and in Note 32 to the Consolidated Financial Statements on page 150.

PRINCIPAL RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall conduct of the Company's business and has the powers, authorities and duties vested in it by and pursuant to the relevant Cyprus laws and regulations and the Articles of Association of the Company. MHP's Articles of Association can be viewed at the corporate website (www.mhp.com.cy).

The Company has a unitary governance structure and the Board is the ultimate decision-making body, except for the powers reserved for the Shareholders' Meeting by law or as specified in the Articles of Association (see also Board of Directors on pages 69 to 72).

The Board has a schedule of matters that are assigned to it for discussion, debate and approval in line with the requirements of the UK Corporate Governance Code. These include:

- MHP's strategy, aims and objectives and review of performance against those goals;
- Mergers and acquisitions strategy;
- Budgets, financial and operational targets;
- Annual, half yearly and quarterly financial results;
- Annual report and accounts;
- Dividend policy;
- Appointments to the Board and removal of Board members;
- Remuneration of Directors;
- Senior management appointments, removals and remuneration arrangements;
- Appointments to Board committees;
- Board and senior management succession planning;
- Approval of major capital expenditure projects, acquisitions and divestments;
- Significant variations in borrowings or borrowing facilities;
- Financial and risk management policies and procedures; and
- Appointment and removal of the Company Secretary.

NON-EXECUTIVE INDEPENDENCE

The independence of each of the Non-Executive Directors is considered on appointment. Each year, the Nominations and Remuneration Committee ("NRC") and the Board consider the facts and circumstances relating to Director independence (and throughout the year, as appropriate). This process includes an assessment of whether each Non-Executive Director is independent of Management and any business or other relationships that could materially interfere with his or her exercise of objective, unfettered and independent judgement or his or her ability to act in the best interests of the shareholders.

In making its decision, the Board considers relationships with Management, major shareholders, associated companies and other parties with whom the Company conducts business. At 31 December 2020, the Board had nine directors, four of whom were independent.

John Grant has served as a Non-Executive Director of the Company since 2006 and has been Senior Independent Director since 2014. He has therefore served on the Board for more than nine years from the date of his first appointment. He has had extensive experience over many years as an independent non-executive director of a wide range of public and private companies covering a variety of business sectors. He has been Senior Independent Director, and has chaired the Audit and/or Remuneration Committees of several major public companies. The Board values his broad business perspective and experience and continues to be satisfied that he possesses the necessary independence of character and judgement to be regarded as independent. Christakis Taoushanis and Roger Wills were also viewed as Independent Non-Executive Directors.

Philip J Wilkinson, who has extensive high-level experience in the global poultry industry, was elected an Independent Non-Executive Director in March 2020. Prior to becoming available to join the MHP Board, he was retained by the Company for several months on a part-time advisory basis, in part to enhance his knowledge of the business. The NRC and Board are satisfied that this in no way impaired his independence as a director.

Roberto Banfi is not regarded as independent due to his provision of other paid services to the Company.

John Rich was viewed by the Board as independent on appointment as Chairman in 2017 but is now not viewed as independent because of his subsequent performance of certain executive management functions. Accordingly, in March 2019, he resigned from the Audit Committee and his role was designated as Executive Chairman.

BOARD EFFECTIVENESS

The Board is responsible for regular assessment of its effectiveness. In 2020, the Board conducted an annual effectiveness review in order to evaluate its performance as well as that of its Committees and individual Directors. The evaluation process was initiated by a questionnaire. The conclusions were considered by the Board at its first meeting in 2021.

CONFLICTS OF INTEREST

The Board has formal procedures in place to manage conflicts of interest. Each Director is required to inform the Board of any other directorship, office or responsibility, including executive positions that are taken up outside the Company during the term of office. If, in the opinion of the Board, a conflict of interest exists, the relevant Director does not participate in discussions and will abstain from a Board vote on the affected matter. The Company's Conflict of Interest Policy covers any transactions involving conflicts of interest (whether actual or potential) of:

- MHP's Management team members, including Directors of subsidiaries and branches ("key management");
- MHP's line managers who have authority to authorise transactions on behalf of MHP ("line managers");
- other MHP employees who are authorised to internally approve any decisions as to significant transactions based on internal policies and instructions ("responsible employees") or who have power to influence such decisions.

OTHER PROFESSIONAL COMMITMENTS

Every Director is required to allocate the time and attention required for the proper fulfillment of his or her duties. This commitment includes limiting the number of other professional commitments to the extent required.

CONFIDENTIAL INFORMATION

All Board Directors are required to keep confidential information received in their capacity as Directors and may not use it for any other purpose than for fulfilling their remit.

INFORMATION AND PROFESSIONAL DEVELOPMENT

The Board ensures that Directors, especially Non-Executive Directors, have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors.

Board Committees are also provided with sufficient resources to undertake their duties.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are complied with.

The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information. The Company's Executive Management team is obliged to provide such information and Directors may seek clarification or amplification where necessary.

The Chairman ensures that Directors continually update their skills, knowledge and understanding of the Company's activities in order to fulfil their role effectively both on the Board and on Board Committees.

The Company provides the necessary means for developing and updating its Directors' knowledge and capabilities.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors is ultimately responsible for the Company's governance, risk management, internal control environment and processes and reviews their effectiveness at least annually. Once identified, risks are evaluated to establish their potential financial or non-financial impact and the likelihood of their occurrence. For risks assessed as significant, a mitigation action-plan is determined by the relevant operational business management team.

The summary of key risks is regularly discussed with MHP's Management team and reported at least annually to the Board through the Audit Committee. The Company has an independent risk and process management department whose activities are overseen by the CFO and reported to the Audit Committee. The Directors, Management and employees follow principles of ethical business that are in line with the Company's approved Conflict of Interest Policy.

A summary of the Company's framework for managing risks, and the Company's key business risks together with the actions taken to mitigate them can be found on pages 45 to 49 of this Report.

ENGAGEMENT WITH STAKEHOLDERS

The Board recognises the importance of regular, effective and constructive communications with its shareholders and maintains a dedicated investor relations department to facilitate this. The principal opportunity for shareholders to engage with the Board is at the Annual General Meeting.

MHP announces its financial results on a quarterly basis. This information is released through the appropriate regulatory news services and recorded on the Company's website.

Each results announcement is accompanied by a conference call with MHP's finance and investor relations team during which investors and analysts have the opportunity to discuss and ask questions about MHP's performance.

During the year the Board and investor relations team regularly engaged with shareholders and financial analysts to discuss matters relating to MHP's strategy and financial performance.

The Company also conducted a survey of investor opinion which enabled shareholders and bondholders to confidentially report their opinions about matters such as MHP's financial and non-financial performance, strategy, information disclosure, investor relations and quality of management.

Further information can be found in the S172 Statement & Stakeholder Engagement on pages 54 to 56.

WORKFORCE ENGAGEMENT

MHP works closely with its workforce who play an active role in the management of the business through day-to-day dialogue and engagement with the senior management team. One key element of this process is the Company's new HR Cornerstone Digital management system. This includes the provision of a two-way feedback mechanism allowing employees to participate in the running of the business and how it is managed. More information about MHP's approach to workforce engagement is included within the Corporate Responsibility section on pages 57 and 60 and the People section of the Non-Financial Report which is due to be published later in 2021.

DIVERSITY AND INCLUSION

MHP values its distinctive culture and, in particular, its proactive approach to creating senior management and development opportunities for women. MHP believes that diversity and inclusion support innovation, continuous improvement and increase efficiency.

The Board and the Nominations and Remuneration Committee considered diversity and inclusion matters as part of the regular assessment of Board effectiveness and the appointments process (see also the NRC report on pages 78 to 79). The Board has determined that it will not set specific targets with respect to Board diversity but recognises the benefits that this brings to its effectiveness. It is committed to promoting diversity throughout the business.

BOARD COMPOSITION AND ROLES

At 31 December 2020 the Board comprised the Executive Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and five Non-Executive Directors (four of whom were considered by the Board to be independent). Details of the Board's composition are set out on pages 69 to 72 which contain biographical details of the Directors.

ROLE OF THE CHAIRMAN

The Board elects the Chairman from members that meet the Board's criteria following the preparation of a job specification by the Nominations and Remuneration Committee. The Company's Corporate Governance Charter excludes the CEO from becoming Chairman.

The Chairman is responsible for the proper and efficient functioning of the Board. The Chairman determines the calendar of the Board and Committee meetings and the agenda of the Board's meetings after consultation with the CEO. Prior to each meeting, the Chairman ensures that Directors receive complete and accurate information and, to the extent appropriate, a copy of any Management presentation to be made at the Board meeting. The Chairman will also make sure that there is sufficient time for making decisions.

The Chairman is also responsible for ensuring that new Directors receive a complete and tailored induction to the Company prior to joining the Board and that existing Directors continually update their skills and the knowledge and familiarity with the Company required to fulfil their role both on the Board and on Board Committees.

The Chairman represents the Board to shareholders and the public and chairs Shareholders' Meetings. The Chairman serves as the interface between the Board and major shareholders of the Company on matters of corporate governance.

RELATIONSHIP BETWEEN THE CHAIRMAN AND THE CEO

A clear division of responsibilities is maintained between the Chairman and the CEO. The CEO may not carry out the duties of the Chairman and vice versa except in extraordinary circumstances limited to no more than 12 months. The Chairman is required to maintain close relations with the CEO by giving him support and advice while respecting the executive responsibilities of the CEO. The CEO provides the Chairman with all the information he requires to carry out his role.

ROLE OF THE CEO

The CEO reports directly to the Board. The CEO is entrusted by the Board with the day-to-day management of the Company within the strategic parameters established by the Board. He oversees the organisation and efficient day-to-day management of subsidiaries, affiliates and joint ventures. The CEO is responsible for the execution and management of the outcome of all Board decisions. The CEO is delegated powers that are not exclusively reserved to the Board or to the Shareholders' Meetings.

The CEO can delegate authority for daily management to subordinate executives but will retain ultimate accountability to the Board for the actions which are conducted during the performance of the role and the actions of delegates.

ROLE OF THE SENIOR INDEPENDENT DIRECTOR

John Grant has been designated as the Board's Senior Independent Director since 2011.

The Senior Independent Director acts as an advisor to the Chairman, is responsible for the annual evaluation of the Chairman and acts as an intermediary for the other Directors and shareholders when required.

He provides an alternative point of contact for shareholders on matters where the usual channels of communication are deemed inappropriate. In 2020, the Senior Independent Director did not receive any requests directly from shareholders/stakeholders.

ROLE OF THE NON-EXECUTIVE DIRECTORS

The Non-Executive Directors bring an external perspective to Board discussions. They offer specialist advice, constructive challenge and strategic guidance to the Executive Directors as well as holding them to account.

MHP benefits from the broad range of skills and experience that the Non-Executive Directors provide from different businesses and fields.

ROLE OF THE COMPANY SECRETARY

The Company Secretary ensures that the Board receives appropriate and timely information and provides advice and support to the Chairman, the Board, Board Committees and senior management on regulatory and governance matters.

All Directors have direct access to the advice and services of the Company Secretary. Directors may also obtain independent advice as required at the Company's expense.

APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

There is a formal and rigorous procedure for the appointment of new Directors. The Board may appoint an individual as a Director to either fill a vacancy or as an additional member of the Board. The process for new appointments is led by the Nominations and Remuneration Committee which makes a recommendation to the Board.

The Board may appoint any Director to hold any employment or executive office and may revoke or terminate such appointment. In line with the UK Corporate Governance Code, all members of the Board are subject to annual re-election by a majority of shareholders at the Annual General Meeting.

Directors may be re-elected an unlimited number of times. Shareholders may, by ordinary resolution, also appoint a person as a Director or remove any Director before the expiration of their period in office.

ANNUAL GENERAL MEETING

The next Annual General Meeting will take place on 15 June 2021 at 1pm at 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus.

The 2021 AGM notice can be found within the investor relations section at the Company's website.

AUDIT COMMITTEE

Meetings attendance	Number
John Grant, Chairman	5/5
Christakis Taoushanis	5/5
Roger Wills	5/5
Philip J Wilkinson OBE (appointed June 2020)	3/3

The Committee's main tasks are disclosed in the updated 2018 Corporate Governance Charter (Annex C).

During 2020, the Committee held five meetings with attendance as shown above. The Audit Committee Report is on page 73 to 77. Philip J Wilkinson OBE was appointed to the Committee in June 2020. Roger Wills resigned from the Board in January 2021.

NOMINATIONS AND REMUNERATION COMMITTEE

Meetings attendance	Number
Roger Wills (Chairman from April 2020 to January 2021)	6/6
John Rich (Chairman to April 2020, Member to June 2020, Interim Chairman from January 2021)	2/6
John Grant	6/6
Philip J Wilkinson OBE (appointed June 2020)	4/6

The Committee's main tasks are disclosed in the updated 2018 Corporate Governance Charter (Annex E) which is available for download at MHP's website.

During 2020, the Committee held six meetings with attendance as shown above. The Nominations and Remuneration Committee Report is on page 78 to 79.

Philip J Wilkinson OBE was appointed to the Committee in June 2020 and John Rich stepped down. Roger Wills resigned from the Board in January 2021. John Rich simultaneously rejoined and became Interim Chairman of the Committee.

INTERNATIONAL GOVERNMENT RELATIONS AND PUBLIC AFFAIRS COMMITTEE

Meetings attendance	Number
Philip J Wilkinson OBE (Chairman)	3/3
John Rich	3/3
Roberto Banfi	3/3

The Committee was formed by the Board in June 2020. Its main tasks are disclosed in the updated 2021 Corporate Governance Charter (Annex F) which is available for download at MHP's website.

During 2020, the Committee held three meetings with attendance as shown above. The International Government Relations and Public Affairs Committee Report is on page 80 to 82.

Roberto Banfi retired from the Board in February 2021.

BOARD OF DIRECTORS

DR JOHN C RICH

Executive Chairman

John Rich is a highly experienced senior business executive with a strong background in agribusiness operations, development banking and investment.

Nationality: Australian

Joined the Board: 2006

Position: Interim Chairman of the Nominations and Remuneration Committee (since January 2021) and member of the IGR&PA Committee

Career and prior experience highlights:

- Member of the Australian College of Veterinary Science and a registered financial member of the Australian College of Veterinary Surgeons;
- 1990-2003: Executive Director, Austasia Pty Ltd (agri-business conglomerate SE Asia);
- 1995-2002: Director AN-OSI Pty Ltd (supply chain management for feedlot beef, poultry and dairy operations SE Asia/China);
- 2006-2019 Senior Consulting Agribusiness Industry Specialist IFC and Agribusiness consultant to IFC-invested clients until 2020.

Current roles:

- Managing Director of Australian Agricultural Nutrition and Consulting Pty Ltd (AANC);
- Financial Board Advisor to ADM Capital and Independent Non-Executive Director at three other poultry-related companies;
- Recently appointed to the Food and Agribusiness Advisory Council of the London based Commonwealth Development Corporation (CDC).

JOHN GRANT

Senior Independent Director

Mr Grant has extensive, board-level business management, finance, strategy and operational experience in international businesses.

Nationality: British

Joined the Board: 2006

Position: Chairman of the Audit Committee and member of the Nominations and Remuneration Committee.

Career and prior experience highlights:

- Chairman, Gas Turbine Efficiency plc, Hasgo Group Limited, Motor Sports Association Limited and Torotrak plc;
- Senior Independent Director, Melrose plc, Pace plc and Wolfson Microelectronics plc;
- Non-Executive Director, National Grid plc, Corac Group plc and the Royal Automobile Club Limited;
- 1992-1996: Finance Director, Lucas Industries plc, LucasVarity plc;
- 1990-1992: Executive Deputy Chairman, Jaguar Cars;
- 1989: Director of Corporate Strategy, Ford Motor Company.

Current roles:

- Senior Independent Director, Augean plc and Chairman of the British Racing Drivers' Club Limited

ROGER WILLS

Non-Executive Director

Mr Wills is an experienced business executive and investment banker with a focus on Eastern Europe and emerging markets.

Nationality: New Zealander

Joined the Board: 2019, resigned January 2021.

Position: Member of the Audit Committee and Chairman of the Nominations and Remuneration Committee (from April 2020)

Career and prior experience highlights:
- Management consultant, Coopers & Lybrand Russia;
- Investment banking at Brunswick, including CEO at Brunswick Capital;
- 2017-2018: Non-Executive Director, Cherkizovo Group.

Current roles:
- Managing own family office since 2007 focussing on investment opportunities in private equity, venture capital and public markets with a focus on Eastern Europe and emerging markets;
- 2015-current: Non-Executive Director, T-Plus Group;
- 2019-current: Non-Executive Director, Royal Automobile Club Motor Sports Association Limited (Motorsport UK).

ROBERTO BANFI

Non-Executive Director

Mr Banfi is an experienced senior business manager with considerable brand management and operational experience working for companies based all over the world.

Nationality: Italian

Joined the Board: 2018, retired February 2021.

Position: Non-Executive Director (previously an advisor to MHP)

Career and prior experience highlights:
- 2014-2016: General Manager for Europe and Eurasia for BRF S.A. and also a Specialised Corporate Consultant to the company;
- 1998-2009: various executive positions at Sadia S.A. including Director of Sales and Marketing for Brazil and Director of Global Sales and General Manager for Russia, Middle East and Africa;
- Director of National Sales, Brazil, for Best Foods (now part of Unilever) after previous brand management experience (Knorr, Hellmann's Mazola and Ades);
- Director, Swift Armor Brazil.

Current roles:
- Independent Consultant in the Food sector covering several geographic regions and specialising in animal proteins.

CHRISTAKIS TAOUSHANIS

Independent Non-Executive Director

Mr Taoushanis is a highly experienced international financier and senior manager.

Nationality: Cypriot

Joined the Board: 2018

Position: Member of the Audit Committee

Career and prior experience highlights:

- 30 years of banking experience including 4 years at Continental Illinois National Bank of Chicago, 18 years at HSBC Group in Hong Kong and Cyprus, and 8 years as Chief Executive Officer at Cyprus Development Bank.

Current roles:

- Non-Executive Director of various regulated and listed companies;
- Advisor to a number of companies through the private firm, TTEG & Associates.

PHILIP J WILKINSON

Independent Non-Executive Director

Mr Wilkinson has considerable experience in international poultry industries.

Nationality: British

Joined the Board: 2020

Position: Chairman of IGR&PA Committee, member of the Nominations and Remuneration Committee and Audit Committee.

Career and prior experience highlights:

- Commercial Director of Arla Foods;
- Poultry industry: Managing Director of Grampian Country Food Group's, in 2006 joined 2 Sisters Food Group; in 2015 joined Inghams, Australia.
- Dairy industry: awarded an OBE in 2003 for Services to the Dairy Industry; Chairman of the National Dairy Council and National Dairy Farm Assured Ltd.

Current roles:

- Director of Red Tractor Poultry Sector Board, the British Poultry Council;
- Council Member of AVEC, Association of Poultry processors and Poultry Trade in the EU;
- Advisor to the Board of Alltech;
- Advisor to the Board of eggXYt, Israel;
- Chairman of BetaBugs, Scotland.

YURIY KOSYUK

Chief Executive Officer

Mr Kosyuk has been Chief Executive Officer of MHP since he founded the Company in 1998.

Nationality: Ukrainian

Joined the Board: 2006 (joined MHP in 1998)

Career and prior experience highlights:

- 1992: graduated as a process engineer in meat and milk production from the Kiev Institute of the Food Industry;
- 1995: founded the Business Centre for the Food Industry in Kiev.

YURIY MELNYK

Chief Operating Officer

Mr Melnyk is an experienced executive manager and technical agricultural expert.

Nationality: Ukrainian

Joined the Board: 2010 (when appointed Deputy CEO)

Career and prior experience highlights:

- 1985: graduated from Ukraine Academy of Agriculture and is a Doctor of Agriculture;
- A correspondent member of the National Academy of Sciences of Ukraine since 2002;
- 2004: awarded the State Prize of Ukraine in science and technology;
- Previously Agriculture Minister and Deputy Prime Minister of Ukraine and also served as an advisor to the Prime Minister of Ukraine.

VIKTORIA KAPELYUSHNAYA

Chief Financial Officer*

Ms Kapelyushnaya has considerable senior financial and business management experience.

Nationality: Ukrainian

Joined the Board: 2006 (joined MHP in 1998)

Career and prior experience highlights:

- Diplomas in Processing Engineering (1992) and Financial Auditing (1998) from the Kiev Institute of the Food Industry;
- Deputy and Chief Accountant at the Ukraine Business Centre for the Food Industry (BCFI).

*Ms Kapelyushnaya is also the Finance Director at PJSC MHP.

AUDIT COMMITTEE REPORT

"

I AM PLEASED TO PRESENT THIS REPORT WHICH DESCRIBES HOW THE AUDIT COMMITTEE CARRIED OUT ITS RESPONSIBILITIES DURING THE YEAR AND HOW IT ADDRESSED SIGNIFICANT ISSUES RELATING TO THE FINANCIAL STATEMENTS.

Member	No of meetings
John Grant (Chairman)	5/5
Christakis Taoushanis	5/5
Roger Wills	5/5
Philip J Wilkinson OBE (appointed June 2020)	3/3

ROLE AND RESPONSIBILITIES

The Committee's role and responsibilities are set out in its terms of reference, which can be viewed on the Company's website in the Corporate Governance Charter (Annex C). The Committee accepts its responsibility for protecting the interests of shareholders with respect to the integrity of financial information published by the Company and the effectiveness of the audit. The Committee is responsible specifically for:

- reviewing and monitoring the integrity of the financial statements, including the Annual Report and Interim Report, and any formal announcements relating to financial performance;
- reviewing and reporting to the Board on significant reporting issues and the judgements they contain;
- ensuring compliance with legal and regulatory requirements;
- keeping under review the effectiveness of the Company's financial reporting, risk management and internal control systems;
- reviewing and assessing annually the independence, objectivity and effectiveness of the external auditors, and making recommendations to the Board regarding the appointment, re-appointment and replacement of external auditors and the terms of their engagement;
- reviewing policy and practice regarding the provision of non-audit services by the external auditor;
- monitoring and evaluating the effectiveness of the internal audit function and approving the internal audit plan;
- ensuring compliance with accounting standards and consistency of accounting policies;
- reviewing, challenging and reporting to the Board on the going concern assumption and the basis of the longer-term viability assessment;
- reviewing the Annual Report and financial statements to ensure they are fair, balanced and understandable; and
- reviewing and overseeing the arrangements for employees to raise concerns in accordance with the Company's whistle-blowing policy.

COMPOSITION

As of March 2019 onwards, the Committee has comprised a minimum of three non-executive directors at all times, each of whom is deemed by the Board to be independent. The Chairman of the Committee is John Grant, who has significant and relevant financial experience in a wide range of senior executive and non-executive roles (see biography on page 69). Philip J Wilkinson OBE joined the Committee in June 2020, increasing the membership to four independent non-executive directors (see biography on page 71). Roger Wills left the Committee in January 2021 on his resignation from the Board, reducing the membership to three independent non-executive directors.

The Committee Chairman invites the Chief Financial Officer, the Head of Internal Audit and senior representatives of the external auditor to attend meetings as appropriate. The Committee has the right to invite any other director or employee to attend meetings as it considers appropriate.

The Committee meets with the external auditors at least once a year in the absence of Management.

MEETINGS IN THE YEAR

The Committee meets at least four times a year. The scheduling of meetings is aligned with the financial reporting timetable, enabling the Committee to review the annual and quarterly financial statements, to agree the audit plan in advance of the full year audit, and to maintain oversight of the Group's internal controls and processes. In 2020, the Committee met five times; for timing reasons, an additional meeting was held in December 2020 to consider and approve the 2020 external audit plan. The attendance of members at these meetings is shown on page 73.

SIGNIFICANT ISSUES RELATING TO THE FINANCIAL STATEMENTS

The Committee undertook the following recurring activities in relation to the financial statements:

- reviewed and agreed the scope of work to be undertaken in respect of the 2020 accounts by the external auditor;
- considered the external auditor's report on their audit of the full year results and their review of the interim financial report;
- reviewed the Annual Report and annual and quarterly financial statements to ensure they were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and advised the Board accordingly;
- considered the processes in place for the valuation of assets, including the reasonableness and consistency of assumptions; and
- reviewed the effectiveness of the Company's risk management and internal controls.

In addition, the Committee considered the following significant issues in relation to the financial statements.

Significant issue considered	How the issue was addressed by the Committee
REVENUE RECOGNITION There is a presumed risk of misstatement on revenue recognition due to fraud.	The Committee confirmed that adequate processes and controls were in place to manage the risk.
VALUATION OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE Determining the fair value of biological assets and agricultural produce requires extensive management judgements and the use of complex models.	The Committee reviewed the assumptions and judgements applied by Management and verified the reasonableness of input data and the accuracy of calculations.
IMPAIRMENT OF GOODWILL Testing of impairment of goodwill is inherently subjective as it requires assumptions regarding future cashflows of the relevant cash generating unit ("CGU") and the appropriate discount rate.	The Committee challenged Management's assumptions and analysis underlying their review of potential impairment in respect of Perutnina Ptuj, acquired in February 2019, and discussed with Ernst & Young the audit work they had undertaken. The Committee was satisfied that no impairment of goodwill was required.
LOANS TO RELATED PARTIES As at 31 December 2020, the Group had extended loans of US$ 67.4 million to its majority shareholder, WTI Trading Ltd.	The Committee confirmed that the contractual terms as to security and timely payments of interest have been met and noted that, subsequent to year-end, US$ 10 million had been repaid in advance of the scheduled maturity date. It noted also that the Group now has a Related Party Transactions Policy in place that more tightly controls all related party transactions.

In addition, the Committee considered the following significant issues in relation to the financial statements. (continued)

Significant issue considered	How the issue was addressed by the Committee
COMPLIANCE WITH BOND AND BANK COVENANTS Continued compliance with covenants included in bond and bank debt agreements is a prime ongoing focus for the Committee.	The Committee verified that as at 31 December 2020 the ratio of Net Debt to LTM-adjusted EBITDA was 3.66, higher than the limit of 3.0 defined in the Eurobond agreement, and higher than the ratio of 3.01 as at 31 December 2019. Although exceeding the ratio of 3.0 does not constitute a breach of any covenant, this leads to the introduction of additional control measures in relation to additional indebtedness, restricted payments (such as dividend distributions and investments in third parties), mergers with third parties outside the Group, and granting of any financing to third parties. These measures became effective on publication of the 2019 audited consolidated financial statements on 14 April 2020 and will remain in effect following publication of the audited consolidated financial statements for the year ended 31 December 2020 on 24 March 2021. With regard to future compliance, the Committee confirmed that Management had performed appropriate stress tests, taking account of potential changes in macro-economic conditions and the impact of external events including COVID-19 and avian influenza, and that these tests had been satisfied.
COVID-19 IMPACT The unprecedented spread of the Coronavirus Pandemic has had a serious and continuing effect on people's lives and business activities. Until the virus has been successfully contained, it is difficult to assess the impact on future business activities.	The Committee examined the effect of COVID-19 on the Group's operations and results in 2020 and challenged Management's assumptions and risk scenarios regarding the potential impact in 2021. Management reported to the Committee that, during 2020, the direct impact of COVID-19 on the Company's financial results had been limited in spite of a material impact on demand in European poultry markets. The Committee accepted Management's assessment as to the effect in 2020. The Committee also accepted Management's conclusion that COVID-19 was unlikely to have a material adverse effect on the Group in 2021.
GOING CONCERN AND VIABILITY Assessment of the going concern assumptions and the basis of the viability statement.	The Committee reviewed the assumptions underlying the assessment of the Company's ability to continue as a going concern and, after considering the stress tests undertaken by Management, supported Management's recommendation that the financial statements be prepared on a going concern basis. The Committee also considered a paper prepared by Management in respect of the longer-term viability statement to be included in the 2020 Annual Report. The Committee concurred with the assumptions and judgements made by Management and concluded that the longer-term viability statement was appropriate.

EXTERNAL AUDIT

Auditor rotation

In accordance with European regulatory requirements and the guidance provided by the UK Competition and Markets Authority regarding the statutory audit of public-interest entities, the Company conducted a tender process in 2016 to select the provider of the statutory audit with effect from the 2017 financial year. As reported previously, at the conclusion of a comprehensive selection process, the Committee decided, based on its assessment of which of the four candidate firms had the strongest capabilities, that Deloitte Audit S.a.r.l. should be re-appointed as statutory auditor.

In October 2017, due to the migration of the corporate office from Luxembourg to Cyprus, the Company's shareholders resolved to terminate the mandate of Deloitte S.a.r.l. and to appoint Deloitte Cyprus ("Deloitte") as the auditor of the Company. It was noted that there had been no conflict with Deloitte S.a.r.l's audit report.

In the fourth quarter of 2019, following the decision to appoint a Deloitte partner to a senior executive position in MHP, the Committee decided that Deloitte should be replaced as the provider of the statutory audit with effect from the 2020 financial year. The Deloitte partner concerned had no involvement in the audit of MHP's 2019 results. As in 2016, the Company conducted a tender process, led by the Audit Committee, between the three candidate audit firms (other than Deloitte) considered to have the capability to audit MHP. At the conclusion of a comprehensive selection process, the Committee recommended to the Board that Ernst & Young Cyprus Limited was best equipped to handle the responsibility and should be appointed as the auditor of the Company with effect from the 2020 financial year.

Assessment of external auditor effectiveness

The Committee assessed the effectiveness of the previous auditor (Deloitte) following completion of their audit of the 2019 accounts and concluded that it remained satisfied with the quality, integrity and effectiveness of their work. A similar assessment will be undertaken for Ernst & Young following completion of the audit of the 2020 accounts.

Non-audit services

A policy is in place covering engagement of the external auditor for the supply of non-audit services to ensure that its independence and objectivity are not impaired. This requires the Audit Committee Chairman to approve all material non-audit services in advance of the service being provided. Cumulative non-audit fees are reviewed at scheduled meetings of the Committee. A breakdown of fees earned by the external auditor for audit and non-audit services can be found in Note 8 to the financial statements.

EU audit legislation that became applicable in 2016 limits the cost of non-audit services provided by the external auditor to 70% of the average statutory audit fee for the previous three years. As no cap applies during the first three years, the first year for which the cap became relevant was 2020. The cap is not expected to have a material impact on the Company. It is the Committee's intention to ensure future non-audit services are provided by a number of different firms to ensure both independence of the external audit and best quality and best value provision of non-audit services.

Auditor objectivity and independence

The Committee has a policy and procedures in place to ensure that auditor independence and objectivity are never compromised. These include approval requirements for engagement of the external auditor for non-audit services, periodic review of the cost of non-audit services provided by the external auditor and requirements for rotation of the audit partner every seven years. Each year, the auditor is required to provide to the Committee evidence of how it believes its independence and objectivity have been maintained. Based on these requirements and procedures, the Committee remains confident that auditor independence and objectivity have been and will be maintained.

INTERNAL AUDIT

The Company has an Internal Audit function whose primary purpose is to provide independent assurance to Management and the Committee, and hence the Board, on the Company's risk management and control environment. Internal Audit coverage includes all the Company's operations, resources, services and responsibilities to other bodies, with no department or business unit of the Company being exempt from review.

Internal Audit responsibilities include:

- examining and evaluating the adequacy of the Company's system of internal control;
- assessing the reliability and accuracy of information provided to stakeholders;
- assessing compliance with statutory and regulatory requirements;
- assessing compliance with Company policies and procedures;
- ensuring that the Company's assets are properly accounted for and safeguarded;
- assessing the efficiency and effectiveness with which resources are employed;
- liaising with external auditors in audit planning and assisting the external auditors as required; and
- investigating any instances of fraud, irregularity or corruption.

The Internal Audit programme is approved annually by the Committee and the Head of Internal Audit reports findings periodically to the Committee.

At least annually, the Committee considers the role and effectiveness of the Internal Audit function, taking account of the resources available and required, the experience and expertise of personnel and the quality of service delivered. The Committee concluded that the Internal Audit function is continuing to deliver the level of service required.

RISK MANAGEMENT AND INTERNAL CONTROL

The Committee monitors the effectiveness of the Company's risk management and control systems through regular updates from Management, reviews of the key findings of the external and internal auditors and an annual review of the risk management process and risk matrix. Results are reported regularly to the Board, which has overall responsibility for risk management.

The annual review covers key risks that could potentially impact the achievement of MHP's strategic and financial objectives. New risks and changes in existing risks are identified on a continuous basis. A risk scoring system is used to help quantify both the probability and potential impact of each major risk before and after the effect of mitigating actions, to assess residual risks against the Company's risk appetite and to prioritise further risk management actions. The Company's approach to the identification and assessment of risks, and the response to risks, is based on best business practices and international COSO Enterprise Risk Management standards.

No incidents of significant control weaknesses or failures were identified at any time during the year.

With effect from 23 March 2021, the Board has decided to extend the Committee's responsibilities to cover a broader range of operational as well as financial risks and to change its name to the Audit & Risk Committee.

John Grant
Chairman
Audit Committee
23 March 2021

NOMINATIONS AND REMUNERATION COMMITTEE REPORT

THE NOMINATIONS AND REMUNERATION COMMITTEE ("THE COMMITTEE") IS RESPONSIBLE FOR MAKING RECOMMENDATIONS TO THE BOARD ON THE APPOINTMENT OF DIRECTORS AND FOR DETERMINING THE REMUNERATION OF EXECUTIVE DIRECTORS.

THIS REPORT DESCRIBES HOW THE NOMINATIONS AND REMUNERATION COMMITTEE CARRIED OUT ITS RESPONSIBILITIES DURING THE YEAR.

Member	No of meetings
Roger Wills (Chairman from April 2020 to January 2021)	6/6
John Rich (Chairman to April 2020, Member to June 2020, Interim Chairman from January 2021)	2/6
John Grant	6/6
Philip J Wilkinson OBE (appointed June 2020)	4/6

ROLE AND RESPONSIBILITIES

During the year the Committee reviewed its role and responsibilities in line with good practice and the Corporate Governance Charter was amended to reflect its revised and enhanced principal responsibilities. These are to:

- review the structure, size and composition of the Board (with particular regard to the balance of Executive and Independent Non-Executive Directors) and make recommendations to the Board on appointments so as to ensure that the Board and its committees have the appropriate balance of skills, knowledge, independence, experience and diversity to enable them to discharge their duties and responsibilities effectively;
- ensure that plans are in place for orderly succession for appointments to the Board and senior management;
- determine the remuneration of Executive Directors so as to ensure they are competitively and fairly rewarded and properly incentivised to deliver exceptional performance, with the objective of attracting, retaining and motivating executive management of the quality required without paying more than is necessary; and
- set the general principles and parameters of remuneration policy across the Company to ensure that the interests of all employees are aligned with the Company's goals and objectives.

The Committee's role and responsibilities are set out in its terms of reference, which can be viewed on the Company's website in the Corporate Governance Charter (Annex E).

Further details regarding the Committee's composition, areas of focus in 2020 and diversity policy are set out below.

COMPOSITION

The Committee comprises a minimum of three Independent Non-Executive Directors. The Chairman of the Company may also serve as a member.

To comply with the UK Corporate Governance Code, Roger Wills, an Independent Non-Executive Director, replaced John Rich as Chairman of the Committee on 13 April 2020, having served 12 months on the Committee. Philip J Wilkinson OBE, also an Independent Non-Executive Director, was appointed to the Committee in June 2020. Following Mr Wills' resignation from the Board in January 2021, John Rich was appointed Interim Chairman of the Committee pending the appointment of a qualified Independent Non-Executive Director as Chairman.

The Company Secretary acts as secretary to the Committee. On occasion, the Committee invites the Chief Executive, the Chief Financial Officer or Deputy CEO, People to attend discussions where their input is required.

MEETINGS

The Committee meets not less than twice a year. During 2020, the Committee met six times. Members' attendance is shown on page 78.

AREAS OF FOCUS IN 2020

The principal matters considered by the Committee during 2020 were as follows:

- the Committee considered the composition and balance of the Board and recommended that an additional Independent Non-Executive Director should be appointed to bring additional industry experience and improve the balance of the Board;
- the Committee considered candidates for this position following which it recommended that Philip J Wilkinson OBE should be invited to join the Board in April 2020 (no search consultancy was used in this recruitment). Mr Wilkinson brings significant experience in large poultry companies and has a deep understanding of international food and agriculture industries;
- the Committee recommended to the Board that, with effect from the 2020 Annual General Meeting, all directors should stand for re-election by shareholders each year;
- the Committee recommended to the Board that a new International Government Relations and Public Affairs Committee be formed with the objective of enhancing the Company's capabilities in campaign management, lobbying, message development and strategic engagement. This Committee was established on 1 June 2020;
- the Committee was kept informed of, and agreed with, a proposed realignment of the senior management structure within the Group to better support planned strategic developments;
- the Committee discussed with Management a shift towards a more performance-related compensation philosophy for the Group, and changes to the annual management bonus scheme to better recognise and reward performance. The first step in this plan, based on an OKR (Objectives and Key Results) process, was implemented in 2020;
- the Committee appointed a remuneration consultant (Deloitte) to conduct a comparative review of compensation of the Executive Directors and Senior Management. The results were used to support implementation of the change to a more performance-related bonus scheme;
- the Committee recommended to the Board that a new policy on related party transactions should be implemented. A Related Party Transactions Policy was established in July 2020; and
- the Committee agreed a plan for the continuing education of selected Senior Management executives, including courses at top-level institutions in the UK and the USA. In addition, the Committee considered and approved the continuing education programme for Non-Executive Directors for 2020.

DIVERSITY

The Company recognises the importance and value of diversity throughout its workforce, be it geographical, cultural or market-aligned, and encompassing, amongst other factors, ethnicity, gender, experience and age. The Board is committed to equality of opportunity for all employees.

The Committee takes into account a variety of factors before recommending any new appointments to the Board, including skills relevant to performing the role, experience and knowledge, in addition to aiming to achieve an appropriate diversity balance. The most important priority, however, has been and will continue to be to ensure that the best candidate is selected.

John Rich
Interim Chairman
Nominations and Remuneration Committee

INTERNATIONAL GOVERNMENT RELATIONS AND PUBLIC AFFAIRS COMMITTEE

THE INTERNATIONAL GOVERNMENT RELATIONS AND PUBLIC AFFAIRS COMMITTEE (THE "COMMITTEE") IS RESPONSIBLE FOR SETTING THE STRATEGY AND OBJECTIVES OF THE COMPANY'S GOVERNMENT RELATIONS AND PUBLIC AFFAIRS EFFORTS.

Member	No of meetings
Philip J Wilkinson OBE (Chairman)	3/3
John Rich	3/3
Roberto Banfi	3/3

ROLES & RESPONSIBILITIES

The Committee was created during 2020 with its first meeting in August. Its role and responsibilities are set out in its Terms of Reference, which can be viewed on the Company's website: 96abf5b0.pdf (mhp.com.ua). This Report describes how the International Government Relations and Public Affairs ("IGR and PA") Committee carried out its responsibilities during the year and how it addressed political and industry concerns relating to the poultry sector.

The Committee is specifically responsible for:

- reflecting the changing business and political environment in which the Company operates and, in particular, the increasing importance of its internal and external audiences and stakeholders including host governments and the governments of countries with which the Company trades or may wish to trade with, customers, suppliers, employees, sector associations, neighbours and communitiesf;
- developing the Company's approach to international government relations and public affairs and enhancing MHP's related reporting and communications with a focus on clarity of message and timeliness;
- working with MHP's stakeholders, its in-house teams and advisors to achieve the Company's long-term objectives and support MHP in further domestic and international success.
- anticipating and preparing the reaction of the Company to any potential crisis management situations relating to political and operational issues (e.g. Avian Influenza outbreaks and Brexit);
- developing processes for responding fully and in a timely manner in corporate communications to mitigate or diffuse crises resulting from market dynamics, including competitor behaviour or political issues which may threaten the Company's reputation and results;
- determining short-, medium- and long-term objectives in relation to key areas that require lobbying activities and to identify the targets of the lobbying policy;
- reviewing and recommending changes as appropriate to the Company's policies to ensure that the Company's standards of business behaviour are up-to-date and reflect best business practice. This includes the following codes and policies: Share Dealing Code; Inside Information Disclosure policy; Health & Safety policy; Sustainable Environmental policy; Corporate Social Responsibility policy; Charitable Donations policy; Anti-bribery and Corruption policy; Related Party Transactions policy; Risk Management policy; Human Resources policy; and, in conjunction with the Audit Committee, the Internal Audit policy and the Whistle Blowing policy;
- reviewing and providing input to the Company on the management of current and emerging sustainability matters affecting the Company; and providing external and independent oversight and guidance on the environmental and social impact of how the Company conducts its business;
- reviewing on behalf of senior management and relevant external parties those reports, minutes and recommendations which fall within the Committee's areas of responsibility.

COMPOSITION

The Committee comprises at least three Board members. The Chairman of the Committee is Philip J Wilkinson OBE who has significant and relevant experience in international agricultural politics, has historically chaired agricultural sector boards and holds several non-executive directorships and advisory positions in global agri-businesses (see biography on page 71). The other members of the Committee are John Rich (see biography on page 69), and Roberto Banfi (see biography on page 70). Roberto Banfi stepped down from the Board on 9 February and will be replaced on the Committee by an appropriate candidate.

The Committee has the right to invite any other director or employee to attend meetings as it considers appropriate. In this context, from time-to-time the Committee Chairman invites the Director of Investor Relations, Anastasiya Sobotyuk, to attend meetings.

MEETINGS IN THE YEAR

The Committee meets at least twice a year. A meeting may be convened at any time by the Chairman of the Committee, the Chairman of the Board or the Chief Executive Officer to consider any matters falling within the Committee's terms of reference.

Three meetings were held during the year, all of which were held by video conference due to COVID-19 restrictions.

WORK OF THE COMMITTEE TO DATE

The first meeting of this newly formed Committee took place in August 2020 during which the Chairman set out the backdrop against which this Committee operates.

The political landscape of the global food arena is highly dynamic with abundent opportunities and the playing field is becoming more open and transparent; at the same time business and politics are beginning to converge with Brexit being a prime example. Smart multi-national companies need to be engaged, to listen to their customers and to understand that the world does not require a "one size fits all" approach ; an understanding and appreciation of what works where and why is of paramount importance to their global success.

As the Company transitions itself strategically, not only do traditional communications channels and audiences remain highly relevant but it is also important that MHP adopts a broader and even more sophisticated approach to outreach and comunications, bringing key audiences along so they have accurate and up to date perceptions of the Company. This approach embraces what the Company should be saying about itself, its values, sustainability policy, welfare, environment and so forth, to whom and why; our messaging needs to be clear and concise and communicated to the appropriate audience at the right time.

The Committee has a wealth of experience in working with politicians, the media, policy makers, trade bodies, NGOs and opinion formers. The IGR and PA Committee has a first-class combination of strategic counsel and practical expertise. Its objective is to bring its skills in campaign management, lobbying, message development and strategic engagement to help lead the Company to further domestic and international success.

INTERNATIONAL GOVERNMENT RELATIONS PROGRESS

Discussions have taken place between the United Kingdom's ("UK") and Ukraine's International Trade Departments resulting in tariff-free access for a volume of Ukranian poultry meat to be exported to the UK. Discussions are currently underway to recognise Regionalisation insofar as Avian Influenza is concerned between the two countries.

Two separate meetings took place with AVEC, the voice of the European poultry meat sector. The first meeting included MHP executives and focussed upon the animal welfare policies implemented by the Company in order to confirm compliance with AVEC members' practices within MHP's operations. The second meeting included Ukrainian officials from the Department of Agriculture and took place with a view to incorporating broiler breast cap volume into the overall EU quota. Both of these initiatives reached a successful conclusion.

PUBLIC AFFAIRS PROGRESS

The Committee recognises the importance of having corporate Animal Welfare and Sustainable Environmental Policies in place which may be viewed by interested parties to provide the necessary comfort that MHP's practices are consistent with the best in the world. To this end the Committee has scrutinised policies from around the world and, with the help of international advisors from reputable global organisations, is in the process of incorporating best practices from them into MHP's own Policy.

MHP has also made a pledge to achieve carbon neutrality as a Company by 2030. A working relationship has been forged with a global provider in this arena and three meetings have taken place between the two teams to set out the road map to achievement.

The Company is committed to be at the forefront of efforts to reduce the usage of antibiotics in broiler meat production whilst at the same time being ever mindful of the health and welfare of the birds. This work in progress is being conducted by MHP's own internal teams supported by external expert providers as and when required.

Philip J Wilkinson OBE
Chairman
IGR and PA Committee
23 March 2021

MANAGEMENT REPORT

THE INFORMATION WITHIN THIS REPORT IS ALIGNED WITH THE REPORTING REQUIREMENTS OF THE UK COMPANIES ACT 2006, THE UK DISCLOSURE AND TRANSPARENCY RULES, THE LISTING RULES OF THE UK AND CYPRUS COMPANIES LAW CAP. 113.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

MHP is a leading international protein agribusiness and the largest producer of chicken in Ukraine. MHP Ukraine and Perutnina Ptuj ("PP") operate vertically-integrated business models, owning and operating each of the key stages of chicken production processes (see Our Business Model on pages 14). MHP's objectives are to maximise efficiency in production costs, increase profitability by consolidating multiple steps in the value-chain and follow the strategy of sales diversification taking into account market availability and challenges, local customer preferences as well as the profitability that diversification brings. Detailed information on the Group's financial and operational performance, including KPIs, can be found in the Business Review on pages 25 to 40.

The business is organised into and operates through four business segments: Poultry and Related Operations; Grain Growing Operations; Meat-processing & Other Agricultural Operations; and the European Operating Segment. Detailed information on each of the four Segments may be found in the Group Overview on pages 4 - 12.

Key to the Company's approach to managing waste is MHP's biogas programme, which enables the recycling of waste (including husks and manure). Further information on this aspect of the Group's business may be found in the Group Overview on pages 4 to 12 and will also be reported on in detail in the forthcoming Non-Financial Report.

POULTRY AND RELATED OPERATIONS SEGMENT (MHP, EXCLUDING PERUTNINA PTUJ)

The Poultry and Related Operations Segment produces, processes and sells chicken meat (fresh and frozen), vegetable oils (sunflower and soybean) and mixed fodder. It incorporates three chicken meat complexes and two breeding farms, three sunflower oil plants, one soybean crushing plant, three feed mills and two biogas complexes. For more detailed information see the Group Overview on pages 4 to 12.

GRAIN GROWING SEGMENT

The Grain Growing Segment grows crops for fodder production and for sale to third parties. In 2020 MHP's total landbank constituted 356.046 hectares ("ha") of land of which the majority was used for grain cultivation. The landbank comprises a number of enterprises in Ukraine. For more detailed information see the Group Overview on pages 4 to 12.

MEAT-PROCESSING & OTHER AGRICULTURAL OPERATIONS SEGMENT

The Meat-Processing & Other Agricultural Operations Segment produces and sells sausage and cooked meat, convenience foods and produce from cattle and milk operations. It incorporates two facilities for the production of prepared meat products and a number of cattle farms. For more detailed information see the Group Overview on pages 4 to 12.

EUROPEAN OPERATING SEGMENT – PERUTNINA PTUJ

The European Operating Segment comprises 100% of Perutnina Ptuj ("PP"), a leading poultry and processed-meat producer in the Balkans with production assets in Slovenia, Croatia, Serbia, Bosnia and Herzegovina and distribution companies in Austria, North Macedonia and Romania. PP supplies products to 15 European countries. For more detailed information see the Group Overview on pages 4 to 12.

FUTURE DEVELOPMENTS

The Executive Management team believes there are ample opportunities for growth both internationally and within Ukraine and the Balkans. In Ukraine, customers tend to buy domestically produced chicken, choosing from the wide range of poultry products – fresh chicken and processed meat products - that MHP develops and offers to its customers. These products are both more affordable than pork and beef and fresher than imported meat. Exports of chicken meat have increased MHP's total sales and the available markets in recent years. Typically, chicken meat exports have provided higher margins than sales within Ukraine. In addition, and in line with the transformation to become a culinary company, the Group is increasingly providing solutions to consumers, retailers and food service with ready-to-cook and ready-to-eat food products. Further information on the evolution of the Group's strategy may be found in the Chairman's Statement on pages 16 to 20 and the Group Overview on pages 4 to 12.

COMPANY'S MISSION

The Company's mission is to provide its customers with high-quality, sustainable, animal-welfare friendly and safe food products, anticipating and meeting their evolving priorities and requirements.

THE STRATEGY TO ACHIEVE THE COMPANY'S MISSION:

01 **TRANSFORMATION INTO A CULINARY COMPANY**

Transform the Company into a culinary company through the managed and careful development of cooperation with the franchise network, retail, HoReCa, the Nasha Ryaba antibiotic-free range, packed poultry, the culinary kitchen and other initiatives. This includes increasing the Company's presence in value-added food products such as processed meat, convenience food and the Commercial Kitchen concept;

02 **EFFICIENCY**

Constant increase in production efficiency through modernisation and innovation; improvement in cost and quality control; and the use of up-to-date technology across all business segments, including PP;

03 **CAPACITY**

Expand poultry production capacity during the period 2020-2023e at PP and, in the medium term, at MHP (Phase 2 of the Vinnytsia poultry complex, Line 4);

04 **M&A OPPORTUNITIES**

Explore M&A opportunitied and potentially acquire further meat-processing and/or poultry production companies internationally;

05 **EXPORT EXPANSION**

Continue export expansion through sales diversification and market targeting;

06 **INTERNATIONAL SALES AND DISTRIBUTION**

Continue to establish international sales and distribution offices and potentially joint ventures;

07 **MARKETS**

Develop and remodel the markets where MHP is present, changing trading channels;

08 **CONTINUOUS IMPROVEMENT**

Maintain "continuous improvement" approach including optimising human productivity, high biosecurity standards, environmental standards, health and safety and animal welfare practices (including, but not limited to, the antibiotic-free programme);

09 **BRAND PROMOTION AND DEVELOPMENT**

Promote and develop the Company's strong brands through consumer-driven innovation and the introduction of new products;

10 **ALTERNATIVE ENERGY PROJECTS**

Expand alternative energy projects (e.g. biogas); and

11 **APPROACH TO PEOPLE & WORKFORCE**

Develop the Company's approach to people, including providing a healthy and safe workplace and an environment that enables every employee to develop their skills to their maximum potential.

DIVIDEND POLICY

In March 2013 the Board of Directors approved the adoption of a dividend policy that maintains a balance between the need to invest in further development and the right of shareholders to share the net profits of the Company. Taking into account the current challenging market dynamics, and with a Net Debt to EBITDA ratio of 3.66 at 31 December 2020 (above 3.0, beyond which certain restrictions become effective, please see Note 29), 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).

LOANS TO RELATED PARTIES

On 21 January 2020, the Board approved a loan facility of up to US$ 80 million 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 Group had advanced loans to WTI in the aggregate amount of US$ 67.4 million (31 December 2019: US$ 20.4 million). The loans, with maturities 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 Directors believe that the loans were issued at arm's length terms and for fair market value, 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 29, p. 145).

RESEARCH AND DEVELOPMENT

Sustaining significant investment in R&D as well as innovation is fundamental to the Company's long-term growth strategy. Our target is to sustain MHP's position as a world leader in efficient poultry production at the same time as adopting a sustainable and responsible approach to society, our employees, the environment and animal welfare.

BUSINESS REVIEW AND RISKS

A review of the Group's performance and the key risks and uncertainties which face the business as well as details on likely developments can be found in the Chairman's Statement on page 16 and Risk Management on page 43 of this Report.

CORPORATE RESPONSIBILITY REPORTING AND ESG DIALOGUE

The Group initiated corporate responsibility reporting in 2015 and issues a separate Corporate Responsibility Report (Non-Financial Report) annually. This Report includes information for MHP's material stakeholders and applies the latest applicable Global Reporting Initiative's ("GRI") reporting framework. The latest Non-Financial Report is for 2019 and can be found in the "Sustainable Development" section of the Company's website, Core Compliance. MHP expects the 2020 Report to be available in June 2021. Summary Corporate Responsibility information is also included on pages 57 to 60 within this Annual Report.

MHP also participates in a number of ESG research exercises conducted by specialist investor research agencies and readily responds to questions and information requests from shareholders concerning this aspect of its activities.

FINANCIAL REPORTING PROCESS

MHP has in place a comprehensive financial review cycle which includes a detailed annual budgeting process. The annual budget and the business plan, upon which the budget is based, is reviewed and approved by the Board of Directors. Major commercial and financial risks are assessed as part of the business planning process. There is a comprehensive system of financial reporting, with monthly performance reports presented to the Board of Directors.

At a Group level, MHP has in place common accounting policies and procedures on financial reporting and closing. Management monitors the publication of new reporting standards and works closely with the external auditors in evaluating in advance the potential impact of these standards.

BRANCHES

MHP does not have any branches.

SHARE CAPITAL

There is no change in share capital (Note 26, p. 144).

CHANGES TO THE BOARD

All changes to the Board of Directors are disclosed in the Corporate Governance Report, p. 62-68.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Total compensation of the Group's key management personnel included primarily in selling, general and administrative expenses in the accompanying consolidated statements of profit and loss and other comprehensive income amounted to US$ 15.1 million and US$ 18.7 million for the years ended 31 December 2020 and 2019, respectively. Compensation of key management personnel consists of salary and performance related bonuses.

Key management personnel totalled 22 and 43 individuals as of 31 December 2020 and 2019 respectively, including 4 and 3 independent non-executive directors as of 31 December 2020 and 2019, respectively.

The table below shows the total of remuneration of the Board members.

	2020	2019
Executive Chairman	622	609
NEDs[1]	958	679
Executive Directors	5,421	5,643

[1] NEDs - four in 2020 and three in 2019

SUBSEQUENT EVENTS

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 (Note 39, p. 155).

SHARE OPTIONS

At the date of this Annual Report, neither the Company nor PJSC MHP has a share option plan and no share options have been granted to Directors, members of MHP's senior Management or employees.

AUDITOR ROTATION

Details of the rotation are disclosed in the Audit Committee Report on p. 73.

AUDITORS' REMUNERATION

Remuneration to the external auditors amounted to US$ 1 million for the year ended 31 December 2020 (2019: US$ 1.831 million). This includes both audit and non-audit services; with the statutory audit fees amounting to US$ 0.758 million (2019: US$ 0.990 million) and fees for other assurance services US$ nill million (2019: US$ 0.309 million), for tax advisory services US$ 0.070 million (2019: US$ 0.023 million) and for other non-audit services US$ 0.172 million (2019: US$ 0.509 million).

The Company has rules and processes in place to ensure the independence of the auditors, including non-audit fee limitations set by the Board, and prior approvals by the Audit Committee to ensure any services provided are compatible with the independence of the auditors.

INTERNAL AUDIT

The Company maintains an internal audit function. The Head of Internal Audit has the right of access to the Audit Committee and the Chairman. Further details can be found in the Audit Committee Report on pages 73 to 77.

GOING CONCERN

After reviewing the 2021 budget and longer-term plans, the Directors are satisfied that, at the time of the approval of the financial statements, it was appropriate to adopt the going concern basis in preparing the financial statements of the Group.

POLITICAL DONATIONS

The Group did not make any political donations or incur any political expenditure during the year.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each Director is aware, all information relevant to the audit of the Group's consolidated financial statements has been supplied to the Group's auditors. Each Director has taken all steps that he/she ought to have taken in his/her duty as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

ADDITIONAL DISCLOSURES

According to the terms of the Senior Notes, the Company may be required to offer to repurchase the Senior Notes from holders if a change in control occurs as a result of a takeover bid. At the date of this Annual Report, no takeover bids have been made for the Company's shares.

There are no agreements between the Company and its Directors or employees providing for compensation on loss of office or employment (whether through resignation, purported redundancy or otherwise) that would occur because of a takeover bid.

Other information that is relevant to the Management Report, and which is incorporated by reference into this Report, can be located as follows:

	Pages
Group Overview	4-12
Our Business Model	13-15
Corporate Governance Report	62-68
Stakeholder Engagement	54-56

The Company has chosen, in accordance with Section 414 C(11) of the Companies Act 2006, and as noted in this Management Report, to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Management Report. The Strategic Report can be found on pages 3 to 24.

APPROVAL

Approved by the Board and signed on its behalf by:

John Rich
Executive Chairman
23 March 2021

FINANCIAL STATEMENTS

CONTENTS

STATEMENT OF THE BOARD OF DIRECTORS'

RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020

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

In preparing the consolidated 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 Group's consolidated financial position and financial performance;
- making an assessment of the Group'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 Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group 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 Group; and
- preventing and detecting fraud and other irregularities.

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

Board of Directors' responsibility statement

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 consolidated financial statements of MHP SE for the year ended 31 December 2020, on the basis of our knowledge, declare that:

a) the consolidated financial statements which are presented on pages 98 to 158:

(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's and subsidiary companies, consolidated financial statements as a whole and

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.

On behalf of the Board:

Director	**Yuriy Kosyuk**
Director	**John Grant**
Director	**Viktoria Kapelyushnaya**
Director	**John Clifford Rich**
Director	**Philip J Wilkinson OBE**
Director	**Yuriy Melnyk**
Director	**Christakis Taoushianis**

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MHP SE

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

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

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We remained independent of the Group 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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each 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 consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The total amount of revenue recognised in 2020 was USD 1,911,137 thousand. Revenue recognition was one of the matters of most significance in our audit since the amount of revenue is material to the consolidated financial statements and due to a large number of transactions and management judgment involved in the interpretation of contract terms, identification of performance obligations, timing of revenue recognition and in the determination of whether the Group is a principal or an agent in its sales arrangements. Information on the accounting policy for revenue recognition is disclosed in Note 2 of the consolidated financial statements and disclosures related to revenue are included in Note 6 of the consolidated financial statements.	We considered the Group's accounting policy in respect of revenue recognition. We assessed the design and operating effectiveness of relevant internal controls over revenue recognition process, including IT-dependent manual controls. We analysed sales contracts terms and assessed the moment of transfer of control over goods and services. On a sample basis, we compared the date of transfer of control over goods and services with the date of revenue recognition. We also tested, on a sample basis, data of transaction records in the system to their respective customer contracts, underlying invoices and cash receipts. On a sample basis, we obtained confirmations of sales and accounts receivable balances from customers. We tested a sample of revenue transactions recognised shortly before and after the year end and assessed the period these transactions relate to. We performed analytical procedures in respect of revenue that included, among others, the analysis of monthly sales to detect unusual fluctuations and reconciliation with comparative information for prior periods. We analysed sales contracts terms in respect of indicators of whether the Group is a principal or an agent under these sales arrangements. We assessed disclosures in respect of revenue included in the notes to the consolidated financial statements

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INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of biological assets and agricultural produce	
The Group measures biological assets at fair value less costs to sell in accordance with IAS 41 Agriculture and IFRS 13 Fair Value Measurement. As at 31 December 2020, the carrying value of biological assets was USD 200,669 thousand, out of which USD 175,085 thousand was classified within current assets and USD 25,584 thousand within non-current assets. Agricultural produce harvested from biological assets is measured at fair value less costs to sell at the point of harvest in accordance with IAS 41 Agriculture and IFRS 13 Fair Value Measurement. As at 31 December 2020, the carrying value of agricultural produce was USD 269,045 thousand. The Group assesses the fair value of the biological assets based on the discounted cash flow technique. The key assumptions and inputs used in the measurement are average meat output, average productive life, expected yields, expected market prices, estimated future production costs and costs to sell and discount rates. The fair value of agricultural produce is determined by reference to market prices at the point of harvest. The valuation of biological assets and agricultural produce is one of the matters of most significance in our audit since the assessment of fair value requires assumptions and management judgement. Information on the accounting policy for biological assets and agricultural produce is disclosed in Note 2 of the consolidated financial statements and disclosures related to the biological assets are included in Note 19 of the consolidated financial statements.	We analysed the Group's accounting policy in respect of biological assets and agricultural produce in accordance with the requirements of IFRS. We obtained an understanding of the internal controls surrounding the valuation process for biological assets and agricultural produce and assessed their design and implementation. For biological assets, we analysed the valuation methods used by management. Further, we compared management's assumptions to the Group's historical data, the Group's actual data and, where applicable, to market data and external benchmarks. We considered the discount rate used, with the support of our internal valuation specialists. For agricultural produce, we analysed management's identification of the principal market, we compared the prices used by management to the market data. We analysed costs required to sell agricultural produce and analysed how they are taken into consideration in calculation of fair value less cost to sell. We tested the mathematical accuracy of the models prepared by management. We assessed the disclosures in respect of biological assets and agricultural produce made in the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Loans to related parties As described in Note 32 to the consolidated financial statements, the Group provided loans to related parties. As of 31 December 2020, the balance of "loans and finance aid receivable" from related parties amounted to USD 68,695 thousand and the balance of "loans to key management personnel" amounted to USD 4,480 thousand. These transactions with related parties was one of the matters of most significance in our audit due to the following: • Significant judgment is exercised by the Board of Directors in determining whether transactions are made on an arm's length basis; • Significant judgement involved by management in the assessing the recoverability of the loans receivable and estimation of allowance for expected credit losses in accordance with IFRS 9; • Disclosures of transactions with related parties are fundamental for the users of financial statements. Management disclosed more details in relation to the above in Note 4 "Critical accounting judgments and key sources of estimation uncertainty" as well as Note 32 "Related party balances and transactions" to the consolidated financial statements.	We obtained an understanding of the Group's policies and procedures in respect of the identification of related party transactions and disclosure of such transactions and balances in the consolidated financial statement. We obtained from management the list of all known related parties. On a sample basis, we reconciled the balances of loans to amounts per confirmations received from the related parties and traced individual related party transactions to supporting documentation. We read underlying contracts to understand the terms of related party loans and assessed the Board of Directors' considerations in respect of the application of the arm's length principle. We reviewed the cash movements during 2020 and reconciled all interest accrued and repaid to schedules per loan agreements. We analysed the financial position of counterparties and available forecast of their future cash flows. We also considered whether credit risk of the financial instruments increased from the date of its initial recognition. We evaluated the related disclosures provided in the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets with indefinite useful life As at 31 December 2020, the Group had significant balance of goodwill and intangible assets with indefinite useful life of USD 70,614 thousand and USD 34,505 thousand respectively. An impairment assessment of goodwill and intangible assets with indefinite useful life is a key audit matter due to the range of judgements and assumptions used in the impairment model for each CGU, as well as the significance of the carrying amount of goodwill and intangible assets with indefinite useful life. Disclosure relating to the impairment of goodwill and intangible assets with indefinite useful life is presented in Note 17 and Note 16 to the consolidated financial statements.	Our procedures included assessment of the assumptions and methodologies used by the Group in its value-in-use calculation of cash-generating units. We compared the Group's assumptions to externally derived data and our internal information on key inputs such as projected economic growth, sales volumes, inflation and discount rates. We analysed, for each cash generating unit, the excess of the recoverable amount over carrying amount. We tested sensitivity of the value in use to key assumptions. We have involved our internal valuation experts to analyze the scope of appraisal, the data, application of methods, and the methodology used in the valuation process and the assumptions made by the Group's management specialists and management. We also tested mathematical accuracy of management's impairment analyses and sensitivity calculations. We also analysed the disclosures related to impairment of goodwill and intangible assets with indefinite useful life presented in the Notes to the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

REPORTING ON OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises information included in Group's 2020 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Board of Directors is also required pursuant to article 151 of the Cyprus Companies Law Cap.113 to prepare and publish a Non-Financial Information Report by 30 June 2021. This report has not been issued by the date of this report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the otherinformation is materially inconsistent with the consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 consolidated 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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INDEPENDENT AUDITOR'S REPORT

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 Group and which have not been disclosed in the consolidated financial statements or the consolidated 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 consolidated 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 consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated 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 Annual Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated 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 (page 62) 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 Group 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 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 Matters

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 consolidated financial statements of MHP SE for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 13 April 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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

	Notes	2020	2019
Continuing operations			
Revenue	6	1,911,137	2,055,943
Net change in fair value of biological assets and agricultural produce	5	30,502	(39,515)
Cost of sales	7	(1,544,101)	(1,618,596)
Gross profit		**397,538**	**397,832**
Selling, general and administrative expenses	8	(187,801)	(179,156)
Other operating income	9	16,526	11,230
Other operating expenses	10	(23,412)	(8,159)
Loss on impairment of property, plant and equipment	14	(1,730)	(6,244)
Operating profit		**201,121**	**215,503**
Finance income		13,584	8,034
Finance costs	12	(144,257)	(147,552)
Foreign exchange (loss)/gain, net	36	(203,664)	185,291
Other expenses		(3,491)	(8,064)
(Loss)/Profit before tax		**(136,707)**	**253,212**
Income tax benefit/(expense)	13	5,132	(32,107)
(Loss)/Profit for the year from continuing operations		**(131,575)**	**221,105**
Discontinued operations			
Loss for the year from discontinued operations	3	(1,482)	(5,822)
(Loss)/Profit for the year		(133,057)	215,283

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

	Notes	2020	2019
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Effect of revaluation of property, plant and equipment	14	-	199,437
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income as result of revaluation	13	-	(17,053)
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income as result of intercompany sales	13	-	15,162
Items that may be reclassified to profit or loss:			
Cumulative translation difference		(180,213)	175,928
Other comprehensive (loss)/income		**(180,213)**	**373,474**
Total comprehensive (loss)/income for the year		**(313,270)**	**588,757**
(Loss)/Profit attributable to:			
Equity holders of the Parent		(136,506)	218,441
Non-controlling interests	27	3,449	(3,158)
		(133,057)	**215,283**
Total comprehensive (Loss)/income attributable to:			
Equity holders of the Parent		(314,547)	585,943
Non-controlling interests		1,277	2,814
		(313,270)	**588,757**
(Loss)/Earnings per share from continuing and discontinued operations			
Basic and diluted (loss)/earnings per share (USD per share)		(1.28)	2.04
(Loss)/Earnings per share from continuing operations			
Basic and diluted (loss)/earnings per share (USD per share)	38	(1.26)	2.10

The accompanying notes on the pages 103 to 158 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,678,917	2,055,395
Right-of-use assets	15	207,001	229,244
Intangible assets	16	96,841	106,522
Goodwill	17, 3	70,614	64,843
Non-current biological assets	19	25,584	29,652
Non-current financial assets	18	23,083	17,616
Long-term bank deposits		4,612	3,298
Deferred tax assets	13	1,822	2,284
		2,108,474	**2,508,854**
Current assets			
Inventories	20	240,715	208,389
Biological assets	19	175,085	205,747
Agricultural produce	21	269,045	215,816
Prepayments		16,776	23,236
Other current financial assets	24	81,314	29,337
Taxes recoverable and prepaid	22	54,647	30,030
Trade accounts receivable	23	119,187	124,474
Cash and cash equivalents	25	217,579	340,735
Assets classified as held for sale	3	-	3,877
		1,174,348	**1,181,641**
TOTAL ASSETS		**3,282,822**	**3,690,495**

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

	Notes	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	26	284,505	284,505
Treasury shares		(44,593)	(44,593)
Additional paid-in capital		174,022	174,022
Revaluation reserve		648,982	862,435
Retained earnings		1,195,143	1,148,113
Translation reserve		(1,020,229)	(842,188)
Equity attributable to equity holders of the Parent		**1,237,830**	**1,582,294**
Non-controlling interests	27	16,373	13,572
Total equity		**1,254,203**	**1,595,866**
Non-current liabilities			
Bank borrowings	28	64,608	75,880
Bonds issued	29	1,370,999	1,365,669
Lease liabilities	30	136,495	151,789
Deferred income	11	44,505	49,933
Deferred tax liabilities	13	29,867	55,305
Other non-current liabilities		7,233	5,872
		1,653,707	**1,704,448**
Current liabilities			
Trade accounts payable		149,768	147,334
Other current financial liabilities	31	86,638	70,701
Advances received		15,227	61,293
Bank borrowings	28	39,788	24,945
Interest payable	28, 29	21,487	21,789
Lease liabilities	30	62,004	64,074
Liabilities directly associated with assets classified as held for sale	3	-	45
		374,912	**390,181**
TOTAL LIABILITIES		**2,028,619**	**2,094,629**
TOTAL EQUITY AND LIABILITIES		**3,282,822**	**3,690,495**

The accompanying notes on the pages 103 to 158 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Parent								
ASSETS	**Share capital**	**Treasury shares**	**Additional paid-in capital**	**Revaluation reserve**	**Retained earnings**	**Translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 31 December 2018	**284,505**	**(44,593)**	**174,022**	**642,800**	**1,040,327**	**(1,015,591)**	**1,081,470**	**16,536**	**1,098,006**
Profit/(loss) for the year	-	-	-	-	218,441	-	218,441	(3,158)	215,283
Other comprehensive income	-	-	-	194,099	-	173,403	367,502	5,972	373,474
Total comprehensive income for the year	**-**	**-**	**-**	**194,099**	**218,441**	**173,403**	**585,943**	**2,814**	**588,757**
Transfer from revaluation reserve to retained earnings	-	-	-	(80,271)	80,271	-	-	-	-
Dividends declared by the Parent (Note 34)	-	-	-	-	(80,000)	-	(80,000)	-	(80,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(6,082)	(6,082)
Non-controlling interests arising in a business combination	-	-	-	-	-	-	-	15,526	15,526
Increase of Group's effective ownership interest in subsidiaries (Note 3)	-	-	-	-	(5,119)	-	(5,119)	(15,222)	(20,341)
Translation differences on revaluation reserve	-	-	-	105,807	(105,807)	-	-	-	-
Balance at 31 December 2019	**284,505**	**(44,593)**	**174,022**	**862,435**	**1,148,113**	**(842,188)**	**1,582,294**	**13,572**	**1,595,866**
Profit/(loss) for the year	-	-	-	-	(136,506)	-	(136,506)	3,449	(133,057)
Other comprehensive income	-	-	-	-	-	(178,041)	(178,041)	(2,172)	(180,213)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(136,506)**	**(178,041)**	**(314,547)**	**1,277**	**(313,270)**
Transfer from revaluation reserve to retained earnings	-	-	-	(77,972)	77,972	-	-	-	-
Dividends declared by the Parent (Note 34)	-	-	-	-	(30,000)	-	(30,000)	-	(30,000)
Non-controlling interests arising in a business combination	-	-	-	-	83	-	83	1,524	1,607
Translation differences on revaluation reserve	-	-	-	(135,481)	135,481	-	-	-	-
Balance at 31 December 2020	**284,505**	**(44,593)**	**174,022**	**648,982**	**1,195,143**	**(1,020,229)**	**1,237,830**	**16,373**	**1,254,203**

The accompanying notes on the pages 103 to 158 form an integral part of these consolidated financial statements

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

	Notes	2020	2019
Operating activities			
(Loss)/Profit before tax		**(136,707)**	**253,212**
Loss before tax from discontinued operations		(1,482)	(5,822)
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expense	5	192,103	206,195
Net change in fair value of biological assets and agricultural produce	5	(30,502)	39,515
Change in allowance for unrecoverable amounts and direct write-offs		16,912	3,858
Loss on impairment of property, plant and equipment	14	1,730	6,244
Loss on disposal of property, plant and equipment and other non-current assets		42	512
Finance income		(13,584)	(8,034)
Finance costs	12	144,257	147,552
Released deferred income		(1,739)	(1,862)
Non-operating foreign exchange gain/(loss), net		203,664	(185,291)
Operating cash flows before movements in working capital		**374,694**	**456,079**
Working capital adjustments			
Change in inventories		(55,580)	125,887
Change in biological assets		(19,429)	20,109
Change in agricultural produce		(36,975)	8,474
Change in prepayments made		(4,160)	11,365
Change in other financial current assets		1,695	(3,559)
Change in taxes recoverable and prepaid		(32,469)	21,954
Change in trade accounts receivable		(4,310)	(19,420)
Change in advances received		(37,306)	23,625
Change in other financial current liabilities		28,514	(32,894)
Change in trade accounts payable		6,408	36,799
Cash generated by operations		**221,082**	**648,419**

	Notes	2020	2019
Interest received		9,803	7,789
Interest paid		(144,926)	(142,894)
Income taxes paid		(15,274)	(11,543)
Net cash flows from operating activities		**70,685**	**501,771**
Investing activities			
Purchases of property, plant and equipment		(72,793)	(111,766)
Purchases of other non-current assets		(6,102)	(743)
Proceeds from disposals of property, plant and equipment		3,545	2,476
Proceeds from disposals of assets held for sale		2,700	-
Purchases of non-current biological assets		(769)	(284)
Government grants received	11	2,052	12,935
Prepayments and capitalized initial direct costs under lease contracts		(7,185)	(8,618)
Acquisition of subsidiaries, net of cash acquired		-	(205,724)
Investments in short-term deposits		(1,798)	-
Withdrawals of short-term deposits		390	-
Loans provided to employees, net		(1,547)	(3,408)
Loans and finance aid provided to related parties	32	(57,106)	(28,004)
Loans and finance aid repaid by related parties	32	10,000	10,115
Net cash flows used in investing activities		**(128,613)**	**(333,021)**

The accompanying notes on the pages 103 to 158 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

	Notes	2020	2019
Financing activities			
Proceeds from bank borrowings		113,154	213,809
Repayment of bank borrowings		(118,387)	(405,749)
Proceeds from bonds issued	29	-	350,000
Repayment of bonds		-	(79,417)
Repayment of lease liabilities		(15,524)	(15,806)
Dividends paid	34	(30,000)	(80,000)
Dividends paid by subsidiaries to non-controlling shareholders		(930)	(5,249)
Acquisition of non-controlling interest		-	(20,341)
Transaction costs related to corporate bonds issued		-	(4,751)
Transaction costs related to bank loans received		-	(697)
Net cash flows used in financing activities		**(51,687)**	**(48,201)**
Net (decrease)/increase in cash and cash equivalents		(109,615)	120,549
Net foreign exchange difference on cash and cash equivalents		(13,541)	8,418
Cash and cash equivalents at 1 January		340,735	211,768
Cash and cash equivalents at 31 December	25	**217,579**	**340,735**
Non-cash transactions			
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor		-	1,318
Revaluation of property, plant and equipment	14	-	199,437
Non-cash repayments of lease liabilities	30	(9,134)	(10,842)

The accompanying notes on the pages 103 to 158 form an integral part of these consolidated financial statements

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

1. CORPORATE INFORMATION

MHP SE (the "Parent" or "MHP SE"), a limited liability company (Societas Europaea) registered under the laws of Cyprus, was formed on 30 May 2006. Hereinafter, MHP SE and its subsidiaries are referred to as the "MHP SE Group" or the "Group". The registered address of MHP SE is 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus. The MHP SE shares are listed on the London Stock Exchange ("LSE") in the form of global depositary receipts ("GDRs").

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

The principal business activities of the Group are poultry and related operations, grain growing, as well as meat processing and other agricultural operations. The Group's poultry and related operations integrate all functions related to the production of chicken, including hatching, fodder manufacturing, raising chickens to marketable age ("grow-out"), processing and marketing of branded chilled products and include the production and sale of chicken products, vegetable oil, mixed fodder. Grain growing comprises the production and sale of grains. Meat processing and other agricultural operations comprise the production and sale of cooked meat, sausages, convenience food products, milk and feed grains. As of 31 December 2020 the Group employed 30,471 people (31 December 2019: 31,427 people).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

1. CORPORATE INFORMATION (continued)

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

Name	Country of registration	Year established/ acquired	Principal activities	31 December 2020	31 December 2019
Raftan Holding Limited	Cyprus	2006	Sub-holding Company	100.0%	100.0%
Hemiak Investments Limited	Cyprus	2018	Sub-holding Company	100.0%	100.0%
MHP Lux S.A.	Luxembourg	2018	Finance Company	100.0%	100.0%
MHP (formerly known as Myronivsky Hliboproduct)	Ukraine	1998	Management, marketing and sales	99.9%	99.9%
Myronivsky Plant of Manufacturing Feeds and Groats	Ukraine	1998	Fodder and vegetable oil production	88.5%	88.5%
Vinnytska Ptakhofabryka	Ukraine	2011	Chicken farm	100.0%	99.9%
Peremoga Nova	Ukraine	1999	Breeder farm	99.9%	99.9%
Oril-Leader	Ukraine	2003	Chicken farm	99.9%	99.9%
Myronivska Pticefabrika	Ukraine	2004	Chicken farm	99.9%	99.9%
Starynska Ptakhofabryka	Ukraine	2003	Breeder farm	100.0%	100.0%
Zernoprodukt MHP	Ukraine	2005	Grain cultivation	99.9%	99.9%
Katerinopilskiy Elevator	Ukraine	2005	Fodder production and grain storage, vegetable oil production	99.9%	99.9%
SPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	99.9%
Agrofort	Ukraine	2006	Grain cultivation	99.9%	99.9%
MHP-Urozhayna Krayina	Ukraine	2010	Grain cultivation	99.9%	99.9%
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9%	79.9%
MHP-AgroKryazh	Ukraine	2013	Grain cultivation	51.0%	51.0%
MHP-Agro-S	Ukraine	2013	Grain cultivation	51.0%	51.0%
Zakhid-Agro MHP	Ukraine	2015	Grain cultivation	100.0%	100.0%
Perutnina Ptuj d.d.	Slovenia	2019	Poultry production	100.0%	100.0%
MHP Trading FZE	United Arab Emirates	2018	Trading in vegetable oil and poultry meat	100.0%	100.0%
MHP Food Trading	United Arab Emirates	2016	Trading in vegetable oil and poultry meat	100.0%	100.0%
MHP B.V.	Netherlands	2014	Trading in poultry meat	100.0%	100.0%
MHP Trade B.V.	Netherlands	2018	Trading in poultry meat	100.0%	100.0%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law Cap 113. The operating subsidiaries of the Group maintain their accounting records under local accounting standards.

Local principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group entities' local accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Basis of preparation

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

The consolidated financial statements of the Group are prepared on the basis of historical cost except for revalued amounts of buildings and structures, grain storage facilities, production machinery, vehicles and agricultural machinery, biological assets, agricultural produce, and certain financial instruments, which are carried at revalued amounts. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the date of intitail recognition of an item.

Adoption of new and revised International Financial Reporting Standards

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group 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.

Amendments to IFRS 3: Business Combinations: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to references to the Conceptual Framework in IFRS standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16: Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Standards and Interpretations in issue but not effective

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

Standards and Interpretations	Effective for annual period beginning on or after
A 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
Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9	1 January 2021
Annual Improvements to IFRS Standards 2018–2020	1 January 2022

For these Standards and Interpretations management anticipates that their adoption will not have a material effect on the consolidated financial statements of the Group in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional and presentation currency

The functional currency of Ukrainian companies of the Group is the Ukrainian Hryvnia ("UAH"); the functional currency of the Cyprus companies and Luxembourg company of the Group is US Dollars ("USD"), the functional currency of the european companies of the Group is EURO ("EUR"), the functional currency of the United Arab Emirates companies is Dirham ("AED"). Transactions in currencies other than the functional currency of the entities concerned are treated as transactions in foreign currencies.

Such transactions are initially recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. All realized and unrealized gains and losses arising on exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income for the period.

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

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

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate as of the reporting date of that statement of financial position;
- Income and expenses for each consolidated statement of profit or loss are translated at exchange rates at the dates of the transactions;
- The exchange differences arising on translation for consolidation are recognised in other comprehensive income and presented as a separate component of equity. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss;
- All equity items, except for the revaluation reserve, are translated at the historical exchange rate. The revaluation reserve is translated at the closing rate as of the date of the statement of financial position.

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

The relevant exchange rates were:

Currency	Closing rate as of 31 December 2020	Average for 2020	Closing rate as of 31 December 2019	Average for 2019
UAH/USD	28.2746	26.9639	23.6862	25.8373
UAH/EUR	34.7396	30.8013	26.4220	28.9406
USD/EUR	1.2287	1.1423	1.1155	1.1201

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the MHP SE and its subsidiaries. Control is 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 there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intercompany transactions, balances and unrealized gains or losses on transactions are eliminated on consolidation, except when the intragroup losses indicate an impairment that requires recognition in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for acquisitions

The acquisitions of subsidiaries from third parties are accounted for using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values.

The consideration transferred by the Group is measured at fair value, which is the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquired subsidiary and the equity interests issued by the Group in exchange for control of the subsidiary. Acquisition-related costs are generally recognised in the consolidated statement of profit or loss as incurred.

When the consideration transferred by the Group in a business combination includes assets and liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the subsidiary's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests, if any, are measured at fair value or, when applicable, on the basis specified in other IFRS standards.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired subsidiary, and the fair value of the Group's previously held equity interest in the acquired subsidiary (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of non-controlling interests in the subsidiary and the fair value of the Group's previously-held interest in the subsidiary (if any), the excess is recognised in the consolidated statement of profit or loss, as a bargain purchase gain.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent.

In acquisition of a legal entity that does not constitute a business, the cost of the group of assets is allocated between the individual identifiable assets in the group based on their relative fair values.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Borrowing costs

Borrowing costs include interest expense, finance charges on leases and other interest-bearing long-term payables and debt servicing costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Contingent liabilities and assets

Contingent liabilities are not recognised in the consolidated financial statements. Rather, they are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognised only when the contingency is resolved.

Segment information

Segment reporting is presented on the basis of management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports provided to the Group's chief operating decision maker ("CODM"). The Group has identified its top management team as its CODM and the internal reports used by the top management team to oversee operations and make decisions on allocating resources serve as the basis of information presented. These internal reports are prepared on the same basis as these consolidated financial statements.

Based on the current management structure, the Group has identified the following reportable segments:

- Poultry and related operations;
- Grain growing operations;
- Meat processing and other agricultural operations;
- European operating segment.

Reportable segments represent the Group's principal business activities. Poultry and related operations segment include sales of chicken meat, sales of by-products such as vegetable oil and related products and other poultry-related products. CODM is considering oil extraction as a part of mixed fodder production rather than a separate line of business as primarily quality and effectiveness of mixed fodder production prevails over oil output. Grain growing operations include sale of grain other than feed grains and green-fodder. Meat processing and other agricultural operations segment primarily includes sales of other than poultry meat and meat processing products, feed grains and milk. The Europe operating segment include sales of meat processing and chicken meat products in Southeast Europe.

The Group does not present information on segment assets and liabilities as the CODM does not review such information for decision-making purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue recognition

The Group generates revenue primarily from the sale of agricultural products to the end customers. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue is adjusted for estimates of known or expected variable consideration, which includes consumer incentives, trade promotions, and allowances, such as rebates, volume-based incentives and other programs. Variable consideration related to these programs is recorded as a reduction to revenue based on amounts we expect to pay. These estimates are based on current performance, historical utilization, and projected redemption rates of each program. The Group reviews and updates these estimates regularly until the incentives are realized and the impact of any adjustments are recognized in the period the adjustments are identified.

Non-monetary exchanges or swaps of goods which are of similar nature and value are not treated as transactions which generate revenue.

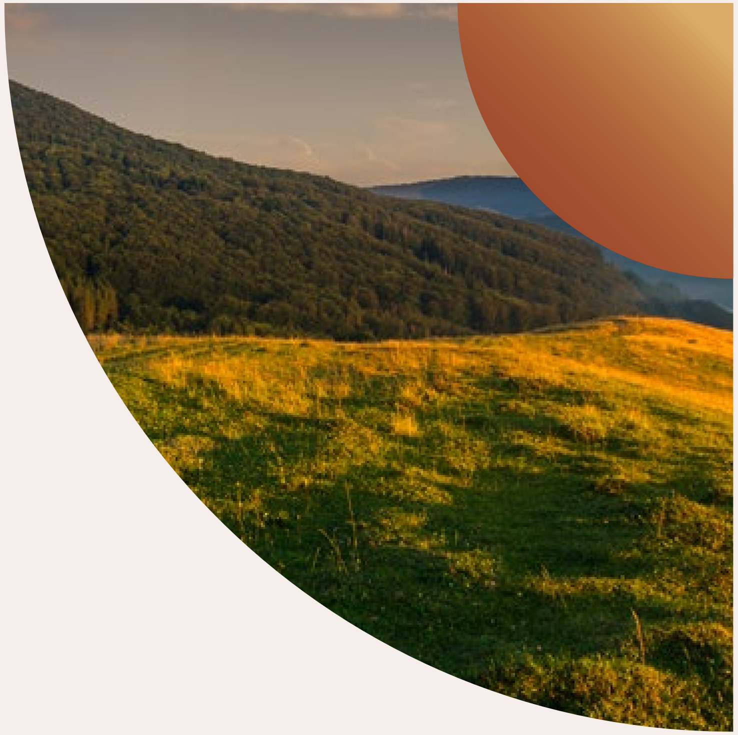
The Group recognises revenue from the following major sources:

- chicken meat;
- vegetable oil and related products;
- other poultry related sales (delivery services, sunflower and soybean meals, sunflower husk and other);
- grain;
- meat processing products and other meat;
- other agricultural operations (milk, feed grains and other).

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue at a point in time when it transfers control of a product or service to a customer.

The major part of the Group's sales are generated from the wholesale market. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location or delivered to major Ukrainian sea ports. Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on-selling the goods, and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional. Under the Group's standard contract terms, customers have no right of return.

The Group sells its products for export on various terms, some of which include shipping and handling costs in the price of the product. Sales price of products for local market predominantly includes shipping and handling costs in the price of the product



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs, or as an offset against finance costs when received as compensation for the finance costs for agricultural producers. To the extent the conditions attached to the grants are not met at the reporting date, the received funds are recorded in the Group's consolidated financial statements as deferred income, which is recognised in profit or loss on a systematic basis over the useful life of the related assets.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Property, plant and equipment

All groups of property, plant and equipment are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent depreciation and impairment losses, except land and other fixed assets that are carried at historical cost less (for the other fixed assets) 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, 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 (d) for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the consolidated statement of profit or loss as incurred.

For all groups of property, plant and equipment carried at revalued amounts, the revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. If the asset's carrying amount is increased as a result of a revaluation, the increase is credited to equity through other comprehensive income as a revaluation reserve. However, such increase is recognised in the consolidated statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit or loss. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the consolidated statement of profit or loss.

However, such decrease is debited to the revaluation reserve through other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Depreciation on revalued assets is charged to the consolidated statement of profit or loss. The excess of depreciation charge on the revalued asset over the depreciation that would have been charged based on the historical cost of the asset is transferred from revaluation reserve directly to retained earnings over the assets useful life. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 the groups of property, plant and equipment are as follows:

Buildings and structures	15 - 55 years
Grain storage facilities	20 - 60 years
Production machinery	10 - 25 years
Auxiliary and other machinery	5 - 25 years
Utilities and infrastructure	20 - 50 years
Vehicles and agricultural machinery	5 - 15 years
Other fixed assets	3 - 10 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 Group 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 recognised in the consolidated statement of profit or loss.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of construction in progress commences when completed consruction in progress transferred to the relevant class of property, plant and equipment.

Intangible assets

Intangible assets consist primarily of land lease rights, trademarks and customer relationship which are acquired in a business combination.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset. The cost of such intangible assets is their fair value at the acquisition date.

Intangible assets assessed as having an indefinite useful life are not amortised and are examined for impairment annually or more frequently where there is an indication of impairment. Where the carrying amount of an asset is greater than the amount that it is estimated to be recoverable, it is written down to its recoverable amount. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on prospective basis.

Subsequent to initial recognition, intangible assets assessed as having finite useful lives are reported at cost less accumulated amortization and accumulated impairment losses. Amortization of intangible assets is recognised on a straight line basis over their estimated useful lives. The period of estimated useful life of intangibles is as follows:

Land lease rights	3 - 15 years
Customer relations	20 years
Trademarks	not amortised
Other intangible assets	3 - 10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Right-of-use assets

Right-of-use assets mainly represents rent of land from individuals (Ukrainian citizens) for agricultural purposes. The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date lessany lease incentives received. Right-of-use assets are depreciated over the period of lease term. The depreciation starts at the commencement date of the lease.The Group recognises depreciation of right-of-use assets based on the lease term, presented within cost of goods sold in the consolidated statement of profit or loss. The average maturity of land lease agreements is 7 years.

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets with definite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment annually or more frequently when there is an indication that they might be impared.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease through other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase through other comprehensive income.

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated profit or loss. An impairment loss recognised on goodwill is not reversed in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income taxes have been computed in accordance with the laws currently enacted or substantially enacted in jurisdictions where operating entities are located. Income tax is calculated based on the results for the year as adjusted for items that are non-assessable or non-tax deductible. It is calculated using tax rates that have been enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is charged or credited to the consolidated statement of profit or loss, except when it relates to items credited or charged directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income.

Deferred tax assets and liabilities are offset when:

- The Group has a legally enforceable right to set off the recognised amounts of current tax assets and current tax liabilities;
- The Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

The majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. These companies are exempt from income taxes and pay the Fixed Agricultural Tax instead (Note 13).

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition.

Cost is calculated using the FIFO (first-in, first-out) method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Agriculture related production process results in production of joint products: main and by-products. A by-product arising from the process is measured at net realizable value and this value is deducted from the cost of the main product.

Biological assets and agricultural produce

Agricultural activity is defined as a biological transformation of biological assets for sale into agricultural produce or into additional biological assets. The Group classifies hatchery eggs, live poultry and other animals and plantations as biological assets.

The Group recognizes a biological asset or agricultural produce when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group, and the fair value of the asset can be measured reliably.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any resulting gain or loss recognised in the consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Biological assets and agricultural produce (continued)

Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

The difference between fair value less costs to sell and total production costs is allocated to biological assets as of each reporting date as a fair value adjustment.

The change in this adjustment from one period to another is recognised as "Net change in fair value of biological assets and agricultural produce" in the consolidated profit or loss.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is included in the consolidated profit or loss.

Based on the above policy, the principal groups of biological assets and agricultural produce are stated as follows:

Biological Assets

(i) Broiler chickens

Broilers comprise poultry held for chicken meat production. The fair value of broilers is determined by reference to the cash flows that will be obtained from the sales of 42-day aged chickens, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(ii) Breeders held for hatchery eggs production

The fair value of breeders is determined using the discounted cash flow approach based on hatchery eggs' market prices.

(iii) Cattle and pigs

Cattle and pigs comprise cattle held for regeneration of livestock population and animals raised for milk and beef and pork meat production. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. Cattle, for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable, are measured using the present value of expected net cash flows from the asset discounted at a current market-determined pre-tax rate.

(iv) Crops in fields

The fair value of crops in fields is determined by reference to the cash flows that will be obtained from sales of harvested crops, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(v) Hatchery eggs

The fair value of hatchery eggs is determined by reference to market prices at the point of harvest.

Agricultural Produce

(i) Dressed poultry, beef and pork

The fair value of dressed poultry, beef and pork is determined by reference to market prices at the point of harvest.

(ii) Grain

The fair value of fodder grain is determined by reference to market prices at the point of harvest.

The Group's biological assets are classified into bearer and consumable biological assets depending upon the function of a particular group of biological assets in the Group's production process. Consumable biological assets are those that are to be harvested as agricultural produce, and include hatchery eggs and live broiler chickens intended for the production of meat, as well as pork and meat cows. Bearer biological assets include poultry held for hatchery eggs production, milk cows and breeding bulls.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets and financial liabilities of the Group are represented by cash and cash equivalents, trade accounts receivable, bank borrowings, bonds issued, trade accounts payable and other financial liabilities. 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 recognised 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 recognised immediately in profit or loss.

Financial assets

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.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost (this category is the most relevant to the Group):

- 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 financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

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

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.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group 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.

For trade accounts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial instruments, the Group 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 Group measures the loss allowance for that financial instrument at an amount equal to 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group 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 Group 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 Group'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 Group's core operations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Low credit risk financial instruments

Despite the foregoing, the Group 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 Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group 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 Group 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, or in the case of trade accounts receivable, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Inputs, assumptions and estimation techniques used by measurement and recognition of expected credit losses are disclosed in respective Notes 18 and 23 on financial assets.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include trade and other payables, loans and borrowings, leases and derivative financial instruments.

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

The effective interest 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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group'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 Group 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 Group 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.

Trade accounts receivable

Trade accounts receivable is recognised if an amount of consideration that is unconditional is due from the customer. Trade accounts receivable that do not contain a significant financing component are measured at the transaction price.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash with banks, deposits and government bonds with maturity of less than three months from the date of acquisition.

Bank borrowings, corporate bonds issued and other long-term payables

Interest-bearing bank borrowings, bonds issued and other long-term payables are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognised over the term of the borrowings and recorded as finance costs.

Derivative financial instruments

The Group enters into derivative financial instruments to purchase sunflower seeds and sales of grains. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Trade and other accounts payable

Accounts payable are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease liabilities

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

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

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

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The Group recognises interest on lease liabilities and presents it within interest expenses in the consolidated profit or loss.

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

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or market rate, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

Reclassifications and revisions

Certain comparative information presented in the consolidated financial statements for the year ended 31 December 2019 has been revised in order to achieve comparability with the presentation used in the consolidated financial statements for the year ended 31 December 2020. The Group presented separately Other non-current financial assets, Prepayments to suppliers, Other financial assets and Advances received in the consolidated statement of financial position as of 31 December 2019. The Group also presented separately Other operating income and Other operating expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

3. CHANGES IN THE GROUP STRUCTURE

Discontinued operation

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

As at 31 December 2019 the Snyatynska poultry farm has been classified and accounted for as a disposal group held for sale.

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

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

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3. CHANGES IN THE GROUP STRUCTURE (continued)

Acquisitions

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

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

The consideration was paid as follows: USD 23,302 thousand in 2018 as a prepayment and USD 226,710 thousand in 2019.

	21 February 2019
Inventories	35,371
Biological assets	8,721
Trade accounts receivable	36,198
Cash and cash equivalents	20,986
Other current liabilities less other current assets	(8,103)
Property, plant and equipment	179,581
Right-of-use asset	14,564
Identifiable intangible assets	53,448
Trade accounts payable	(34,283)
Deferred tax liabilities net of deferred tax assets	(18,338)
Other non-current liabilities less other non-current assets	(6,073)
Bank borrowings and lease liabilities [1]	(74,960)
Contingent liabilities	(3,092)
Total identifiable assets	**204,020**
Goodwill	61,518
Non-controlling interest of in 7.61 % of Perutnina Ptuj [2]	(15,526)
Total consideration due and payable	**250,012**
Net cash outflow arising on acquisition:	
Cash consideration paid	250,012
Less: amount paid in 2018	(23,302)
Less: cash and cash equivalent balances acquired	(20,986)
	205,724

Acquisition-related costs amounted to USD 2,689 thousand.

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

The goodwill of USD 61,518 thousand arising from the acquisition attributed to the expected synergies and other benefits from combining the assets and activities of Perutnina Ptuj with those of the Group:

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

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

The non-controlling interest (7.61% ownership interest Perutnina Ptuj) recognized at the acquisition date was measured as a proportionate share of the acquired entity's net identifiable assets and amounted to USD 15,526 thousand.

[1] includes USD 16,466 thousand of lease liabilities recognised in accordance with the adoption of IFRS 16.

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

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3. CHANGES IN THE GROUP STRUCTURE (continued)

Changes in non-controlling interests in subsidiaries

Since acquisition date and up to 31 of December 2019, the Group increased its effective ownership interest in Perutnina Ptuj to 100% through the purchase of a non-controlling interest for the amount USD 20,341 thousand. The difference between the carrying value of the net assets acquired and the consideration paid was recognised as an adjustment to retained earnings in the amount of USD 5,119 thousand.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination of variable lease payments

As described in Note 2, the Group measures lease liabilities at the present value of future lease payments, discounted using the lessee's incremental borrowing rate. Future lease payments consist of both fixed payments (including in-substance fixed payments) and variable lease payments that depends on an index or rate, including payments that vary to reflect changes in market rental rates. Management of the Group make significant judgement in determination of whether variable lease payments depend on an index or rate. Regardless of the lease payments stated in the lease contracts, customary business practices complement the contractual terms in a way that at each particular date the rate is a market rate. Since the entire market operates on the basis of expectations of a periodic revision of rates (based on current market rates), management has concluded that the rates are determined by the market mechanism. In substance non-contractual changes in lease payments are driven by the competitive forces and payments change is based on the average changes of lease payments in the region, which means that variable component of a lease paymnets depends on a market index.

Revaluation of property, plant and equipment

As described in Note 2, the Group applies the revaluation model to the measurement of all groups of property, plant and equipment, except land and other fixed assets (Note 14). At each reporting date, the Group carries out a review of the carrying amount of items of property, plant and equipment accounted for using a revaluation model to determine whether the carrying amount differs materially from fair value.

When determining whether to perform a fair value assessment in a given period, the management of the Group considers development of macroeconomic indicators like changes in prices, inflation rates and devaluation of Ukrainian Hryvnia ("UAH") against USD and EUR. Based on the results of this review, the management of the Group concluded that the fair value of all groups property, plant and equipment not to be materially different from the reported book values as of 31 December 2020.

Loans to related parties

As described in Note 32, as of 31 December 2020, the Group had advanced loans to its majority shareholder, WTI Trading Limited ("WTI"), in the aggregate amount of USD 67,400 thousand. The Board had considered that the loans are permitted investments as they 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 does not violate the terms of the Senior Notes (Note 29).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of goodwill and intangibles not amortised

As disclosed in Notes 16 and 17, the Group determines at least on an annual basis whether indefinite life intangible assets and goodwill have been impaired. This requires an estimate of an asset's recoverable amount which is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use and it is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate and growth rates in order to calculate the present value of those cash flows.

Fair value measurement on business combinations and identification of cash generating units

As disclosed in Note 3, the Group acquired Perutnina Ptuj during 2019 and based on IFRS 3 recognised the underlying assets and liabilities and consideration given at fair value. The fair value has been determined by adopting variety of techniques that are appropriate for the respective assets and liabilities and are normally assessed by market valuation practitioner. The fair value estimates and techniques used as well as the identification of cash generating units, requires significant judgement to be exercised by management.

Determination of incremental borrowing rate

As described in Note 2, the Group uses incremental borrowing rate as discounting factor for the purpose of calculation of lease liability, if rate implicit in the lease is not readily determinable. Incremental borrowing rate is determined as available rate for the Group adjusted for specifics of particular lease contracts.

Fair value less costs to sell of biological assets and agricultural produce

Biological assets are recorded at fair values less costs to sell. The Group estimates the fair values of biological assets based on the following key assumptions:

- Average meat output for broilers and livestock for meat production;
- Average productive life of breeders and cattle held for regeneration and milk production;
- Expected crops output;
- Estimated changes in future sales prices;
- Projected production costs and costs to sell; and,
- Discount rate.

During the year ended 31 December 2020 the fair value of biological assets was estimated using discount factors of 11.2% and 11.5% (31 December 2019: 12.0% and 12.0%) for non-current and current assets, respectively.

Although some of these assumptions are obtained from published market data, the majority of these assumptions are estimated based on the Group's historical and projected results (Note 19).

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Deferred tax assets

Deferred tax assets, including those arising from unused tax losses are recognised to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Based on management's assessment the Group determined it was appropriate to recognize deferred tax assets on unused tax losses, which will be utilized in future against existing deferred tax liabilities and available future tax profits.

The estimation uncertainty therefore pertains to the level of deferred tax assets to be recognised.

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5. SEGMENT INFORMATION

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

Reportable segments are presented in a manner consistent with the internal reporting to the Group's chief operating decision maker ("CODM").

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

Poultry and related operations segment:
- sales of chicken meat
- sales of vegetable oil and related products
- other poultry related sales

Grain growing operations segment:
- sales of grain

Meat processing and other agricultural operations segment:
- sales of meat processing products and other meat
- other agricultural operations (milk, feed grains and other)

European operating segment:
- sales of meat processing and chicken meat products in Southeast Europe

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

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

As of 31 December 2020 and for the year then ended the Group's segmental information from continuing operations was as follows:

Year ended 31 December 2020	Poultry and related operations	Grain growing operations	Meat-processing and other agricultural operations	European operating segment	Total reportable segments	Eliminations	Consolidated
External sales	1,297,904	133,713	144,472	335,048	1,911,137	-	1,911,137
Sales between segments	41,642	213,419	387	-	255,448	(255,448)	-
Total revenue	**1,339,546**	**347,132**	**144,859**	**335,048**	**2,166,585**	**(255,448)**	**1,911,137**
Segment result	**95,797**	**80,866**	**13,284**	**37,718**	**227,665**	**-**	**227,665**
Unallocated corporate expenses							(24,814)
Loss on impairment of property, plant and equipment	-	-	-	(1,730)	(1,730)	-	(1,730)
Other expenses, net [1]							(337,828)
Loss before tax from continuing operations							**(136,707)**
Other information:							
Additions to property, plant and equipment [2]	41,192	3,283	743	20,854	66,072	-	66,072
Depreciation and amortization expense [3]	98,138	68,778	6,755	17,316	190,987	-	190,987
Net change in fair value of biological assets and agricultural produce	(16,534)	46,078	(97)	1,055	30,502	-	30,502

[1] Include finance income, finance costs, foreign exchange loss, net and other expenses, net.

[2] Additions to property, plant and equipment in 2020 do not include unallocated additions in the amount of USD 11,274 thousand.

[3] Depreciation and amortization for the year ended 31 December 2020 does not include unallocated depreciation and amortization in the amount of USD 1,116 thousand.

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5. SEGMENT INFORMATION (continued)

As of 31 December 2019 and for the year then ended the Group's segmental information from continuing operations was as follows:

Year ended 31 December 2019	Poultry and related operations	Grain growing operations	Meat-processing and other agricultural operations	European operating segment	Total reportable segments	Eliminations	Consolidated
External sales	1,367,554	268,419	148,673	271,297	2,055,943	-	2,055,943
Sales between segments	49,633	246,477	949	-	297,059	(297,059)	-
Total revenue	**1,417,187**	**514,896**	**149,622**	**271,297**	**2,353,002**	**(297,059)**	**2,055,943**
Segment result	**182,778**	**28,972**	**12,820**	**25,196**	**249,766**	**-**	**249,766**
Unallocated corporate expenses							(28,019)
Loss on impairment of property, plant and equipment [4]	(2,653)	(3,004)	(163)	-	(5,820)		(6,244)
Other expenses, net [1]							37,709
Profit before tax from continuing operations							**253,212**
Other information:							
Additions to property, plant and equipment [2]	92,836	4,116	2,985	10,547	110,484	-	110,484
Depreciation and amortization expense [3]	98,526	80,115	7,544	18,523	204,708	-	204,708
Net change in fair value of biological assets and agricultural produce	8,732	(49,875)	1,577	51	(39,515)	-	(39,515)

[1] Include finance income, finance costs, foreign exchange gain, net and other expenses, net.

[2] Additions to property, plant and equipment in 2019 do not include unallocated additions in the amount of USD 9,744 thousand and additions due to acquisitions of subsidiaries in the amount of USD 179,581 thousand.

[3] Depreciation and amortization for the year ended 31 December 2019 does not include unallocated depreciation and amortization in the amount of USD 983 thousand.

[4] Loss on impairment of property, plant and equipment for the year ended 31 December 2019 includes unallocated loss in amount of USD 424 thousand.

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5. SEGMENT INFORMATION (continued)

The Group's export sales to external customers by major product types were as follows during the years ended 31 December 2020 and 2019:

	2020	2019
Chicken meat and related products	577,255	588,903
Vegetable oil and related products	274,979	302,600
Grain	114,304	251,836
Other agricultural segment products	49,217	42,362
	1,015,755	**1,185,701**

Export sales includes revenue from shipping and handling services in the amount of USD 56,586 thousand as for the year ended 31 December 2020 (2019: USD 68,543 thousand).

Export sales of vegetable oil and related products and export sales of grains are primarily made to global trading companies. The sales of chicken meat to major markets of the Group - MENA and EU amounted to 40% and 22% of total export sales respectively (2019: 32% and 31%).

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

	2020	2019
Ukraine	1,816,045	2,251,447
Europe	262,912	234,209
	2,078,957	**2,485,656**

Non-current assets excluding deferred tax assets, long-term deposits and non-current financial assets.

There is no single customer who contributed more than 10% amount to the Group's revenue in either 2020 or 2019.

6. REVENUE

Revenue for the years ended 31 December 2020 and 2019 was as follows:

	2020	2019
Poultry and related operations segment		
Chicken meat	970,183	1,024,889
Vegetable oil and related products	281,566	305,885
Other poultry related sales	46,155	36,780
	1,297,904	**1,367,554**
Grain growing operations segment		
Grain	133,713	268,419
	133,713	**268,419**
Meat-processing and other agricultural operations segment		
Meat-processing products	114,474	118,169
Other agricultural sales	29,998	30,504
	144,472	**148,673**
European operating segment		
Chicken meat	191,207	153,146
Meat-processing products	117,149	91,679
Other agricultural sales	26,692	26,472
	335,048	**271,297**
	1,911,137	**2,055,943**

The geographic structure of revenue for the years ended 31 December 2020 and 2019 was as follows:

	2020	2019
Export	1,015,755	1,185,701
Domestic	895,382	870,242
	1,911,137	**2,055,943**

Advances received from third parties as of 31 December 2019 in the amount of USD 61,293 were recognized as revenue during the year ended 31 December 2020.

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7. COST OF SALES

Cost of sales for the years ended 31 December 2020 and 2019 was as follows:

	2020	2019
Poultry and related operations segment	1,017,223	1,050,849
Grain growing operations segment	158,655	241,917
Meat-processing and other agricultural operations segment	125,148	131,723
European operating segment	243,075	194,107
	1,544,101	**1,618,596**

Cost of sales includes shipping and handling expenses and were for the years ended 31 December 2020 and 2019 as follows:

	2020	2019
Poultry and related operations segment	70,465	56,199
Grain growing operations segment	8,672	33,324
Meat-processing and other agricultural operations segment	4,572	5,583
European operating segment	8,417	2,690
	92,126	**97,796**

Revenue includes shipping and handling costs in the price of the product.

For the years ended 31 December 2020 and 2019 cost of sales comprised the following:

	2020	2019
Costs of raw materials and other inventory used	1,029,260	1,041,184
Payroll and related expenses	243,533	236,788
Depreciation and amortization expense	174,410	186,777
Other costs	96,898	153,847
	1,544,101	**1,618,596**

Social security contributions, included in Payroll and related expenses above, amounted to USD 39,419 thousand for the year ended 31 December 2020 (2019: USD 38,645 thousand).

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Payroll and related expenses	84,910	72,986
Services	52,633	45,868
Depreciation and amortization expense	17,693	18,914
Advertising expense	12,581	13,957
Representative costs and business trips	8,185	14,392
Fuel and other materials used	4,742	5,638
Insurance expense	1,453	1,381
Bank services and conversion fees	966	1,290
Other	4,638	4,730
	187,801	**179,156**

Payroll and related expenses includes social security contributions amounted to USD 8,862 thousand for the year ended 31 December 2020 (2019: USD 7,773 thousand).

Remuneration to the auditors, included in Services above, amounted to USD 1,000 thousand for the year ended 31 December 2020 (2019: USD 1,831 thousand). Such remuneration includes both audit and non-audit services, with the statutory audit fees component amounted to USD 758 thousand for the year ended 31 December 2020 (2019: USD 990 thousand) and fees for other assurance services component of USD nill thousand (2019: USD 309 thousand), for tax advisory services component approximating USD 70 thousand (2019: USD 23 thousand) and for other non-audit services component approximating USD 172 thousand for the year ended 31 December 2020 (2019: USD 509 thousand).

9. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2020 and 2019 was as follows:

	2020	2019
Governement grants	7,951	6,997
Insurance compensation	5,466	496
Gain on write-off of trade accounts payable	1,015	374
Other income	2,094	3,363
	16,526	**11,230**

10. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Provision for claims, penalties and indemnification	12,369	-
Expected credit losses and write-off of trade accounts receivable	3,858	5,477
Other expenses	7,185	2,682
	23,412	**8,159**

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11. DEFERRED INCOME

The Ukrainian Government supports domestic agricultural producers and attracts investments into the agricultural sector. Also, during the years ended 31 December 2020 and 2019, the Group received government compensations in accordance with EU farming subsidies policy and other compensations in accordance with the EU national programs of employment, assigned contributions for employees, and refunds of excise duties.

For the years ended 31 December 2020 and 2019 following government grants were received:

	2020	2019
Compensation of construction and reconstruction of livestock farms	1,730	7,554
Compensation received in EU	6,771	4,063
Compensation of the cost of machinery and equipment	135	395
Other compensations	187	923
	8,823	**12,935**

Government grants for compensation of construction and reconstruction of livestock farms and compensation of cost of machinery and equipment are presented in the statement of the financial position as deferred income, which is recognised in profit or loss on a systematic basis over the useful life of the related assets. All other compensations received were recognised in consolidated statement of profit or loss and other comprehensive income in full.

12. FINANCE COSTS

Finance costs for the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Interest on corporate bonds	105,187	94,970
Interest on obligations under leases	37,692	37,784
Interest on bank borrowings	3,291	12,951
Bank commissions and other charges	2,640	6,827
Costs related to corporate bonds (Note 29)	-	2,164
Total finance costs	**148,810**	**154,696**
Less:		
Finance costs included in the cost of qualifying assets	(4,553)	(7,144)
	144,257	**147,552**

For qualifying assets, the weighted average capitalization rate on funds borrowed during the year ended 31 December 2020 was 7.70% (2019: 8.10%).

Interest on corporate bonds for the years ended 31 December 2020 and 2019 includes the amortization of premium and debt issue costs on bonds issued in the amounts of USD 5,331 thousand and USD 6,885 thousand, respectively.

13. INCOME TAX

The majority of the Group's operating entities are located in Ukraine, therefore the effective tax rate reconciliation is completed based on Ukrainian statutory rates.

During the year ended 31 December 2020, the Group's companies that have the status of Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax. The Tax Code of Ukraine introduced an 18% income tax rate effective from 1 January 2014. The deferred income tax assets and liabilities as of 31 December 2020 and 2019 are measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.The majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. The tax rates for agricultural producers is calculated as a percentage of the target-ratio based monetary valuation per hectare of agricultural land resulting in substantially lower tax charges compared to CIT. Agricultural manufacturers are eligible to apply for a single tax if they meet both the following two requirements:

- The share of the entity's revenue from agricultural production (i.e. sale of the entity's cultivated and processed products) to the total share of its income equals or exceeds 75 per cent; and
- These agriproducts were cultivated on land that such agricultural manufacturers own or lease, and the ownership title and leases have been duly registered.

The components of income tax (benefit)/expense were as follows for the years ended 31 December 2020 and 2019:

	2020	2019
Current income tax expense	5,408	5,171
Withholding tax	9,241	7,073
Deferred tax (benefit)/expense	(19,781)	19,863
Income tax (benefit)/expense	**(5,132)**	**32,107**

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13. INCOME TAX (continued)

The reconciliation between (loss)/profit before tax from continuing operations multiplied by the statutory tax rate and the tax expense for the years ended 31 December 2020 and 2019 was as follows:

	2020	2019
Accounting (loss)/profit before tax from continuing operations	(136,707)	253,212
Loss before tax from a discontinued operation	(1,482)	(5,822)
Income tax (benefit)/expense calculated at rates effective during the year ended in respective jurisdictions	(23,080)	45,954
Tax effect of:		
(Loss)/income generated by FAT payers and other exempt from income tax	10,215	(11,982)
Effect on income tax generated by EU companies	1,604	(1,479)
Derecognition and utilisation of previously recognised tax losses/assets	(4,540)	(17,734)
Withholding tax	9,241	7,073
Non-deductible expenses	2,919	3,915
Translation (gain)/loss	**(1,491)**	**6,360**
Income tax (benefit)/expense	**(5,132)**	**32,107**

Derecognition of previously recognised tax losses results from the reversal of deferred tax liabilities related to property revaluation that were the source of taxable income relied on previously to support recognition.

As of 31 December 2020 and 2019 deferred tax assets and liabilities recognised the following:

	2020	2019
Deferred tax assets arising from:		
Other current liabilities	2,486	3,244
Inventories	3,083	432
Tax losses	24,893	26,423
Total deferred tax assets	**30,462**	**30,099**
Deferred tax liabilities arising from:		
Property, plant and equipment	(56,594)	(78,906)
Inventories	-	(159)
Total deferred tax liabilities	**(56,594)**	**(79,065)**
Net deferred tax liabilities	**(26,132)**	**(48,966)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as of 31 December 2020 and 2019:

	2020	2019
Deferred tax assets	3,735	6,640
Deferred tax liabilities	(29,867)	(55,305)
Deferred tax assets not recognised	(1,913)	(4,356)
	(28,045)	**(53,021)**

During the years ended 31 December 2020 and 2019 the Group did not recognize tax losses in the amount of USD 10,629 (USD 1,913 thousand of deferred tax assets), USD 23,086 thousand (USD 4,356 thousand of deferred tax asset), respectively, as the Group did not intend to deduct the relevant expenses for tax purposes in subsequent periods, as there are uncertainties on whether sufficient taxable profits will be generated by particular companies of the Group in the future. There is no expiration date of accounting tax losses according to Tax Code of Ukraine.

Deferred tax liabilities have not been recognised in respect of unremitted earnings of Ukrainian subsidiaries as the earnings can be remitted free from taxation currently and in future years, based on current legislation.

The movements in net deferred tax liabilities for the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Net deferred tax liabilities as of beginning of the year	(53,021)	(12,953)
Deferred tax benefit /(expense)	19,781	(19,866)
Deferred tax liabilities acquired from the acquisition of subsidiaries	-	(18,338)
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income as result of revaluation	-	(17,053)
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income as result of intercompany sales	-	15,162
Translation difference	5,195	27
Net deferred tax liabilities as of end of the year	**(28,045)**	**(53,021)**

Deferred tax benefit on revaluation of property, plant and equipment is related to the intercompany sale of fixed assets from CIT-payers entity to FAT-payers (tax-exempt) entity, which has led to reversal of the respective part of the deferred tax liability.

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14. PROPERTY, PLANT AND EQUIPMENT

The following table represents movements in property, plant and equipment for the year ended 31 December 2020:

	Land	Buildings and structures	Grain storage facilities	Production machinery	Auxiliary and other machinery	Utilities and infrastructure	Vehicles and agricultural machinery	Other fixed assets[1]	Construction in progress[2]	Total
Cost or fair value:										
At 31 December 2019	**39,175**	**1,046,726**	**108,122**	**459,238**	**65,311**	**155,029**	**203,948**	**28,346**	**108,818**	**2,214,713**
Additions	309	11,714	668	9,672	1,284	1,086	894	1,932	49,787	77,346
Transfers	(1,715)	12,071	4,355	14,594	8,306	6,177	19,921	7,149	(70,858)	-
Disposals	(1,043)	(5,292)	(4)	(1,770)	(594)	(36)	(7,853)	(427)	(1,161)	(17,910)
Reclassified as held for sale	-	(528)	-	(13)	(73)	-	-	(1)	(24)	(639)
Impairment loss	(468)	(96)	-	-	-	(65)	-	(1,101)	-	(1,730)
Translation difference	1,333	(141,620)	(17,502)	(67,809)	(11,665)	(25,238)	(37,120)	(4,250)	(15,215)	(319,086)
At 31 December 2020	**37,591**	**922,975**	**95,639**	**413,912**	**62,569**	**136,953**	**180,060**	**31,648**	**71,347**	**1,952,694**
Accumulated depreciation:										
At 31 December 2019	**-**	**16,728**	**2,553**	**94,664**	**3,594**	**2,400**	**20,690**	**18,689**	**-**	**159,318**
Depreciation charge for the year	-	35,710	7,181	43,252	7,986	7,478	45,355	3,545	-	150,507
Elimination upon disposal	-	(184)	(36)	(875)	(109)	(8)	(1,171)	(414)	-	(2,797)
Reclassified as held for sale	-	(528)	-	-	(12)	(1)	-	-	-	(541)
Transfers	-	(163)	-	(3,680)	330	388	1,604	1,521	-	-
Translation difference	-	(3,222)	(991)	(15,007)	(2,058)	(725)	(7,997)	(2,710)	-	(32,710)
At 31 December 2020	**-**	**48,341**	**8,707**	**118,354**	**9,731**	**9,532**	**58,481**	**20,631**	**-**	**273,777**
Net book value										
At 31 December 2019	**39,175**	**1,029,998**	**105,569**	**364,574**	**61,717**	**152,629**	**183,258**	**9,657**	**108,818**	**2,055,395**
At 31 December 2020	**37,591**	**874,634**	**86,932**	**295,558**	**52,838**	**127,421**	**121,579**	**11,017**	**71,347**	**1,678,917**

[1] Other fixed assets include bearer plants, office furniture and equipment.
[2] Construction in progress include advances for property plant and equipment, machinery and equipment not in use, construction materials and spare parts, projects in progress.

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

The following table represents movements in property, plant and equipment for the year ended 31 December 2019:

	Land	Buildings and structures	Grain storage facilities	Production machinery	Auxiliary and other machinery	Utilities and infrastructure	Vehicles and agricultural machinery	Other fixed assets[1]	Construction in progress[2]	Total
Cost or fair value:										
At 31 December 2018	**4,363**	**670,095**	**78,376**	**332,493**	**51,387**	**105,540**	**235,845**	**9,803**	**146,494**	**1,634,396**
Adoption of IFRS 16	-	-	-	-	-	-	(23,857)	-	-	(23,857)
At 1 January 2019	**4,363**	**670,095**	**78,376**	**332,493**	**51,387**	**105,540**	**211,988**	**9,803**	**146,494**	**1,610,539**
Additions	1,044	19,841	5,954	9,057	7,694	6,092	6,541	596	63,409	120,228
Acquisitions of subsidiaries **(Note 3)**	29,689	114,757	1,193	26,794	1,388	632	405	3,051	1,672	179,581
Transfers	3,551	63,934	-	37,065	-	13,542	2,779	513	(121,384)	-
Disposals	(2)	(758)	(3)	(957)	(142)	(34)	(2,973)	(255)	(18)	(5,142)
Reclassified as held for sale	-	(320)	-	(1,854)	(113)	(388)	(1,110)	(33)	(18)	(3,836)
Revaluations	-	60,099	11,886	(6,476)	(3,368)	9,882	(50,483)	-	-	21,540
Translation difference	530	119,078	10,716	63,116	8,465	19,763	36,801	1,666	18,663	278,798
At 31 December 2019	**39,175**	**1,046,726**	**108,122**	**459,238**	**65,311**	**155,029**	**203,948**	**15,341**	**108,818**	**2,201,708**
Accumulated depreciation:										
At 31 December 2018	**-**	**23,915**	**5,498**	**34,704**	**6,696**	**5,851**	**52,144**	**7,058**	**-**	**135,866**
Adoption of IFRS 16	-	-	-	-	-	-	(2,408)	-	-	(2,408)
At 1 January 2019	-	23,915	5,498	34,704	6,696	5,851	49,736	7,058	-	133,458
Depreciation charge for the year	-	31,750	6,447	50,811	7,450	6,940	53,147	3,466	-	160,011
Elimination upon disposal	-	(356)	(2)	(235)	(28)	(4)	(1,395)	(134)	-	(2,154)
Reclassified as held for sale	-	296	-	(183)	(54)	(32)	(238)	(26)	-	(237)
Elimination on revaluation	-	(45,216)	(11,038)	(2)	(13,615)	(11,462)	(96,564)	-	-	(177,897)
Impairment loss	-	949	323	2	1,496	70	3,404	-	-	6,244
Translation difference	-	5,390	1,325	9,567	1,649	1,037	12,600	1,417	-	32,985
At 31 December 2019	**-**	**16,728**	**2,553**	**94,664**	**3,594**	**2,400**	**20,690**	**11,781**	**-**	**152,410**
Net book value										
At 31 December 2018	**4,363**	**646,180**	**72,878**	**297,789**	**44,691**	**99,689**	**183,701**	**2,745**	**146,494**	**1,498,530**
At 31 December 2019	**39,175**	**1,029,998**	**105,569**	**364,574**	**61,717**	**152,629**	**183,258**	**3,560**	**108,818**	**2,049,298**

[1] Other fixed assets include bearer plants, office furniture and equipment.
[2] Construction in progress include advances for property plant and equipment, machinery and equipment not in use, construction materials and spare parts, projects in progress.

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

As of 31 December 2020, included within construction in progress were prepayments for property, plant and equipment in the amount of USD 8,052 thousand (2019: USD 12,083 thousand).

As of 31 December 2020, included within property, plant and equipment were fully depreciated assets with the original cost of USD 25,875 thousand (2019: USD 11,096 thousand).

As of 31 December 2020, certain of the Group's property, plant and equipment with the carrying amount of USD 83,837 thousand (2019: USD 99,878 thousand) were pledged as collateral to secure its bank borrowings.

Impairment assessment

The Group reviews its property, plant and equipment each period to determine if any indication of impairment exists. Based on these reviews, there were no indicators of impairment as of 31 December 2020 and 2019, except for the impairment of certain assets in the amount of USD 1,730 thousand and USD 6,244 thousand as of 31 December 2020 and 2019, respectively.

Revaluation of vehicles and agricultural machinery

During the year ended 31 December 2019, the Group engaged independent appraisers to revalue its vehicles and agricultural machinery. The effective date of revaluation were 30 September 2019. The valuation, which conformed to the International Valuation Standards, was determined using market comparable approach adjusted based on age and condition of the machinery. During the year ended and as of 31 December 2020, the Group evaluated whether the fair value of vehicles and agricultural machinery was materially different from the reported book values. Based on analysis of fluctuations of the cumulative index of producer's prices, the index of physical depreciation and the functional currency depreciation, Management assessed the fair value of vehicles and agricultural machinery not to be materially different from the reported book values.

Revaluation of production machinery

During years ended and as of 31 December 2020 and 31 December 2019, the Group evaluated if the fair value of production machinery was materially different from the reported book values. Based on analysis of fluctuations of the cumulative index of producer's prices, the index of physical depreciation and the functional currency depreciation, Management assessed the fair value of such production machinery not to be materially different from the reported book values.

Revaluation of buildings and structures

During the year ended 31 December 2019, the Group engaged independent appraisers to revalue its buildings and structures. The effective date of revaluation was 30 September 2019. The valuation, which conformed to the International Valuation Standards, was determined using depreciated replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the buildings and structures. During the year ended and as of 31 December 2020, the Group evaluated if the fair value of buildings and structures was materially different from the reported book values. Based on analysis of the fluctuations of the cumulative index of inflation of construction works and index of physical depreciation, Management assessed the fair value of such buildings and structures not to be materially different from the reported book values.

Revaluation of Grain storage facilities

During the year ended 31 December 2019, the Group engaged independent appraisers to revalue its grain storage facilities as of 30 September 2019. The valuation, which conformed to the International Valuation Standards, was determined using depreciated replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the facilities. During the year ended and as of 31 December 2020, the Group evaluated if the fair value of grain storage facilities was materially different from the reported book values. Based on analysis of fluctuations of the cumulative index of inflation of construction works and the index of physical depreciation, Management assessed the fair value of grain storage facilities not to be materially different from the reported book values.

Revaluation of Auxiliary and other machinery

During the year ended 31 December 2019, the Group engaged an independent appraiser to determine the fair value of its Auxiliary and other machinery as of 30 September 2019. The valuation, which conformed to the International Valuation Standards, was determined using the market comparable approach adjusted based on age and condition of the machinery or for items of specialized nature depreciated replacement cost method. During the year ended and as of 31 December 2020, the Group evaluated if the fair value of Auxiliary and other machinery was materially different from the reported book values. Based on analysis of fluctuations of the cumulative index of inflation of construction works and the index of physical depreciation, Management assessed the fair value of Auxiliary and other machinery not to be materially different from the reported book values.

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluation of Utilities and infrastructure

During the year ended 31 December 2019, the Group engaged independent appraisers to revalue its utilities and infrastructure as of 30 September 2019. The valuation, which conformed to the International Valuation Standards, was determined using depreciated replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the facilities. During the year ended and as of 31 December 2020, the Group evaluated if the fair value of utilities and infrastructure was materially different from the reported book values. Based on analysis of fluctuations of the cumulative index of inflation of construction works and the index of physical depreciation, Management assessed the fair value of utilities and infrastructure not to be materially different from the reported book values.

Had the Group's property plant and equipment been measured on a historical cost basis, their carrying amount would have been as follows:

	Fair value hierarchy	Net book value under revaluation model		Net book value if carried at cost	
		2020	2019	2020	2019
Buildings and structures	Level 3	874,634	1,029,998	417,665	451,618
Production machinery	Level 2, 3	295,558	364,574	205,077	260,606
Utilities and infrastructure	Level 3	127,421	152,629	69,684	70,669
Vehicles and agricultural machinery	Level 2	121,579	183,258	68,928	90,043
Grain storage facilities	Level 3	86,932	105,569	33,892	40,554
Auxiliary and other machinery	Level 2, 3	52,838	61,717	36,555	35,842
		1,558,962	**1,897,745**	**831,801**	**949,332**

There are no restrictions on the distribution of the revaluation surplus to the shareholders (Note 4).

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15. RIGHT-OF-USE ASSETS

The following table represents movements in right-of-use assets for the year ended 31 December 2020:

	Land	Vehicles	Total
Cost:			
As of 31 December 2019	**230,434**	**36,794**	**267,228**
Additions	19,198	7,977	27,175
Termination of the lease	-	(3,025)	(3,025)
Reassessment of the lease liability	14,586	5,263	19,849
Translation difference	(37,458)	(3,193)	(40,651)
As of 31 December 2020	**226,760**	**43,816**	**270,576**
Accumulated amortization:			
As of 31 December 2019	**31,723**	**6,261**	**37,984**
Amortization charge for the year	27,945	5,111	33,056
Termination of the lease	-	(986)	(986)
Translation difference	(6,191)	(288)	(6,479)
As of 31 December 2020	**53,477**	**10,098**	**63,575**
Net book value:			
As of 31 December 2019	**198,711**	**30,533**	**229,244**
As of 31 December 2020	**173,283**	**33,718**	**207,001**

The following table represents movements in right-of-use assets for the year ended 31 December 2019:

	Land	Vehicles	Total
Cost:			
As of 31 December 2018	**-**	**-**	**-**
Effect of adoption of IFRS 16	163,993	23,857	187,850
As of 1 January 2019	**163,993**	**23,857**	**187,850**
Additions	18,693	914	19,607
Termination of the lease	(756)	(756)	(1,512)
Change in terms	12,273	-	12,273
Acquisitions of subsidiaries **(Note 3)**	5,677	8,887	14,564
Translation difference	30,554	3,892	34,446
As of 31 December 2019	**230,434**	**36,794**	**267,228**
Accumulated amortization:			
As of 31 December 2018	**-**	**-**	**-**
Effect of adoption of IFRS 16	-	2,408	2,408
As of 1 January 2019	**-**	**2,408**	**2,408**
Amortization charge for the year	29,885	3,365	33,250
Termination of the lease	(756)	(105)	(861)
Translation difference	2,594	593	3,187
As of 31 December 2019	**31,723**	**6,261**	**37,984**
Net book value:			
As of 1 January 2019	**163,993**	**21,449**	**185,442**
As of 31 December 2019	**198,711**	**30,533**	**229,244**

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16. INTANGIBLE ASSETS

The following table represents movements in intangible assets for the year ended 31 December 2020:

	Land lease rights	Trademarks	Customer relations	Other intangible assets	Total
Cost:					
As of 31 December 2019	**82,783**	**31,327**	**19,503**	**12,666**	**146,279**
Additions	-	-	-	4,064	4,064
Disposals	-	-	-	(94)	(94)
Translation difference	(13,434)	3,178	1,978	(1,799)	(10,077)
As of 31 December 2020	**69,349**	**34,505**	**21,481**	**14,837**	**140,172**
Accumulated amortization:					
As of 31 December 2019	**33,206**	**-**	**812**	**5,739**	**39,757**
Amortization charge for the year	6,409	-	998	2,509	9,916
Translation difference	(5,686)	-	158	(814)	(6,342)
As of 31 December 2020	**33,929**	**-**	**1,968**	**7,434**	**43,331**
Net book value:					
As of 31 December 2019	**49,577**	**31,327**	**18,691**	**6,927**	**106,522**
As of 31 December 2020	**35,420**	**34,505**	**19,513**	**7,403**	**96,841**

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16. INTANGIBLE ASSETS (continued)

The following table represents movements in intangible assets for the year ended 31 December 2019:

	Land lease rights	Trademarks	Customer relations	Other intangible assets	Total
Cost:					
As of 31 December 2018	**70,704**	**-**	**-**	**6,125**	**76,829**
Additions	-	-	-	3,701	3,701
Disposals	-	-	-	(53)	(53)
Acquisition of subsidiary **(Note 3)**	-	31,975	19,907	1,566	53,448
Translation difference	12,079	(648)	(404)	1,327	12,354
As of 31 December 2019	**82,783**	**31,327**	**19,503**	**12,666**	**146,279**
Accumulated amortization:					
As of 1 December 2018	**21,895**	**-**	**-**	**2,875**	**24,770**
Amortization charge for the year	6,977	-	815	2,263	10,055
Disposals	-	-	-	(27)	(27)
Translation difference	4,334	-	(3)	628	4,959
As of 31 December 2019	**33,206**	**-**	**812**	**5,739**	**39,757**
Net book value:					
As of 31 December 2018	**48,809**	**-**	**-**	**3,250**	**52,059**
As of 31 December 2019	**49,577**	**31,327**	**18,691**	**6,927**	**106,522**

Through the acquisition of subsidiaries (Note 3) the Group has recognised certain trademarks and customer relations as a part of intangible assets. Customer relations were identified among customers of the core products portfolio of acquired subsidiaries. The remaining useful life of customer relations was estimated at 20 years.

The trademarks acquired by the Group mainly consist of poultry meat brands – PP and Topiko, meat processing products brand – Poli. The Group believes that, since trademarks are well-positioned and recognizable within a stable and mature industry, there are no technical barriers that would limit their lifetime, and as a result of further promotion of the trademarks, the Group will obtain economic benefits from them for an indefinite period of time. Accordingly, the trademarks that belong to the Group are considered to have an indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually.

The Group allocates trademarks to individual entities as separate cash-generating units (CGU). A summary of the allocation of trademarks values to separate CGUs is presented below:

Segment	Cash-generating unit	Trademarks carrying value 2020	Trademarks carrying value 2019
European operating	Slovenia	19,707	17,892
	Serbia	2,490	2,261
	Bosnia and Herzegovina	6,349	5,764
	Croatia	5,959	5,410
		34,505	**31,327**

The impairment testing of the value of trademarks was performed internally. The recoverable amount of trademarks of all cash-generating units is determined based on value in use method which uses cash flow projections covering a five-year period.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The weighted average discount of 12.3% (2019: 14.2%) was used. The directors believe that any reasonably possible change in the discount rate on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

The revenue within five-year period was extrapolated using a weighted average 2.9% sales growth rate and 2.0% terminal growth rate for revenue beyond this period (2019: 3.8% and 1.5% respectively). A reduction by 963 basic points in the budgeted sales growth would result in impairment.

Weighted average royalty rate used in calculation of cash flows was set at a level of 2.4% (2019: 2.4%). A reduction by 96 basic points in the weighted average growth rate would result in impairment.

As of 31 December 2020 and 2019, no impairment of trademarks was identified.

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17. GOODWILL

The following table represents movements in goodwill for the years ended 31 December 2020 and 2019:

	2020	2019
Cost:		
As of 1 January	**64,843**	**2,509**
Acquisitions of subsidiaries (Note 3)	-	61,518
Translation difference	5,771	816
As of 31 December	**70,614**	**64,843**
Net book value:		
As of 1 January	**64,843**	**2,509**
As of 31 December	**70,614**	**64,843**

The recoverable amount of cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors.

The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC), adjusted on segment-specific risk by applying individual beta factors. The directors believe that any reasonably possible change in the discount rate on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

The growth rates and gross margins used for cash flows extrapolations are supported by industry trends such as consumer prosperity and dietary trends. These inputs were estimated by the directors of the Group based on past performance of the cash-generating unit and their expectations of market development. A reduction by 1321 basic points in the budgeted sales growth or reduction in gross margin by 728 basic points would result in impairment.

As of 31 December 2020 and 2019, no impairment of goodwill was identified.

The Group allocates goodwill to individual entities as to separate cash-generating units (CGU). A summary of goodwill allocation to separate CGUs is presented below:

Segment	Cash-Generating Unit	Goodwill carrying value		Methodology assumptions and methods used for goodwill
		2020	2019	
Ukraine	Grain Ukraine	2,425	2,933	Average sales growth: 5.4% (5.1%) Terminal sales growth: 5.0% (4.7%) Discount rate: 11.2% (12.0%) Projection period: 5 years (5 years)
European operating	Slovenia	42,755	38,818	Average sales growth: 2.6% (3.4%) Terminal sales growth: 2.0% (1.5%) Discount rate: 8.1% (7.1%) Projection period: 5 years (8 years)
	Serbia	4,432	4,024	Average sales growth: 3.3% (3.3%) Terminal sales growth: 2.0% (1.5%) Discount rate: 10.4% (9.8%) Projection period: 5 years (8 years)
	Bosnia and Herzegovina	12,343	11,206	Average sales growth: 3.8% (3.4%) Terminal sales growth: 2.0% (1.5%) Discount rate: 13.2% (12.1%) Projection period: 5 years (8 years)
	Croatia	8,659	7,862	Average sales growth: 3.2% (3.3%) Terminal sales growth: 2.0% (1.5%) Discount rate: 9.3% (7.8%) Projection period: 5 years (8 years)
		70,614	**64,843**	

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18. NON-CURRENT FINANCIAL ASSETS

The balances of non-current financial assets were as follows as of 31 December 2020 and 2019:

	2020	2019
Loan receivables	18,611	15,345
Other financial assets	4,472	2,271
	23,083	**17,616**

Loan receivables are represented by loans with fixed interest at 2.5% (EIR of 4.5%) with maturity as of 31 January 2022 and 31 January 2023. Total gross carrying amount of loans granted as of 31 December 2020 and 2019 is USD 19,161 thousand and USD 19,161 thousand respectively.

The Group determines the expected credit loss of other non-current loan receivables and other financial assets 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 and other financial assets classified at amortised cost is detailed below:

	2020	2019
1 January	**(3,816)**	**(2,786)**
Charged during the year	(452)	(1,030)
31 December	**(4,268)**	**(3,816)**

19. BIOLOGICAL ASSETS

The balances of non-current biological assets were as follows as of 31 December 2020 and 2019:

	Thousand units	Carrying amount	Thousand units	Carrying amount
	2020		2019	
Milk cows, boars and sows, units	15.1	21,947	16.2	25,967
Other non-current bearer biological assets		32		8
Total bearer non-current biological assets		**21,979**		**25,975**
Non-current cattle and pigs, units	2.0	3,605	1.9	3,677
Total consumable non-current biological assets		**3,605**		**3,677**
Total non-current biological assets		**25,584**		**29,652**

The balances of current biological assets were as follows as of 31 December 2020 and 2019:

	Thousand units	Carrying amount	Thousand units	Carrying amount
	2020		2019	
Breeders held for hatchery eggs production, units	4,706	68,798	4,891	78,063
Total bearer current biological assets		**68,798**		**78,063**
Broiler chickens, units	48,523	67,481	51,343	79,382
Hatchery eggs, units	64,978	12,313	57,747	10,328
Crops in fields, hectare	60	24,846	74	35,036
Cattle and pigs, units	6	1,619	6	1,273
Other current consumable biological assets		28		1,665
Total consumable current biological assets		**106,287**		**127,684**
Total current biological assets		**175,085**		**205,747**

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19. BIOLOGICAL ASSETS (continued)

The following table represents movements in major biological assets for the years ended 31 December 2020 and 2019:

	Milk cows, boars, sows	Breeders held for hatchery eggs production	Broiler chickens	Crops in fields
As of 31 December 2018	**20,041**	**66,509**	**64,519**	**37,416**
Costs incurred	11,209	161,345	720,366	318,535
Business acquisition **(Note 3)**	510	2,966	3,689	-
Gain arising from change in fair value of biological assets less costs to sell	8,339	(19,919)	374,537	17,154
Transfer to consumable biological assets	-	(123,100)	123,100	-
Increase due to birth and weight increase	6,063	-	-	-
Decrease due to sale	(818)	-	-	-
Decrease due to harvest	(22,925)	(20,601)	(1,218,042)	(343,345)
Translation difference	3,548	10,863	11,213	5,276
As of 31 December 2019	**25,967**	**78,063**	**79,382**	**35,036**
Costs incurred	10,096	167,925	745,651	281,755
Gain arising from change in fair value of biological assets less costs to sell	8,386	9,900	221,889	89,186
Transfer to consumable biological assets	-	(157,481)	157,481	-
Increase due to birth and weight increase	6,996	-	-	-
Decrease due to sale	(41)	-	-	-
Decrease due to harvest	(25,356)	(17,886)	(1,126,488)	(375,721)
Translation difference	(4,101)	(11,723)	(10,434)	(5,410)
As of 31 December 2020	**21,947**	**68,798**	**67,481**	**24,846**

Information on movements in hatchery eggs and cattle and pigs groups have been considered immaterial for disclosure.

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19. BIOLOGICAL ASSETS (continued)

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy, except for cattle and pigs that can be measured based on market prices of livestock of a similar age, breed and genetic merit, and which are therefore measured at fair value within Level 2 of the fair value hierarchy. There were no transfers between any levels during the year.

The following unobservable inputs were used to measure biological assets:

Description	Valuation technique	Significant unobservableinputs	Relationship of unobservable inputs to fair value	Range of unobservable inputs (average)	Sensitivity of the input to fair value increase/ (decrease) USD thousand	
					Input 5% higher	Input 5% lower
Crops in fields	DCF method	Crops yield - tonnes per hectare	The higher the crops yield, the higher the fair value	2020: 3.0 – 5.8 (4.4)	3,190	(3,190)
				2019: 3.3 – 6.3 (4.5)	4,485	(4,485)
		Crops price – per tonne	The higher the market price, the higher the fair value	2020: USD 185 – 446 (316)	3,190	(3,190)
				2019: USD 134 – 405 (235)	4,485	(4,485)
		Discount rate	The higher the discount rate, the lower the fair value	2020: 11.5%	(67)	68
				2019: 12.0%	(100)	100
Breeders held for hatchery eggs production	DCF method	Number of hatchery eggs produced by one breeder	The higher the number, the higher the fair value	2020: 165	3,611	(3,611)
				2019: 165	4,080	(4,080)
		Hatchery egg price – per egg	The higher the market price, the higher the fair value	2020: USD 0.24	4,682	(4,682)
				2019: USD 0.25	5,460	(5,460)
		Discount rate	The higher the discount rate, the lower the fair value	2020: 11.2%	(25)	25
				2019: 12.0%	(42)	42
Broiler chickens	Cash flows method	Average weight of one broiler – kg	The higher the weight, the higher the fair value	2020: 2.33	5,583	(5,583)
				2019: 2.45	5,254	(5,254)
		Poultry meat price – per kg	The higher the market price, the higher the fair value	2020: UAH 31.08 0.77 EUR[1]	6,174	(6,174)
				2019: UAH 26.38 0.79 EUR[1]	5,380	(5,380)
Milk cows	DCF method	Daily milk yield – litre per cow	The higher the milk yield, the higher the fair value	2020: 12.70 – 18.61 (16.54)	1,015	(1,015)
				2019: 12.25 – 17.89 (15.81)	979	(979)
		Weight of the cow – kg per cow	The higher the weight, the higher the fair value	2020: 523 – 570 (553)	206	(206)
				2019: 545 – 571 (557)	299	(299)
		Milk price – per litre	The higher the market price, the higher the fair value	2020: UAH 11.31 – 12.17 (11.64)	4,794	(4,794)
				2019: UAH 8.70 – 9.31 (8.93)	3,657	(3,657)
		Meat price – per kg	The higher the market price, the higher the fair value	2020: UAH 16.30 – 25.91 (21.22)	206	(206)
				2019: UAH 18.91 – 26.46 (23.08)	299	(299)
		Discount rate	The higher the discount rate, the lower the fair value	2020: 11.2%	(341)	349
				2019: 12.0%	(410)	421

[1] data of European operating segment.

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20. INVENTORIES

The balances of inventories were as follows as of 31 December 2020 and 2019:

	2020	2019
Components for mixed fodder production	130,124	70,481
Work in progress	29,213	43,205
Other raw materials	31,552	42,105
Spare parts	18,042	20,079
Mixed fodder	8,801	7,398
Sunflower oil	6,115	7,365
Meat processing products	6,110	6,774
Packaging materials	7,106	6,679
Other inventories	3,652	4,303
	240,715	**208,389**

As of 31 December 2020 and 2019 work in progress in the amount of USD 29,213 thousand and USD 43,205 thousand was mainly comprised of expenses incurred in cultivating fields to be planted in the years 2021 and 2020, respectively. Inventory is measured at net realizable value and no impairmens or reversals were made as of 31 December 2020 and 2019.

21. AGRICULTURAL PRODUCE

The balances of agricultural produce were as follows as of 31 December 2020 and 2019:

	Thousand tonnes	Carrying amount	Thousand tonnes	Carrying amount
	2020		2019	
Grain	716	161,150	714	118,879
Chicken meat	70.5	100,453	62.5	86,208
Other various crops		6,515		9,438
Other various meat		927		1,291
		269,045		**215,816**

The fair value of Agricultural produce was estimated based on market price as of date of harvest and is within Level 2 of the fair value hierarchy.

As of 31 December 2020, agricultural produce in amount of USD 18,750 thousand was pledged as collateral to secure bank borrowings (2019: nill).

22. TAXES RECOVERABLE AND PREPAID

Taxes recoverable and prepaid were as follows as of 31 December 2020 and 2019:

	2020	2019
VAT recoverable	52,201	24,527
Miscellaneous taxes prepaid	2,446	5,503
	54,647	**30,030**

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23. TRADE ACCOUNTS RECEIVABLE

The balances of trade accounts receivable were as follows as of 31 December 2020 and 2019:

	2020	2019
Chicken meat	89,020	95,824
Meat-processing and convenience food	21,331	19,109
Sunflower oil sales	3,197	1,482
Grain	1,283	9,056
Due from related parties **(Note 32)**	109	197
Other agriculture operations	18,769	12,278
Less: expected credit losses	(14,522)	(13,472)
	119,187	**124,474**

The average credit period on sales of poultry is 30 days and on sales of agricultural goods is 60 days. No interest is charged on outstanding trade accounts receivable. The expected credit losses on trade accounts receivable are estimated on a collective basis using a provision matrix and on individual basis using different scenarios of probability of default.

The provision matrix is used by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

An individual assessment is used for the individually significant debtors with credit risk characteristics that are not aligned with others.

The Group has recognised a loss allowance of against all trade accounts receivable over 270 days past due, which are assessed on a collective basis, because historical experience has indicated that these trade accounts receivable are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The Group writes off a trade accounts receivable 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, or when the trade accounts receivable are over 3 years past due, whichever occurs earlier. None of the trade accounts receivable that have been written off are subject to enforcement activities.

The following table details the risk profile of trade accounts receivable based on the Group's provision matrix. It discloses chicken meat Ukraine, chicken meat export and agricultural Ukraine, agricultural export sales and European operating segment as separate classes of financial instruments and applies the simplified approach to its trade accounts receivable so that the loss allowance is always measured at an amount equal to lifetime expected credit losses.

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23. TRADE ACCOUNTS RECEIVABLE (continued)

The following table illustrates the use of a provision matrix as a risk profile disclosure under the simplified approach as at 31 December 2020:

	Trade accounts receivable – days past due					
31 December 2020	**Not past due**	**< 30**	**31-90**	**91-270**	**>270**	**Total**
Portfolio assessment:						
Chicken meat Ukraine						
ECL rate, %	0.01%	0.11%	0.49%	0.70%	100%	
Estimated total gross carrying amount at default	21,088	1,347	172	45	283	22,935
Lifetime ECL	(2)	(1)	(1)	-	(283)	(287)
Chicken meat export						
ECL rate, %	0.16%	0.35%	0.86%	2.46%	100%	
Estimated total gross carrying amount at default	11,676	8,824	6,664	1,239	399	28,802
Lifetime ECL	(19)	(31)	(57)	(30)	(399)	(536)
Agricultural Ukraine						
ECL rate, %	0.08%	0.26%	0.53%	0.93%	100%	
Estimated total gross carrying amount at default	12,733	3,417	1,170	364	1,484	19,168
Lifetime ECL	(10)	(9)	(6)	(3)	(1,484)	(1,512)
Agricultural export						
ECL rate, %	0.13%	0,28%	3.71%	7.49%	100%	
Estimated total gross carrying amount at default	1,360	3,143	120	-	-	4,623
Lifetime ECL	(2)	(9)	(4)	-	-	(15)
European operating segment						
ECL rate, %	0.03%	0.18%	1.12%	10.33%	100%	
Estimated total gross carrying amount at default	31,811	5,826	818	92	146	38,693
Lifetime ECL	(10)	(10)	(9)	(10)	(146)	(185)
Estimated total gross carrying amount at default						**114,221**
Total lifetime ECL						**(2,535)**
Individual assessment:						
ECL rate, %	0%	100%	100%	23.22%	100%	
Estimated total gross carrying amount at default	2,710	13	49	6,240	10,476	19,488
Lifetime ECL	-	(13)	(49)	(1,449)	(10,476)	(11,987)
Estimated total gross carrying amount at default						**133,709**
Total lifetime ECL						**(14,522)**

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23. TRADE ACCOUNTS RECEIVABLE (continued)

The following table illustrates the use of a provision matrix as a risk profile disclosure under the simplified approach as at 31 December 2019:

	Trade accounts receivable – days past due					
31 December 2019	**Not past due**	**< 30**	**31-90**	**91-270**	**>270**	**Total**
Portfolio assessment:						
Chicken meat Ukraine						
ECL rate, %	0.01%	0.02%	0.37%	1.16%	100%	
Estimated total gross carrying amount at default	25,502	2,259	89	250	147	28,247
Lifetime ECL	(2)	(1)	-	(3)	(147)	(153)
Chicken meat export						
ECL rate, %	0.20%	0.39%	1.03%	4.93%	100%	
Estimated total gross carrying amount at default	13,993	8,218	4,690	609	722	28,232
Lifetime ECL	(28)	(32)	(48)	(30)	(722)	(860)
Agricultural Ukraine						
ECL rate, %	0.26%	0.28%	0.51%	0.89%	100%	
Estimated total gross carrying amount at default	22,442	2,961	31	1,373	1,014	27,821
Lifetime ECL	(59)	(8)	-	(12)	(1,014)	(1,093)
Agricultural export						
ECL rate, %	0.13%	3.08%	10.39%	13.49%	100%	
Estimated total gross carrying amount at default	8,033	54	29	13	-	8,129
Lifetime ECL	(10)	(2)	(3)	(2)	-	(17)
European operating segment						
ECL rate, %	0.64%	1.14%	5.64%	13.91%	100%	
Estimated total gross carrying amount at default	28,666	4,907	732	168	585	35,058
Lifetime ECL	(185)	(56)	(41)	(23)	(585)	(890)
Estimated total gross carrying amount at default						**127,487**
Total lifetime ECL						**(3,013)**
Individual assessment:						
ECL rate, %	100%	100%	100%	100%	100%	
Estimated total gross carrying amount at default	-	-	385	277	9,797	10,459
Lifetime ECL	-	-	(385)	(277)	(9,797)	(10,459)
Estimated total gross carrying amount at default						**137,946**
Total lifetime ECL						**(13,472)**

The following table shows the movement in lifetime ECL that has been recognised for trade and other accounts receivable in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed	**Individually assessed**
1 January 2019	**2,392**	**9,989**
Charged during the year	621	470
31 December 2019	**3,013**	**10,459**
Charged/(reversed) during the year	(478)	1,528
31 December 2020	**2,535**	**11,987**

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24. OTHER CURRENT FINANCIAL ASSETS

The balances of other current assets were as follows as of 31 December 2020 and 2019:

	2020	2019
Loans and finance aid provided to related parties (Note 32)	68,695	21,717
Other financial assets	12,157	7,620
Short-term bank deposits	462	-
	81,314	**29,337**

The Group determines the expected credit loss of loans and finance aid receivable from related parties and other financial assets based on different scenarios of probability of default and expected loss applicable to each of the material underlying balances.

The movement in loss is detailed below:

	2020	2019
1 January	**(3,128)**	**-**
Charged during the year	(1,212)	(3,128)
31 December	**(4,340)**	**(3,128)**

25. CASH AND CASH EQUIVALENTS

The balances of cash and cash equivalents were as follows as of 31 December 2020 and 2019:

	2020		2019	
	Deposit rates	USD' 000	Deposit rates	USD' 000
Cash and cash equivalents at banks and on hand in:				
Ukrainian Hryvnia		23,649		17,269
Euro		42,498		37,304
US Dollars		16,547		125,348
Other currencies		10,784		1,328
Short-term deposits with an original maturity of less than 90 days:				
Ukrainian Hryvnia	5,5%-8%	29,001	11.75-16.50%	61,006
US Dollars	0,02%-1,8%	85,002	1.56-3.50%	98,480
Euro	0%	6,545		
Government bonds:				
Ukrainian Hryvnia		3,553		-
Total cash and equivalents		**217,579**		**340,735**

In accordance with the international rating agency of Moody's, credit ratings of the banks with which the Group had the accounts opened as of 31 December 2020 and 2019 were as follows:

	2020	2019
International banks with A rating	75,891	214,159
International banks with B rating	5,975	249
Subsidiaries of international banks with A rating	56,789	38,669
Subsidiaries of international banks with B rating	38,666	34,284
Ukrainian banks with B rating	36,684	36,419
Domestic government bonds (OVDPs) of Ukraine	3,553	-
Other banks without ratings	21	16,955
	217,579	**340,735**

26. SHAREHOLDERS' EQUITY

Share capital

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 shares issued and fully paid	110,770,000	110,770,000
Number of shares outstanding	107,038,208	107,038,208

The authorized share capital as of 31 December 2020 and 2019 was EUR 221,540 thousand represented by 110,770,000 shares with par value of EUR 2 each.

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

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27. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:
Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below.

	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2020	2019	2020	2019	2020	2019
Name of subsidiary						
Agro-S	49.0%	49.0%	4,399	(2,444)	6,566	2,761
AgroKryazh	49.0%	49.0%	981	(348)	4,689	4,587
Myronivsky Plant of Manufacturing Feeds and Groats	11.5%	11.5%	(2,271)	(524)	2,288	5,234
Other subsidiaries with immaterial non-controlling interests	n/a	n/a	340	158	2,830	990
	n/a	**n/a**	**3,449**	**(3,158)**	**16,373**	**13,572**

The summarised financial information below represents amounts before intragroup eliminations.

Summarised statement of financial position as of 31 December 2020 and 2019:

	Agro-S		AgroKryazh		Myronivsky Plant of Manufacturing Feeds and Groats	
	2020	2019	2020	2019	2020	2019
Current assets	37,357	55,476	15,962	44,482	62,353	91,051
Non-current assets	21,765	30,044	17,518	18,441	94,134	121,956
Current liabilities	(33,821)	(69,032)	(20,852)	(50,250)	(59,088)	(134,610)
Non-current liabilities	(10,212)	(4,531)	(6,729)	(3,505)	(84,894)	(43,544)
Total equity	**15,089**	**11,957**	**5,899**	**9,168**	**12,505**	**34,853**
Attributable to:						
Owners of the Group	8,523	9,196	1,210	4,581	10,217	29,619
Non-controlling interest	6,566	2,761	4,689	4,587	2,288	5,234

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27. NON-CONTROLLING INTERESTS (continued)

Summarised statements of profit or loss and other comprehensive income for the years ended 31 December 2020 and 2019:

	Agro-S		AgroKryazh		Myronivsky Plant of Manufacturing Feeds and Groats	
	2020	2019	2020	2019	2020	2019
Revenue	18,730	35,658	17,965	22,569	67,366	118,186
Expenses	(9,756)	(40,646)	(15,962)	(23,279)	(87,160)	(122,743)
Profit/(loss) for the year	**8,974**	**(4,988)**	**2,003**	**(710)**	**(19,794)**	**(4,557)**
Profit/(loss) attributable to:						
Owners of the Group	4,575	(2,544)	1,022	(362)	(17,523)	(4,033)
Non-controlling interests	4,399	(2,444)	981	(348)	(2,271)	(524)
Total profit/(loss)	**8,974**	**(4,988)**	**2,003**	**(710)**	**(19,794)**	**(4,557)**
OCI attributable to:						
Owners of the Group	(618)	1,889	(916)	1,539	(5,197)	14,944
Non-controlling interests	(594)	1,815	(879)	1,478	(675)	1,942
Total OCI	**(1,212)**	**3,704**	**(1,795)**	**3,017**	**(5,872)**	**16,886**
Comprehensive income attributable to:						
Owners of the Group	3,957	(655)	106	1,177	(22,720)	10,911
Non-controlling interests	3,805	(629)	102	1,130	(2,946)	1,418
Total comprehensive income/ (loss) for the year	**7,762**	**(1,284)**	**208**	**2,307**	**(25,666)**	**12,329**
Dividends paid to non-controlling interest	**–**	**(3,154)**	**–**	**(1,559)**	**–**	**–**

Summarised cash inflow/(outflow) for the years ended 31 December 2020 and 2019:

	Agro-S		AgroKryazh		Myronivsky Plant of Manufacturing Feeds and Groats	
	2020	2019	2020	2019	2020	2019
Operating activities	1,738	(1,889)	2,037	8,017	8,475	485
Investing activities	(717)	(587)	(434)	(440)	(1,969)	(855)
Financing activities	(1,010)	(5,500)	(1,598)	(7,568)	(6,612)	-

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28. BANK BORROWINGS

The following table summarizes bank borrowings and credit lines outstanding as of 31 December 2020 and 2019:

	Currency	2020		2019	
		WAIR[1]	USD' 000	WAIR[1]	USD' 000
Non-current					
	EUR	EURIBOR[2] + 2.62%	63,142	EURIBOR[2]+ 2.84%	75,880
	EUR	2.54%	1,466	-	-
			64,608		75,880
Current					
	UAH	6.25%	3,537	-	-
	USD	LIBOR + 3.25%	15,000	-	-
	EUR	2.30%	8,601	2.72%	4,406
Current portion of long-term bank borrowings	EUR	EURIBOR[2] + 2.62%	12,650	EURIBOR[2]+ 2.84%	20,539
			39,788		**24,945**
Total bank borrowings			**104,396**		**100,825**

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

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

Term loans and credit line facilities were as follows as of 31 December 2020 and 2019:

	2020	2019
Credit lines	27,137	3,348
Term loans	77,259	97,477
	104,396	**100,825**

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

	2020	2019
Within one year	39,788	24,945
In the second year	17,196	17,484
In the third to fifth year inclusive	47,412	27,837
After five years	-	30,559
	104,396	**100,825**

As of 31 December 2020, the Group had available undrawn facilities of USD 304,910 thousand (2019: USD 224,683 thousand). These undrawn facilities expire during the period until February 2024.

The Group, as well as particular subsidiaries of the Group have to comply with certain covenants imposed by the banks providing the loans. The Group shall ensure the ongoing compliance with the following maintenance covenants: EBITDA to interest expenses ratio, current ratio and liabilities to equity ratio. Separately, there are negative covenants in respect of restricted payments, including dividends, capital expenditures, additional indebtedness and restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates in case of excess of Net Debt to EBITDA ratio. The Group subsidiaries are also required to obtain approval from lenders regarding property, plant and equipment to be used as collateral. During the years ended 31 December 2020 and 2019 the Group has complied with all covenants imposed by banks providing the borrowings.

[1] WAIR represents the weighted average interest rate on outstanding borrowings.
[2] According to the agreements terms, if market EURIBOR becomes negative, it shall be deemed to be zero for calculation of interest expenses.

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28. BANK BORROWINGS (continued)

The Group's bank borrowings are jointly and severally guaranteed by MHP, Myronivsky Plant of Manufacturing Feeds and Groats, Oril-Leader, Peremoga Nova, Starynska Ptakhofabryka, Zernoproduct MHP, Katerinopilskiy Elevator, Agrofort, SPF Urozhay, MHP SE, Scylla Capital Limited, Myronivska Pticefabrika, Ptakhofabryka Snyatynska Nova, Vinnytska Ptakhofabryka, Zakhid-Agro MHP, MHP-Urozhayna Krayina, Raftan Holding Limited.

As of 31 December 2020, the Group had borrowings of USD 60,958 thousand that were secured by property, plant and equipment and agroproduce with a carrying amount of USD 102,587 thousand (31 December 2019: USD 49,731 thousand and USD 99,978 thousand respectively).

As of 31 December 2020, the deposit with carrying amount of USD 3,632 thousand (31 December 2019: USD 3,298 thousand) was restricted as collateral to secure bank borrowings.

As of 31 December 2020 and 31 December 2019, interest payable on bank borrowings was USD 730 thousand and USD 1,033 thousand, respectively.

29. BONDS ISSUED

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

	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	484,469	500,000	500,000
6.95% Senior Notes due in 2026	536,153	534,042	550,000	550,000
6.25% Senior Notes due in 2029	347,366	347,158	350,000	350,000
Unamortized debt issuance cost	-	-	(29,001)	(34,331)
Total bonds issued	**1,370,999**	**1,365,669**	**1,370,999**	**1,365,669**

As of 31 December 2020 and 2019 accrued interest on bonds issued was USD 20,757 thousand and USD 20,756 thousand, respectively.

6.25% Senior Notes

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

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

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

Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by the indenture, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may, upon written notice to the Group, declare all outstanding Senior Notes to be due and payable immediately. If a change of control occurs, the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest and additional amounts, if any

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29. BONDS ISSUED (continued)

6.95% Senior Notes

On 3 April 2018, MHP Lux S.A. issued USD 550,000 thousand 6.95% Senior Notes due in 2026 at par value. Out of the total issue amount USD 416,183 thousand were designated for redemption and exchange of the existing 8.25% Senior Notes due in 2020.

Early redemption of the 8.25% Senior Notes due in 2020 from the issue of 6.95% Senior Notes due in 2026, which were placed with the same holders and where the change in the net present value of the future cash flows discounted using the original effective interest rate was less than 10% was accounted as an exchange and thus, all the related expenses, including part of consent fees, were capitalized and will be amortised over the maturity period of the 6.95% Senior Notes due in 2026.

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

As a result of a non-substantial modification, the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate was recognised as a gain in the amount of USD 4,733 thousand at the date of modification in the consolidated profit or loss.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP SE, 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, “Peremoga Nova” SE, “Katerinopolskiy Elevator” LLC, Scylla Capital Limited and Raftan Holding Limited.

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

7.75% Senior Notes

On 10 May 2017, MHP SE issued USD 500,000 thousand 7.75% Senior Notes due in 2024 at par value. Out of the total issue 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.

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

Covenants

Certain restrictions under the indebtedness agreements (e.g. incurrence of additional indebtedness, restricted payments, dividends payment) are dependent on the leverage ratio of the Group. Once the leverage ratio exceeds 3.0 to 1, it is not permitted for the Group to make certain restricted payments, declare dividends exceeding USD 30 million in any financial year, incur additional debt except that is defined as a Permitted Debt. According to the indebtedness agreement, the consolidated leverage ratio is tested on the date of incurrence of additional indebtedness or restricted payment and after giving pro forma effect to such incurrence or restricted payment as if it had been incurred or done at the beginning of the most recent four consecutive fiscal quarters for which financial statements are publicly available (or are made available). The Group has tested all the transactions occurred prior to publication of these financial statements and has complied with all the covenants defined by indebtedness agreement during the reporting periods ended 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 14 April 2020, the date of publication of audited consolidated financial statements as of and for the year ended 31 December 2019, and as at 24 March 2021 the aforementioned restrictions are binding on the Group.

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30. LEASE LIABILITIES

Long-term lease obligations represent amounts due under agreements for the leasing of agricultural land, trucks, agricultural machinery and equipment. As of 31 December 2020, the weighted average interest rates on lease obligations were 3.32% (2019: 4.97%) and 19.20% (2019: 20.2%) for lease obligations denominated in EUR and UAH respectively.

Amount of interest expense on lease liabilities for the year ended 31 December 2020 was USD 37,692 thousand (2019: USD 37,784 thousand). The total cash outflow for leases for the year ended 31 December 2019 was USD 53,215 thousand (2019: USD 53,590 thousand).

Amount of depreciation charge for right-of-use assets and additions to right-of-use assets for the year ended 31 December 2020 was USD 33,056 thousand and USD 27,175 respectively (2019: USD 33,250 thousand and USD 19,607 thousand).

The carrying amount of lease liabilities as at 31 December 2020 includes USD 176,840 thousand of land lease liabilities (2019: USD 199,233 thousand).

The following are maturity analysis of lease payments under the lease agreements as of 31 December 2020 and 2019:

	2020	2019
As at 1 January	**215,863**	**13,442**
Effect of adoption IFRS 16	-	163,651
As at 1 January	**215,863**	**177,093**
Cash repayments of lease liabilities	(53,215)	(53,590)
Foreign exchange movements	2,442	(1,945)
Acquisition of subsidiaries (Note 3)	-	16,446
Non-cash additions and change in terms	36,373	23,278
Non-cash repayments of lease liabilities [1]	(9,134)	(10,842)
Interest charged	37,692	37,784
Translation difference	(31,522)	27,639
As at 31 December	**198,499**	**215,863**
Current portion of lease liabilities	62,004	64,074
Long-term portion of lease liabilities	136,495	151,789

[1] Non-cash repayments are represented by grains and other agriculture produce provided to lessors of land as settlement of lease liabilities.

31. OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities were as follows as of 31 December 2020 and 2019:

	2020	2019
Accrued payroll and related taxes	47,925	47,151
Provision for claims, penalties and indemnification	12,440	-
VAT payable	11,315	736
Amounts payable for property, plant and equipment	8,646	14,478
Other financial liabilities	6,312	8,336
	86,638	**70,701**

32. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

Transactions with related parties under common control

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

Terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction.

The terms of the payables and receivables related to trading activities of the Group do not vary significantly from the terms of similar transactions with third parties.

The transactions with the related parties during the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Loans and finance aid provided	57,106	35,204
Loans and finance aid repaid	10,000	17,315
Interest charged on loans and financial aid repaid	2,476	854
Interest charged on loans and finance aid provided	4,028	4,274
Loans provided to key management personnel	1,582	4,895
Loans repaid by key management personnel	721	157
Sales of goods	76	10
Purchases from related parties	16	10
Less allowance against loans and finance aid provided	1,212	3,128

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

	2020	2019
Loans and finance aid receivable	73,035	24,845
Less: allowance for unrecoverable amounts	(4,340)	(3,128)
	68,695	**21,717**
Loans to key management personnel	4,480	4,945
Trade accounts receivable **(Note 23)**	109	197
Payables due to related parties	17	19

Loans and finance aid receivable

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.

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32. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Loans and finance aid receivable (continued)

As of 31 December 2020, the Group 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 Group 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 29).

Compensation of key management personnel

Key management personnel totalled 22 and 43 individuals as of 31 December 2020 and 2019, respectively, including 4 and 3 independent non-executive directors as of 31 December 2020 and 2019, respectively.

Total compensation of the Group's key management personnel included primarily in selling, general and administrative expenses in the accompanying consolidated statements of profit and loss and other comprehensive income amounted to USD 15,141 thousand and USD 18,654 thousand for the years ended 31 December 2020 and 2019, respectively. Compensation of key management personnel consists of contractual salary and performance bonuses.

Total compensation of the Group's non-executive directors, which consists of contractual salary, amounted to USD 958 thousand and USD 679 thousand in 2020 and 2019, respectively.

Total compensation of the Group's Chairman, which consists of contractual salary, amounted to US$ 622 thousand in 2020 (2019: US$ 609 thousand).

Loans to key management personnel

The Group has provided several of its key management personnel with unsecured loans. The loans to key management personnel provided during 2020 and 2019 mainly include loans made by the Ukraininan subsidiaries to the Group's directors which amounted to USD 1,465 thousand and USD 4,253 thousand, respectively.

33. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Operating Environment

Since 2016, the Ukrainian economy, which represents the core operating environment of the Group, has been demonstrating signs of stabilization after the years of political and economic tensions. Until the break-out of the coronavirus (COVID 19) pandemic in the first quarter 2020, the real GDP has been steadily growing, however it decreased by around 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 6.5% in March 2021.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. CONTINGENCIES AND CONTRACTUAL COMMITMENTS
(continued)

Taxation and legal issues

Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. The local and national tax environment is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and fines. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and fines, and these amounts could be material. While the Group believes it has complied with local tax legislation, there are new significant changes to the tax legislation that may be introduced in the near future.

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

The Group exports vegetable oil, chicken meat and related products, and performs intercompany transactions, which may potentially be in the scope of the Ukrainian transfer pricing ("TP") regulations. The Group has submitted the controlled transaction report for the years ended 31 December 2018 and 31 December 2019 within the required deadlines.

As of 31 December 2020, the Group's management assessed its possible exposure to tax risks for a total amount of USD 5,459 thousand related to corporate income tax (31 December 2019: USD 6,516 thousand). No provision was recognised relating to such possible tax exposure.

As of 31 December 2020, companies of the Group were engaged in ongoing litigation with tax authorities for the amount of USD 36,616 thousand (2019: USD 23,201 thousand), including USD 26,153 thousand (2019: USD 11,016 thousand) of litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. Of this amount, USD 289 thousand as of 31 December 2020 (2019: USD 1,241 thousand) relates to cases where court hearings have taken place and where the court in either the first or second instance has already ruled in favour of the Group. Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and, therefore, no respective provision is required in the Group's financial statements as of the reporting date.

Contractual commitments on purchase of property, plant and equipment

During the years ended 31 December 2020 and 2019, the companies of the Group entered into a number of contracts with foreign suppliers for the purchase of property, plant and equipment for development of agricultural operations. As of 31 December 2020, purchase commitments amounted to USD 15,396 thousand (2019: USD 10,340 thousand).

34. DIVIDENDS

On 13 April 2020, the Board of Directors approved payment of an interim dividend of USD 0.2803 per share, equivalent to USD 30,000 thousand to shareholders on the register as of 24 April 2020. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury. As at 31 Deceember 2020 dividends had been fully paid to shareholders.

On 21 March 2019, the Board of Directors of MHP SE approved a payment of the interim dividends of USD 0.7474 per share, equivalent to USD 80,000 thousand, which were paid to shareholders during the year ended 31 December 2019.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

	Carrying amount		Fair value	
	2020	2019	2020	2019
Financial liabilities				
Bank borrowings **(Note 28)**	105,126	101,858	103,737	99,417
Senior Notes due in 2024, 2026, 2029 **(Note 29)**	1,391,756	1,386,425	1,515,005	1,468,144

The fair value of bank borrowings was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings 5.5% (31 December 2019: 5.4%), and is within Level 2 of the fair value hierarchy.

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

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35. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of liabilities arising from financing activities

The tables below details changes in the Group'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 Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	Bonds issued	Lease obligations	Total
As of 31 December 2019	**100,825**	**1,365,669**	**215,863**	**1,682,357**
Cash flow from proceeds / (repayments)	(5,233)	-	(53,215)	(58,448)
Non-cash movements				
Foreign exchange movements	11,827	-	2,442	14,269
Non-cash additions and change in terms	-	-	36,373	36,373
Non-cash repayments of lease liabilities[1]	-	-	(9,134)	(9,134)
Finance costs	3,813	105,967	37,692	147,472
Reclassification to interest payable	(3,291)	(100,631)	-	(103,922)
Translation difference	(3,545)	(6)	(31,522)	(35,073)
As of 31 December 2020	**104,396**	**1,370,999**	**198,499**	**1,673,894**

	Bank borrowings	Bonds issued	Lease obligations	Total
As of 31 December 2018	**238,498**	**1,090,935**	**13,442**	**1,342,875**
Effect of adoption IFRS 16	-	-	163,651	163,651
As at 1 January 2019	**238,498**	**1,090,935**	**177,093**	**1,506,526**
Cash flow from proceeds / (repayments)	(191,940)	270,583	(53,590)	25,053
Transaction costs payments	(697)	(4,751)	-	(5,448)
Non-cash movements				
Foreign exchange movements	(45,419)	(303)	(1,945)	(47,667)
Acquisition of subsidiaries	58,514	-	16,446	74,960
Non-cash additions and change in terms	1,318	-	23,278	24,596
Non-cash repayments of lease liabilities [1]	-	-	(10,842)	(10,842)
Finance costs	14,789	106,339	37,784	158,912
Reclassification to interest payable	(12,950)	(97,134)	-	(110,084)
Translation difference	38,712	-	27,639	66,351
As of 31 December 2019	**100,825**	**1,365,669**	**215,863**	**1,682,357**

[1] Non-cash repaiments are represented by grains and other agriculture produce provided to lessors of land as settlement of lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
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36. RISK MANAGEMENT POLICIES

During the years ended 31 December 2020 and 2019 there were no material changes to the objectives, policies and process for credit risk, capital risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk and commodity price and procurement risk managing.

Capital management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holders through maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through new share issues and through the issue of new debt or the redemption of existing debt.

The Group's target is to achieve a gearing ratio of not higher than 2.5. The Group defines its gearing ratio as the proportion of total liabilities to total equity.

As of 31 December 2020 and 2019 the gearing ratio was as follows:

	2020	2019
Total Liabilities	2,028,619	2,094,629
Total Equity	1,254,203	1,595,866
Total liabilities to Equity	1.62	1.31

Major categories of financial instruments

	2020	2019
Financial assets:		
Cash and cash equivalents **(Note 25)**	217,579	340,735
Trade accounts receivable **(Note 23)**	119,187	124,474
Other current financial assets **(Note 24)**	81,314	29,337
Non-current financial assets **(Note 18)**	23,083	17,616
Long-term bank deposits	4,612	3,298
	445,775	**515,460**
Financial liabilities:		
Bonds issued **(Note 29)**	1,370,999	1,365,669
Lease obligations **(Note 30)**	198,499	215,863
Trade accounts payable	149,768	147,334
Bank borrowings **(Note 28)**	104,396	100,825
Accrued payroll and related taxes **(Note 31)**	47,925	47,151
Interest payable **(Note 28,29)**	21,487	21,789
Amounts payable for property, plant and equipment **(Note 31)**	8,646	14,478
Provision for claims, penalties and indemnification **(Note 31)**	12,440	-
VAT patable **(Note 31)**	11,315	736
Other financial liabilities **(Note 31)**	6,312	8,336
	1,931,787	**1,922,181**

The main risks inherent to the Group's operations are those related to credit risk, liquidity risk, currency risk, interest rate and commodity price risk.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. The carrying amount of financial assets disclosed in the table "Major categories of financial instruments" represent the maximum credit exposure.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one customer or group of customers. The approved credit period for major groups of customers, which include franchisees, distributors and supermarkets, is set at 10-30 days

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts receivable from the customers for recoverability starting from 30 and 60 days for receivables on sales of poultry meat and receivables on other sales, respectively. As of 31 December 2020 about 17% (2019: 19%) of trade accounts receivable comprise amounts due from 12 large supermarket chains, which have the shortest contractual receivable settlement period among customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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36. RISK MANAGEMENT POLICIES (continued)

Liquidity risk

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

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

	Carrying amount	Contractual Amounts	Less than 1 year	From 2nd to 5th year	After 5th year
Year ended 31 December 2020					
Bank borrowings	105,126	109,620	42,150	67,470	-
Bonds issued	1,391,756	1,942,738	98,850	837,275	1,006,613
Lease liabilities	198,499	405,127	57,204	184,699	163,224
Total	**1,695,381**	**2,457,485**	**198,204**	**1,089,444**	**1,169,837**
Year ended 31 December 2019					
Bank borrowings	101,858	108,128	27,698	80,430	-
Bonds issued	1,386,425	2,041,588	98,850	876,025	1,066,713
Lease liabilities	215,863	445,430	64,074	205,137	176,219
Total	**1,704,146**	**2,595,146**	**190,622**	**1,161,592**	**1,242,932**

All other financial liabilities (excluding those disclosed above) are repayable within one year.

The Group's target is to maintain its current ratio, defined as the proportion of current assets to current liabilities, at the level of not less than 1.2. As of 31 December 2020 and 2019, the current ratio was as follows:

	2020	2019
Current assets	1,174,348	1,181,641
Current liabilities	374,912	390,181
	3.13	**3.03**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, but the management of the Group sets limits on the level of exposure to foreign currency fluctuations in order to manage currency risk.

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36. RISK MANAGEMENT POLICIES (continued)

Currency risk (continued)

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

	2020		2019	
	USD	EUR	USD	EUR
ASSETS				
Long-term bank deposits	-	4,612	-	3,298
Non-current financial assets	18,162	-	16,381	-
Trade accounts receivable	20,906	12,584	23,635	9,431
Other current financial assets	68,681	8	15,998	-
Cash and cash equivalents	101,549	14,208	106,658	1,461
	209,298	**31,412**	**162,672**	**14,190**
LIABILITIES				
Current liabilities				
Trade accounts payable	6,691	9,031	2,101	7,211
Other current financial liabilities	3,165	1,865	5	2,327
Interest payable	20,770	462	20,758	720
Short-term bank borrowings	15,000	14,821	-	16,683
Short-term lease liabilities	-	3,512	74	4,238
	45,626	**29,691**	**22,938**	**31,179**
Non-current liabilities				
Long-term bank borrowings	97	24,983	57	34,224
Bonds issued[1]	1,370,999	-	1,365,669	-
Long-term lease liabilities	-	5,230	-	5,565
	1,371,096	**30,213**	**1,365,726**	**39,789**
Net liability	**1,207,424**	**28,492**	**1,225,992**	**56,778**

[1] Bonds were issued by MHP Lux S.A. and MHP SE, which functional currency is USD. Proceeds from bonds issue were transferred in the form of USD denominated intragroup loans to Ukrainian subsidiaries of the Group, which functional currency is UAH, therefore the Group treats bonds issued balance as foreign currency denominated balance. Foreign exchange gain/loss on such intragroup loans is recognized in the consolidated statement of profit or loss, while loan balances themselves are eliminated on consolidation.

The table below illustrates the Group's sensitivity to a change in the exchange rate of the Ukrainian Hryvnia against the US Dollar and EUR. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for possible change in foreign currency rates.

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36. RISK MANAGEMENT POLICIES (continued)

Currency risk (continued)

	Change in foreign currency exchange rates	Effect on profit before tax, gain/(loss)
2020		
Increase in USD exchange rate	15%	(181,114)
Increase in EUR exchange rate	15%	(4,274)
Decrease in USD exchange rate	15%	181,114
Decrease in EUR exchange rate	15%	4,274
2019		
Increase in USD exchange rate	10%	(122,599)
Increase in EUR exchange rate	10%	(5,678)
Decrease in USD exchange rate	5%	61,300
Decrease in EUR exchange rate	5%	2,839

During the year ended 31 December 2020 the Ukrainian Hryvnia depreciated against the EUR and USD by 23.94% and 16.23% respectively (2019: appreciated against the EUR by 20.03% and 16.90% against the USD). As a result, during the year ended 31 December 2020 the Group recognised net foreign exchange loss in the amount of USD 203,664 thousand (2019: foreign exchange gain in the amount of USD 185,291 thousand) in the consolidated statement of profit or loss and other comprehensive income.

The currency risk is mitigated by the existence of USD-denominated proceeds from sales of sunflower oil, grain and chicken meat, which are sufficient for servicing the Group's foreign currency denominated liabilities and were as follows during the years, ended 31 December 2020 and 2019:

	2020	2019
Chicken meat and related products	577,255	588,903
Vegetable oil and related products	274,979	302,600
Grain	114,304	251,836
Other agricultural segment products	49,217	42,362
	1,015,755	**1,185,701**

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect primarily borrowings by changing future cash flows. For variable rate borrowings, interest is linked to LIBOR or EURIBOR.

The below table illustrates the Group's sensitivity to increases or decreases of interest rates by 5%. The analysis was applied to interest bearing liabilities (bank borrowings and lease obligations) based on the assumption that the amount of liability outstanding as of the reporting date was outstanding for the whole year.

	Increase/ (decrease) of floating rate	Effect on profit before tax, gain/(loss)
2020		
LIBOR	1%	(150)
LIBOR	-1%	150
EURIBOR	1%	(817)
EURIBOR	-1%	59
2019		
LIBOR	1%	(1)
LIBOR	-1%	1
EURIBOR	1%	(1,062)
EURIBOR	-1%	98

The effect of interest rate sensitivity on shareholders' equity is equal to that on consolidated statement of profit or loss.

Livestock diseases risk

The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

Commodity price and procurement risk

Commodity price risk arises from the risk of an adverse effect on current or future earnings from fluctuations in the prices of commodities. To mitigate this risk the Group continues expansion of its grain growing segment, as part of vertical integration strategy, and also accumulates sufficient commodity stock to meet its production needs.

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37. PENSIONS AND RETIREMENT PLANS

The employees of the Group receive pension benefits from the government in accordance with the laws and regulations of respective jurisdictions.

The Group's contributions to the State Pension Fund for the year ended 31 December 2020 was USD 51,465 thousand and is recorded in the consolidated statement of profit or loss and other comprehensive income on an accrual basis (2019: USD 48,702 thousand). The Ukrainian companies are not liable for any other supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

In accordance with the legislative regulations, collective contract, and internal rules, the companies of the European operating segment are committed to the payment of loyalty bonuses to employees and the severance payments upon their retirement for which long-term provisions are made. Provisions are recognized in other operating expenses in the consolidated statement of profit or loss and other comprehensive income and in other non-current liabilities in the statement of financial position.

The balances of provisions for employee benefits were as follows as of 31 December 2020 and 2019:

	2020	2019
Provisions for severance payments	4,932	4,059
Provisions for loyalty bonuses	1,328	1,129
	6,260	**5,188**

The following table represents movements in provisions for employee benefits for the year ended 31 December 2020:

	Provisions for severance payments	Provisions for loyalty bonuses
31 December 2019	**4,059**	**1,129**
Formation	448	82
Expenditure	(17)	-
Translation Differences	442	117
31 December 2020	**4,932**	**1,328**

38. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

From continued operations	2020	2019
Profit for the year attributable to equity holders of the Parent	(135,024)	224,263
Earnings used in calculation of earnings per share	**(135,024)**	**224,263**
Weighted average number of shares outstanding	107,038,208	107,038,208
Basic and diluted earnings per share (USD per share)	**(1.26)**	**2.10**

The Group has neither potentially dilutive ordinary shares nor other dilutive instruments; therefore, the diluted earnings per share equal basic earnings per share. The denominators used are the same as those detailed above for both basic and diluted earnings per share from discontinued operations presented in Note 3.

39. SUBSEQUENT EVENTS

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 of 3.66 at 31 December 2020 (above 3.0, beyond which certain restrictions become effective, please see Note 29), 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).

40. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Board of Directors of MHP SE on 23 March 2021.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

MHP's financial calendar can be found here:
http://www.mhp.com.ua/en/investor-relations/calendar.
The calendar is updated to show relevant events and dates.

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Registrar
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AC	Audit Committee
AGM	Annual general meeting
AI	Artificial Intelligence
B2B	Business to Business
Broiler	A young chicken raised for meat
CAPEX	Capital expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIS	Commonwealth of Independent States
Company	MHP SE
COSO	Committee of Sponsoring Organisations
CO2	Carbon Dioxide
CO2e	Carbon Dioxide Equivalent
COVID-19	Coronavirus Disease 2019
CSR	Corporate Social Responsibility
DAP	Delivered At Place
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBRD	European Bank for Reconstruction and Development
EGM	Extraordinary general meeting
EOS	European Operating Segment
ERP	Enterprise Kesource Planning
ESG	Environmental, Social and Governance
EU	European Union
EUR	Euro
FOB	Free On Board
Fodder	Food for livestock
FX	Foreign Exchange
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GFSI	Global Food Safety Initiative
GDR	Global depositary receipt
GMO	Genetically Modified Organisms
Greenfield	Relating to previously undeveloped sites
GRI	Global Reporting Initiative
Group	MHP SE and its subsidiaries
Grow-out	The period during which the broilers are raised
GWP	Global warming potential
Ha	Hectares
HR	Human resources
IAS	International Accounting Standards
IEA	International Energy Agency
IFC	International Finance Corporation
IFI	International financial institution
IFRS	International Financial Reporting Standards
IR	Investor relations
JV	Joint venture
Kg	Kilograms
KPIs	Key performance indicators
KSA	Kingdom of Saudi Arabia
LHS	Left Hand Scale
LTM	Last twelve months
M&A	Mergers and acquisitions
MENA	Middle East and North Africa region
MW	Megawatt
NBU	National Bank of Ukraine
NED	Non-executive director
NGO	Non-governmental organisation
NBC	Nominations and Remuneration Committee
OECD	Organisation for Economic Co-operation and Development
PP	Perutnina Ptuj, acquired during 2019
pps	Persentage Points
R&D	Research and development
RHS	Right Hand Scale
SE	Societas Europaea
SKU	Stock keeping unit, or distinct type of item for sale
SPOT	A contract for immediate settlement on the spot date
UAE	United Arab Emirates
UAH	Ukrainian Hryvnia
UK	United Kingdom
UNIC	Ukrainian Network of Integrity and Compliance
US	United States
US$ /USD	United States Dollar
y/y	Year-on-year
VAT	Value-added tax

MHP

AGRO & INDUSTRIAL HOLDING