



19 May 2021, Limassol, Cyprus

**MHP SE**

**Unaudited Financial Results for the First Quarter ended 31 March 2021**

MHP SE (LSE: MHPC), the parent company of a leading international agro-industrial group with headquarters in Ukraine, today announces its unaudited results for the first quarter ended 31 March 2021. Hereinafter, MHP SE and its subsidiaries are referred to as “MHP”, “The Company” or “The Group”.

Starting from this press statement, MHP shows the comparison of results not only year-on-year, but also to the preceding period. So that, Q1 2021 results in Poultry, Meat Processing and European Operating segments are compared not only with Q1 2020, but also with Q4 2020. For Grain Growing Operations, where results are driven by seasonality effects, this comparison is not relevant to overall financial results.

**OPERATIONAL HIGHLIGHTS**

- MHP production volumes were 166,623 tonnes, down by 7% (Q1 2020: 178,640 tonnes). Poultry production volumes of the European Operating segment (Perutnina Ptuj) amounted to 24,662 tonnes (Q1 2020: 23,858 tonnes).
- The average chicken meat price increased by 4% to USD 1.43 per kg (Q1 2020: USD 1.37 per kg) (excluding VAT). The average price of chicken meat produced by PP was EUR 2.48 per kg (Q1 2020: EUR 2.56 per kg).
- Chicken meat exports were stable at 82,260 tonnes (Q1 2020 - 82,048 tonnes).

**FINANCIAL HIGHLIGHTS**

- Revenue of US\$ 447 million, increased by 1% year-on-year (Q1 2020: US\$ 443 million).
- Export revenue of US\$ 217 million, representing 49% of total revenue (Q1 2020: US\$ 237 million, 53% of total revenue)
- Operating profit of US\$ 16 million, decreased by 66% year-on-year; operating margin was 4%.
- Adjusted EBITDA (net of IFRS 16) decreased to US\$ 57 million from US\$ 90 million; adjusted EBITDA margin (net of IFRS 16) decreased to 13% from 20%.
- Net income of US\$ 1 million, compared to a loss of US\$ 174 million for Q1 2020, including US\$ 20 million of non-cash foreign exchange translation gain in Q1 2021 compared to a foreign exchange loss of US\$ 182 million in Q1 2020. Net loss before foreign exchange differences for Q1 2021 amounted to US\$ 19 million, compared to US\$ 8 million profit for Q1 2020.

**FINANCIAL OVERVIEW**

<i>(in million US\$, unless indicated otherwise)</i>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>% change<sup>1)</sup></b>
<b>Revenue</b>	<b>447</b>	<b>443</b>	<b>1%</b>
IAS 41 standard gains/(losses)	(21)	3	-800%
<b>Gross profit</b>	<b>66</b>	<b>92</b>	<b>-28%</b>
<i>Gross profit margin</i>	15%	21%	-6 pps
<b>Operating profit</b>	<b>16</b>	<b>47</b>	<b>-66%</b>
<i>Operating profit margin</i>	4%	11%	-7 pps
<b>Adjusted EBITDA</b>	<b>63</b>	<b>96</b>	<b>-34%</b>
<i>Adjusted EBITDA margin</i>	14%	22%	-8 pps
<b>Adjusted EBITDA (net of IFRS 16)</b>	<b>57</b>	<b>90</b>	<b>-37%</b>
<i>Adjusted EBITDA margin (net of IFRS 16)</i>	13%	20%	-7 pps
<b>Net profit before foreign exchange differences</b>	<b>(19)</b>	<b>8</b>	<b>-338%</b>
<i>Net profit margin before forex (loss)/gain</i>	-4%	2%	-6 pps
Foreign exchange (loss)/gain	20	(182)	n/a
<b>Net (loss) profit</b>	<b>1</b>	<b>(174)</b>	<b>n/a</b>
<i>Net (loss) profit margin</i>	0%	-39%	39 pps

<sup>1)</sup> pps – percentage points

Average official FX rate for Q1: UAH/US\$ 27.9694 in 2021 and UAH/US\$ 25.0525 in 2020.

## **DIVIDENDS**

On 28 April 2021, shareholders of MHP at the AGM approved payment of an annual dividend of US\$ 0.2803 per share, equivalent to US\$ 30 million, to shareholders on the register as of 7 May 2021. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury. As of 19 May 2021, dividends were fully paid to shareholders.

## **DIAL-IN DETAILS**

MHP's management will host a conference call for investors and analysts followed by Q&A on the day of the results.

The dial-in details are:

Time: 14.00 London / 16.00 Kyiv / 09.00 New York

Title: Financial results for Q1 2020

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

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

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## Segment Performance

### Poultry and related operations

	Q1 2021	Q1 2020	% change y/y <sup>1)</sup>	4Q 2020	% change q/q <sup>1)</sup>
<b>Poultry</b>					
Sales volume, third parties tonnes	154,370	157,729	-2%	174,260	-11%
Export sales volume, tonnes	82,260	82,048	0%	94,709	-13%
Domestic sales volume, tonnes	72,110	75,681	-5%	79,551	-9%
Portion of export sales, %	53%	52%	1 pps	54%	-1 pps
<b>Average price per 1 kg net of VAT, USD</b>	<b>1.43</b>	<b>1.37</b>	<b>4%</b>	<b>1.36</b>	<b>5%</b>
Average price per 1 kg net of VAT, UAH (Ukraine)	41.50	32.38	28%	37.12	12%
Average price per 1 kg net of VAT, USD (Ukraine)	1.48	1.29	15%	1.31	13%
Average price per 1 kg net of VAT, USD (export)	1.38	1.45	-5%	1.37	0%
<b>Sunflower oil</b>					
Sales volume, third parties tonnes	55,958	80,710	-31%	82,590	-32%
<b>Soybeans oil</b>					
Sales volume, third parties tonnes	11,146	10,768	4%	7,783	43%

<sup>1)</sup> pps – percentage points

#### Chicken meat

Aggregated volume of chicken meat sold to third parties slightly decreased by 2% in Q1 2021 to 154,370 tonnes (Q1 2020: 157,729 tonnes) mainly as a result of a decreased share of frozen chicken sales in Ukraine (as a result of changes in product mix for the domestic market and for export). In Q1 2021, export sales amounted to 82,260 tonnes, remaining stable compared to Q1 2020. Sales to MENA region increased from 31% to 54% of total export sales year-on-year (mainly driven by increased sales to KSA).

Poultry export prices decreased by 5% year-on-year, mainly driven by changes in product mix and destination of export sales (increased sales of small chicken to MENA and decreased sales of chicken fillet to EU, because of the ban).

As a result of significant increase in grain and protein products prices, the market price of chicken in Ukraine began to increase from December 2020. In Q1 2021 poultry prices on the domestic market in US\$ increased by 15% year-on-year; prices have continued to increase in Q2 2021.

#### Vegetable oil

In Q1 2021, sunflower oil sales amounted to 55,958 tonnes, which is 31% lower year-on-year mainly as a result of reduced production of oil due to a decrease in the share of sunflower cake in fodder (following a change in recipe) which was partially offset by change in delivery terms. In Q1 2021 MHP's sales of soybean oil increased by 4% compared to Q1 2020 to 11,146 tonnes mainly due to the increased share of soya cake in the fodder recipe.

<i>(in mln. US\$, unless indicated otherwise)</i>	<b>Q1 2021</b>	<b>Q1 2020</b>	<i>% change y/y<sup>1)</sup></i>	<b>4Q 2020</b>	<i>% change q/q<sup>1)</sup></i>
<b>Revenue</b>	<b>315</b>	<b>306</b>	<b>3%</b>	<b>328</b>	<b>-4%</b>
- Poultry and other	248	238	4%	255	-3%
- Vegetable oil	67	68	-1%	73	-8%
<b>IAS 41 standard gain</b>	<b>1</b>	<b>11</b>	<b>-91%</b>	<b>(6)</b>	<b>700%</b>
<b>Gross profit</b>	<b>33</b>	<b>67</b>	<b>-51%</b>	<b>15</b>	<b>120%</b>
<i>Gross margin</i>	10%	22%	-12 pps	5%	5 pps
<b>Adjusted EBITDA</b>	<b>32</b>	<b>68</b>	<b>-53%</b>	<b>14</b>	<b>129%</b>
<i>Adjusted EBITDA margin</i>	10%	22%	-12 pps	4%	6 pps
<i>Adjusted EBITDA per 1 kg (net of IAS 41)</i>	0.20	0.36	-44%	0.11	82%

<sup>1)</sup> pps – percentage points

Revenue increased by 3% in Q1 2021 compared to Q1 2020 as a result of the increase in prices on the domestic market which was partly offset by lower sales volumes of chicken meat and vegetable oil.

IAS 41 standard gain in Q1 2021 amounted to US\$ 1 million mainly as a result of the increase in chicken meat price which was offset by the increase in poultry costs.

Gross profit of the poultry and related operations segment for Q1 2021 decreased by 51% compared to Q1 2020 to US\$ 33 million. The decline was driven by increased poultry production costs due to a significant increase in grain prices harvested in 2020, which was only partially compensated by a gradual increase in meat prices.

In Q1 2021, adjusted EBITDA has decreased by 53%, in line with the decrease in gross profit.

#### Grain growing operations

<i>(in mln. US unless indicated otherwise)</i>	<b>Q1 2021</b>	<b>Q1 2020</b>	<i>% change</i>
<b>Revenue</b>	<b>9</b>	<b>25</b>	<b>-64%</b>
IAS 41 standard loss	(22)	(8)	175%
<b>Gross profit</b>	<b>4</b>	<b>(1)</b>	<b>-500%</b>
Adjusted EBITDA	19	15	27%
<b>Adjusted EBITDA (net of IFRS 16)</b>	<b>13</b>	<b>10</b>	<b>30%</b>

Grain growing segment's revenue for Q1 2021 amounted to US\$ 9 million compared to US\$ 25 million in Q1 2020. The decrease was mainly attributable to the lower amount of crops in stock designated for sale as of 31 December 2020, compared to stock for sale as of 31 December 2019, mainly as a result of lower yields in 2020.

IAS 41 standard loss for Q1 2021 amounted to US\$ 22 million compared with US\$ 8 million in Q1 2020. The loss represents the net change in effect of revaluation of agricultural produce (sunflower, corn, wheat and soya) as a result of a decrease of grain in stock due to internal consumption as a result of the harvest cycle and seasonality.

#### Meat processing and other agricultural operations

<b>Meat processing products</b>	<b>Q1 2021</b>	<b>Q1 2020</b>	<i>% change y/y</i>	<b>4Q 2020</b>	<i>% change q/q</i>
Sales volume, third parties tonnes	7,607	7,860	-3%	7,234	5%
Price per 1 kg net VAT, UAH	75.59	68.90	10%	74.72	1%

Sales volume of meat processing products decreased by 3% year-on-year to 7,607 tonnes in Q1 2021. The average processed meat price increased by 10% year-on-year to UAH 75.59 per kg in Q1 2021, mainly in line with poultry price increase.

<b>Convenience food</b>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>% change y/y</b>	<b>4Q 2020</b>	<b>% change q/q</b>
Sales volume, third parties tonnes	4,180	4,039	3%	5,314	-21%
Price per 1 kg net VAT, UAH	43.03	40.29	7%	46.45	-7%

Sales volumes of convenience food in Q1 2021 remained relatively stable at 4,180 tonnes. The average price in Q1 2021 increased by 7% to UAH 40.29 per kg (excluding VAT).

<i>(in mln. US\$, except margin data)</i>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>% change y/y<sup>1)</sup></b>	<b>4Q 2020</b>	<b>% change q/q<sup>1)</sup></b>
<b>Revenue</b>	<b>36</b>	<b>34</b>	<b>6%</b>	<b>38</b>	<b>-5%</b>
- Meat processing and convenience food	27	27	0%	29	-7%
- Other <sup>2)</sup>	9	7	29%	9	0%
<b>IAS 41 standard gains/(losses)</b>	<b>-</b>	<b>(1)</b>	<b>-100%</b>	<b>-</b>	<b>0%</b>
<b>Gross profit</b>	<b>5</b>	<b>5</b>	<b>0%</b>	<b>5</b>	<b>0%</b>
Gross margin	14%	15%	-1 pps	13%	1 pps
<b>Adjusted EBITDA</b>	<b>4</b>	<b>6</b>	<b>-33%</b>	<b>5</b>	<b>-20%</b>
Adjusted EBITDA margin	11%	18%	-7 pps	13%	-2 pps

<sup>1)</sup> pps – percentage points;

<sup>2)</sup> includes milk, cattle and feed grains.

Segment revenue in Q1 2021 increased by 6% compared to Q1 2020 to US\$ 36 million mainly due to increase in price of meat processing products. The segment's adjusted EBITDA decreased to US\$ 4 million mainly as a result of lower returns earned from meat processing products due to higher poultry costs which was only partially compensated by increase in prices.

#### European operating segment (PP)

<b>Poultry</b>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>% change y/y</b>	<b>4Q 2020</b>	<b>% change q/q</b>
Sales volume, third parties tonnes	16,042	15,183	6%	15,165	6%
Price per 1 kg net VAT, EUR	2.48	2.56	-3%	2.48	0%

In Q1 2021, poultry sales of the European operating segment increased by 6% to 16,042 tonnes. This was facilitated by increased production of chicken meat following expansion of facilities in Croatia and Serbia. The average price decreased by 3% in Q1 2021 to EUR 2.48 (Q1 2020: EUR 2.56).

<b>Meat processing products<sup>1)</sup></b>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>% change y/y</b>	<b>4Q 2020</b>	<b>% change q/q</b>
Sales volume, third parties tonnes	9,148	9,206	-1%	9,918	-8%
Price per 1 kg net VAT, EUR	2.71	2.75	-1%	2.75	-1%

<sup>1)</sup> includes sausages and convenience foods

In Q1 2021, meat processing products sales of the European operating segment were 9,148 tonnes, with an average price of EUR 2.71, broadly stable year-on-year.

<i>(in mln. US\$, except margin data)</i>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>% change y/y<sup>1)</sup></b>	<b>4Q 2020</b>	<b>% change q/q<sup>1)</sup></b>
<b>Revenue</b>	<b>87</b>	<b>78</b>	<b>12%</b>	<b>87</b>	<b>0%</b>
<b>IAS 41 standard gains/(losses)</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>
<b>Gross profit</b>	<b>24</b>	<b>20</b>	<b>20%</b>	<b>22</b>	<b>9%</b>
Gross margin	28%	26%	2 pps	25%	3 pps
<b>Adjusted EBITDA</b>	<b>12</b>	<b>12</b>	<b>0%</b>	<b>15</b>	<b>-20%</b>
Adjusted EBITDA margin	14%	15%	-1 pps	17%	-3 pps

<i>(in mln. US\$, except margin data)</i>	<b>Q1 2021</b>	<b>Q1 2020</b>	<i>% change y/y<sup>1)</sup></i>	<b>4Q 2020</b>	<i>% change q/q<sup>1)</sup></i>
<b>Adjusted EBITDA (net of IFRS 16)</b>	<b>12</b>	<b>11</b>	<b>9%</b>	<b>15</b>	<b>-20%</b>
<i>Adjusted EBITDA margin (net of IFRS 16)</i>	<i>14%</i>	<i>14%</i>	<i>0 pps</i>	<i>17%</i>	<i>-3 pps</i>

<sup>1)</sup> pps – percentage points.

European operating segment's revenue in Q1 2021 increased by 12% to US\$ 87 million (Q1 2020: US\$ 78 million), mainly as a result of the increase in poultry sales volume.

Adjusted EBITDA (net of IFRS 16) amounted to US\$ 12 million for Q1 2021 and US\$ 11 million for Q1 2020. Adjusted EBITDA margin (net of IFRS 16) remains on the same level of 14%.

### Current Group cash flow

<i>(in mln. US\$)</i>	<b>Q1 2021</b>	<b>Q1 2020</b>
<b>Cash from operations</b>	<b>65</b>	<b>77</b>
Change in working capital	(101)	(116)
<b>Net Cash from operating activities</b>	<b>(36)</b>	<b>(39)</b>
<b>Cash used in investing activities</b>	<b>(14)</b>	<b>(54)</b>
<i>Including:</i>		
CAPEX <sup>1)</sup>	(23)	(21)
<b>Cash from financing activities</b>	<b>(25)</b>	<b>28</b>
<b>Total change in cash<sup>2)</sup></b>	<b>(75)</b>	<b>(65)</b>

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

<sup>2)</sup> Calculated as Net Cash from operating activities plus Cash used in investing activities plus Cash used in financing activities

Cash flow from operations before changes in working capital for Q1 2021 amounted to US\$ 65 million (Q1 2020: US\$ 77 million).

Use of funds in working capital is mostly related to:

- investments in inventory (corn, sunflower and soya) designated for internal consumption until the next harvest in 2021 as well as higher grain prices in Q1 2021 compared to Q1 2020;
- investment in inventories, related primarily to grain growing entities in respect of the forthcoming spring sowing campaign (seeds, fertilizers, plant protection products, etc.);
- increase in VAT receivable, which is expected to be reimbursed in Q2.

In Q1 2021 total CAPEX amounted to US\$ 23 million mainly related to modernization projects, new products development and the maintenance and improvement of Perutnina Ptuj production facilities.

### Debt Structure and Liquidity

<i>(in mln. US\$)</i>	<b>31 March 2021</b>	<b>31 December 2020</b>	<b>31 March 2020</b>
<b>Total Debt<sup>1)</sup></b>	<b>1,455</b>	<b>1,462</b>	<b>1,468</b>
LT Debt <sup>1)</sup>	1,437	1,453	1,443
ST Debt <sup>1)</sup>	33	36	65
Trade credit facilities <sup>2)</sup>	(15)	(27)	(40)
Cash and bank deposits	(140)	(218)	(252)
<b>Net Debt<sup>1)</sup></b>	<b>1,315</b>	<b>1,244</b>	<b>1,216</b>
LTM Adjusted EBITDA <sup>1)</sup>	307	340	384
<i>Net Debt / LTM Adjusted EBITDA<sup>1)</sup></i>	<i>4.28</i>	<i>3.66</i>	<i>3.17</i>

<sup>1)</sup> Net of IFRS 16 adjustments: as if any lease that would have been treated as an operating lease under IAS 17 as was in effect before the 1 January 2019, is treated as an operating lease for purposes of this calculation. In accordance with covenants in MHP's bond and loan agreements, these data exclude the effects of IFRS 16 on accounting for operating leases.

<sup>2)</sup> Indebtedness under trade credit facilities that is required to be repaid within 12 months of drawdown should be excluded for purposes of this calculation

As of 31 March 2021, the share of long-term debt in the total outstanding debt remained unchanged at 99% of total debt. The weighted average interest rate is around 7%.

As of 31 March 2021, MHP's cash and cash equivalents amounted to US\$ 140 million. Net debt increased to US\$ 1,315 million, compared to US\$ 1,244 million as at 31 December 2020.

The Net Debt / LTM adjusted EBITDA (net of IFRS 16) ratio was 4.28 as of 31 March 2021, higher than the limit of 3.0 defined in the Eurobond agreement. Although exceeding the ratio of 3.0 does not constitute the breach of any covenant under the indebtedness agreement, this leads to the introduction of additional control measures by MHP. In particular, MHP has to supervise and assess incurrence of additional indebtedness, restricted payments (e.g. dividend distribution, investments in third parties), mergers with third parties outside of the Group, and 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 financial statements the first quarter ended 31 March 2020 (19 May 2021).

As a hedge for currency risks, revenue from exports of grain, sunflower and soybean oil, sunflower husks, and chicken meat, which are denominated in US Dollars and Euros, are more than sufficient to cover debt service expenses. Export revenue for Q1 2021 amounted to US\$ 217 million or 49% of total revenue (US\$ 237 million or 53% of total sales in Q1 2020).

## **SUBSEQUENT EVENTS**

On 19 April 2021 merger of MHP SE with its subsidiaries, namely Raftan Holding Ltd, Hemiak Holding Ltd and Eledem Investments Ltd, took place. All assets and liabilities of merging companies have been transferred to the succeeding company MHP SE. Subsidiary companies were dissolved.

## **Outlook**

Following a difficult first quarter in which sharply increased costs of poultry production, which were adversely affected (as expected) by higher grain and fodder prices, could only partly be recovered by increased poultry prices, we expect visibly improving trends to impact more favorably on our business over the next several months. In poultry, production costs are expected to moderate while in the second quarter prices have continued to increase in both domestic and international markets and are expected to remain strong for the balance of the year. Grain prices, although unusually volatile recently, have been increasing substantially since the second half of 2020 and this strengthening trend is currently expected to continue. Growing conditions thus far have been encouraging so that, in the absence of a repeat of the adverse weather conditions seen in summer 2020, crop yields could return at least to historical norms. On balance, while it is too early to predict an improved outlook for the full year and how it will be realized by the end of the year, we are currently optimistic that MHP will at least meet current expectations in 2021.

## **Notes to Editors:**

### **About MHP**

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

Ukraine: MHP has the greatest market share (over 30% of poultry consumption) and highest brand recognition for its products. MHP owns and operates each of the key stages of chicken production processes, from feed grains and fodder production to egg hatching and grow out to processing, marketing, distribution and sales (including through MHP's franchise outlets). Complete vertical integration practically eliminates MHP's exposure to raw material price fluctuations since its grain production exceeds internal consumption requirements, allowing the Company to be an important participant in the international commodity trade. In addition to cost efficiency, vertical integration also enables MHP to maintain strict biosecurity and to control the quality of its inputs and the resulting quality and consistency of its products all the way to the point of sale. To support its sales, MHP maintains a distribution network consisting of nine distribution and logistical centers within major Ukrainian cities. MHP uses its own truck fleet to distribute its products, reducing overall transportation costs and delivery times.

MHP also has a leading grain cultivation business growing corn, soya and sunflower to support the vertical integration of its chicken production and increasingly other grains, such as wheat and rape, for sale to third parties. MHP leases agricultural land located primarily in the highly fertile black soil regions of Ukraine.

The Balkans: Perutnina Ptuj (PP) is a leading poultry and meat-processing producer in the Balkans, with production sites in four Balkan countries: Slovenia, Croatia, Serbia, Bosnia and Herzegovina. PP owns distribution companies in Austria, Macedonia and Romania and supplies products to fifteen countries in Europe. PP is vertically integrated across all states of chicken meat production - feed, hatching eggs production and hatching, breeding, slaughtering, sausage production and further poultry processing.

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

### **Forward-Looking Statements**

This press release might contain forward-looking statements that refer to future events or forecast financial indicators for MHP SE. Such statements do not guarantee that these are actions to be taken by MHP SE. in the future, and estimates can be inaccurate and uncertain. Actual final indicators and results can considerably differ from those declared in any forward-looking statements. MHP SE does not intend to change these statements to reflect actual results.



**MHP SE AND ITS SUBSIDIARIES**

Interim condensed consolidated Financial  
Statements

*As of and for the three-month period ended 31 March 2021*

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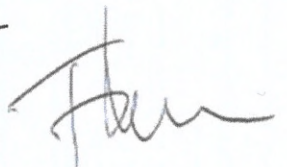
**STATEMENT OF MEMBERS OF THE BOARD OF DIRECTORS**

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

- (a) The interim condensed consolidated financial statements for the period from 1 January 2021 to 31 March 2021 that are presented on pages 5 to 25:
  - i. were prepared in accordance with the International Financial Reporting Standards and in accordance with the provisions of Article 10 (4) of the Law, and
  - ii. give a true and fair view of the assets and liabilities, the financial position and the profits of MHP SE and the businesses that are included in the interim condensed consolidated financial statements as a total, and
- (b) the interim management report gives a fair review of the information required under Article 10 (6) of the Law.

18 May 2021

Members of the Board of Directors:

Chief Executive Officer		Yuriy Kosyuk
Chief Financial Officer		Viktoria Kapelyushnaya
Director		Yuriy Melnyk
Director		John Grant
Director		John Clifford Rich
Director		Philip J Wilkinson
Director		Christakis Taoushanis



## MANAGEMENT REPORT

### **Key financial highlights**

During the three-month period ended 31 March 2021 consolidated revenue remained stable and amounted to USD 447,009 thousand, compared to USD 442,712 thousand for the three-month period ended 31 March 2020. Export sales for the three-month period ended 31 March 2021 constituted 49% of total revenue and amounted to USD 216,524 thousand, compared to USD 237,390 thousand, 53% of total revenue for the three-month period ended 31 March 2021.

Gross profit decreased by 28% and amounted to USD 65,821 thousand for the three-month period ended 31 March 2021 compared to USD 91,873 thousand for the three-month period ended 31 March 2020. The decrease was driven mainly by the increase of poultry cost due to a significant increase in grain prices, which was only partially compensated by a gradual increase in meat prices.

Operating profit decreased by 66% to USD 15,997 thousand for the three-month period ended 31 March 2021 compared to USD 47,011 thousand for the three-month period ended 31 March 2020, mainly as a result of a decrease in gross profit.

Profit from continuing operations for the three-month period ended 31 March 2021 amounted to USD 872 thousand, compared to loss of USD 172,613 thousand for the three-month period ended 31 March 2020. The growth is mainly due to depreciation of Ukrainian Hryvnia against US Dollar and EURO, which resulted in foreign exchange loss of USD 181,951 thousand for the three-month period ended 31 March 2020 compared to gain of USD 19,896 thousand for the three-month period ended 31 March 2021.

### **Dividends**

On 28 April 2021, shareholders of MHP at the AGM approved payment of an annual dividend of US\$ 0.2803 per share, equivalent to US\$ 30 million, to shareholders on the register as of 7 May 2021. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury. As of 19 May 2021, dividends were fully paid to shareholders.

### **Risks and uncertainties**

There are a number of potential risks and uncertainties, which could have a material impact on the Group's performance over the remaining nine months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2020. A detailed explanation of the risks, and how the Group seeks to mitigate the risks, can be found on pages 154 to 157 of the annual report which is available at [www.mhp.com.cy](http://www.mhp.com.cy).

### **COVID-19**

In 2020 a new coronavirus disease (COVID-19) spread rapidly all over the world resulting in the announcement of pandemic status by the World Health Organization in March 2020.

The world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life.

COVID-19 had an adverse impact on 2020 earnings, mainly because of the impact on prices and exported volumes as many global competitors were experiencing reduced demand and resulting excess capacity. At the end of 2020 and in Q1 2021 the situation stabilized temporarily, although it still could negatively impact the remainder of 2021. These challenges could increase our operating costs and negatively impact our volumes. Management cannot currently predict the ultimate impact that COVID-19 will have on short and long-term demand, as it will depend on, among other things, the severity and duration of the COVID-19 crisis.

Management has concluded that the event does not have an immediate material impact on the business operations. The Company's liquidity is expected to be adequate to continue to run operations and meet obligations as they become due in the foreseeable future.

18 May 2021

On behalf of the Board:

Chief Executive Officer

Chief Financial Officer

Yuriy Kosyuk

Viktoria Kapelyushnaya

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**
**for the three-month period ended 31 March 2021**
*(in thousands of US dollars, unless otherwise indicated)*

	<i>Notes</i>	<i>Three-month period ended 31 March 2021</i>	<i>Three-month period ended 31 March 2020</i>
<b>Continuing operations</b>			
Revenue	4	447,009	442,712
Net change in fair value of biological assets and agricultural produce	4	(21,004)	3,043
Cost of sales		<u>(360,184)</u>	<u>(353,882)</u>
<b>Gross profit</b>	5	65,821	91,873
Selling, general and administrative expenses		(48,194)	(45,407)
Other operating income		1,375	1,944
Other operating expenses		<u>(3,005)</u>	<u>(1,399)</u>
<b>Operating profit</b>		<u>15,997</u>	<u>47,011</u>
Finance income		3,123	4,320
Finance costs	10, 11	(34,936)	(37,296)
Foreign exchange gain/(loss), net	5, 15	19,896	(181,951)
Other expenses		<u>(127)</u>	<u>(3,464)</u>
<b>Profit/(Loss) before tax</b>	4	<u>3,953</u>	<u>(171,380)</u>
Income tax expense		<u>(3,081)</u>	<u>(1,233)</u>
<b>Profit/(Loss) for the period from continuing operations</b>	5	<u>872</u>	<u>(172,613)</u>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	3	<u>-</u>	<u>(1,482)</u>
<b>Profit/(Loss) for the period</b>		<u>872</u>	<u>(174,095)</u>

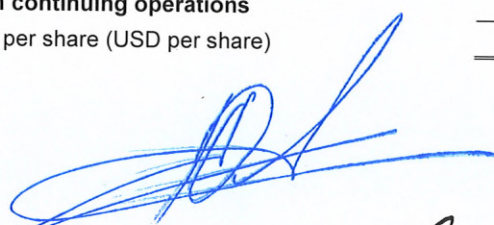

*The accompanying notes on the pages 12 to 25 form an integral part of these interim condensed consolidated financial statements*



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

**for the three-month period ended 31 March 2021**

*(in thousands of US dollars, unless otherwise indicated)*

	<i>Notes</i>	<i>Three-month period ended 31 March 2021</i>	<i>Three-month period ended 31 March 2020</i>
<b>Other comprehensive loss</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Cumulative translation difference		(13,222)	(204,125)
<b>Other comprehensive loss for the period</b>		(13,222)	(204,125)
<b>Total comprehensive loss for the period</b>		(12,350)	(378,220)
Profit/(Loss) attributable to:			
Equity holders of the Parent		1,472	(174,794)
Non-controlling interests		(600)	699
		872	(174,095)
Total comprehensive loss attributable to:			
Equity holders of the Parent		(6,346)	(376,509)
Non-controlling interests		(6,004)	(1,711)
		(12,350)	(378,220)
<b>Earnings/(Loss) per share from continuing and discontinued operations</b>			
Basic and diluted earnings/(loss) per share (USD per share)		0.01	(1.63)
<b>Earnings/(Loss) per share from continuing operations</b>			
Basic and diluted earnings/(loss) per share (USD per share)		0.01	(1.62)
On behalf of the Board:			
Chief Executive Officer			Yuriy Kosyuk
Chief Financial Officer			Viktoria Kapelyushnaya

*The accompanying notes on the pages 12 to 25 form an integral part of these interim condensed consolidated financial statements*



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as of 31 March 2021**
*(in thousands of US dollars, unless otherwise indicated)*

	Notes	31 March 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	1,670,239	1,678,917
Right-of-use asset		200,691	207,001
Intangible assets		93,262	96,841
Goodwill		67,587	70,614
Non-current biological assets		26,440	25,584
Non-current financial assets		24,066	23,083
Long-term bank deposits		5,930	4,612
Deferred tax assets		3,231	1,822
		<u>2,091,446</u>	<u>2,108,474</u>
<b>Current assets</b>			
Inventories	8	372,041	240,715
Biological assets		189,514	175,085
Agricultural produce	8	198,003	269,045
Prepayments		19,190	16,776
Other current financial assets		72,684	81,314
Taxes recoverable and prepaid		71,618	54,647
Trade accounts receivable		109,995	119,187
Cash and cash equivalents		140,444	217,579
		<u>1,173,489</u>	<u>1,174,348</u>
<b>TOTAL ASSETS</b>		<u>3,264,935</u>	<u>3,282,822</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	9	284,505	284,505
Treasury shares		(44,593)	(44,593)
Additional paid-in capital		174,022	174,022
Revaluation reserve		636,759	648,982
Retained earnings		1,208,838	1,195,143
Translation reserve		(1,028,047)	(1,020,229)
<b>Equity attributable to equity holders of the Parent</b>		<u>1,231,484</u>	<u>1,237,830</u>
Non-controlling interests		10,369	16,373
<b>Total equity</b>		<u>1,241,853</u>	<u>1,254,203</u>
<b>Non-current liabilities</b>			
Bank borrowings	10	56,363	64,608
Bonds issued	11	1,372,493	1,370,999
Lease liabilities		132,028	136,495
Deferred income	6	44,430	44,505
Deferred tax liabilities		30,068	29,867
Other non-current liabilities		6,903	7,233
		<u>1,642,285</u>	<u>1,653,707</u>
<b>Current liabilities</b>			
Trade accounts payable		160,315	149,768
Other current financial liabilities		78,155	86,638
Advances received		16,137	15,227
Bank borrowings	10	28,978	39,788
Interest payable	10,11	34,953	21,487
Lease liabilities		62,259	62,004
		<u>380,797</u>	<u>374,912</u>
<b>TOTAL LIABILITIES</b>		<u>2,023,082</u>	<u>2,028,619</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,264,935</u>	<u>3,282,822</u>

On behalf of the Board:

Chief Executive Officer



Yuriy Kosyuk

Chief Financial Officer



Viktoria Kapelyushnaya

*The accompanying notes on the pages 12 to 25 form an integral part of these interim condensed consolidated financial statements*



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the three-month period ended 31 March 2021**  
*(in thousands of US dollars, unless otherwise indicated)*

	Attributable to equity holders of the Parent						Non-controlling interests	Total equity	
	Share capital	Treasury shares	Additional paid-in capital	Revaluation reserve	Retained earnings	Translation reserve			Total
<b>Balance as of 1 January 2021</b>	284,505	(44,593)	174,022	648,982	1,195,143	(1,020,229)	1,237,830	16,373	1,254,203
Profit/(Loss) for the period	-	-	-	-	1,472	-	1,472	(600)	872
Other comprehensive loss	-	-	-	-	-	(7,818)	(7,818)	(5,404)	(13,222)
Total comprehensive profit/(loss) for the period	-	-	-	-	1,472	(7,818)	(6,346)	(6,004)	(12,350)
Transfer from revaluation reserve to retained earnings	-	-	-	(24,780)	24,780	-	-	-	-
Translation differences on revaluation reserve	-	-	-	12,557	(12,557)	-	-	-	-
<b>Balance as of 31 March 2021</b>	<u>284,505</u>	<u>(44,593)</u>	<u>174,022</u>	<u>636,759</u>	<u>1,208,838</u>	<u>(1,028,047)</u>	<u>1,231,484</u>	<u>10,369</u>	<u>1,241,853</u>

On behalf of the Board:

Chief Executive Officer

Chief Financial Officer

Yuriy Kosyuk

Viktoria Kapelyushnaya

*The accompanying notes on the pages 12 to 25 form an integral part of these interim condensed consolidated financial statements*



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the three-month period ended 31 March 2020**  
*(in thousands of US dollars, unless otherwise indicated)*

	Attributable to equity holders of the Parent						Non-controlling interests	Total equity	
	Share capital	Treasury shares	Additional paid-in capital	Revaluation reserve	Retained earnings	Translation reserve			Total
<b>Balance as of 1 January 2020</b>	284,505	(44,593)	174,022	862,435	1,148,113	(842,188)	1,582,294	13,572	1,595,866
(Loss)/Profit for the period	-	-	-	-	(174,794)	-	(174,794)	699	(174,095)
Other comprehensive loss	-	-	-	-	-	(201,715)	(201,715)	(2,410)	(204,125)
Total comprehensive loss for the period	-	-	-	-	(174,794)	(201,715)	(376,509)	(1,711)	(378,220)
Transfer from revaluation reserve to retained earnings	-	-	-	(30,343)	30,343	-	-	-	-
Translation differences on revaluation reserve	-	-	-	(130,450)	130,450	-	-	-	-
<b>Balance as of 31 March 2020</b>	<u>284,505</u>	<u>(44,593)</u>	<u>174,022</u>	<u>701,642</u>	<u>1,134,112</u>	<u>(1,043,903)</u>	<u>1,205,785</u>	<u>11,861</u>	<u>1,217,646</u>

On behalf of the Board:

Chief Executive Officer

Chief Financial Officer




Yuriy Kosyuk

Viktoria Kapelyushnaya

*The accompanying notes on the pages 12 to 25 form an integral part of these interim condensed consolidated financial statements*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the three-month period ended 31 March 2021**  
*(in thousands of US dollars, unless otherwise indicated)*

	Notes	<i>Three-month period ended 31 March 2021</i>	<i>Three-month period ended 31 March 2020</i>
<b>Operating activities</b>			
Profit/(Loss) before tax		3,953	(171,380)
Loss before tax from discontinued operations		-	(1,482)
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expense	4	47,499	49,395
Net change in fair value of biological assets and agricultural produce	4	21,004	(3,043)
Change in allowance for irrecoverable amounts and direct write-offs		94	429
Loss on disposal of property, plant and equipment and other non-current assets		876	470
Finance income		(3,123)	(4,320)
Finance costs		34,936	37,296
Released deferred income		(407)	(408)
Non-operating foreign exchange loss/(gain), net		(19,896)	181,951
<b>Operating cash flows before movements in working capital</b>		<u>84,936</u>	<u>88,908</u>
<i>Working capital adjustments</i>			
Change in inventories	8	(130,249)	(102,256)
Change in biological assets		(8,701)	(19,781)
Change in agricultural produce	8	29,206	35,586
Change in prepayments made		(2,401)	(1,310)
Change in other financial current assets		(4,071)	(1,771)
Change in taxes recoverable and prepaid		(16,312)	(35,965)
Change in trade accounts receivable		8,030	(10,872)
Change in advances received		708	(32,312)
Change in other financial current liabilities		(7,180)	25,759
Change in trade accounts payable		29,913	26,911
<b>Cash generated by operations</b>		<u>(16,121)</u>	<u>(27,103)</u>
Interest received		2,024	4,320
Interest paid		(20,529)	(15,790)
Income taxes paid		(1,875)	(800)
<b>Net cash flows from operating activities</b>		<u>(36,501)</u>	<u>(39,373)</u>
<b>Investing activities</b>			
Purchases of property, plant and equipment	7	(20,177)	(21,489)
Purchases of other non-current assets		(2,332)	-
Proceeds from disposals of property, plant and equipment		620	739
Proceeds from disposals of assets held for sale	3	-	2,700
Purchases of non-current biological assets		(242)	(669)
Prepayments and capitalized initial direct costs under lease contracts		(997)	(119)
Investments in short-term deposits		(1,569)	-
Withdrawals of short-term deposits		454	-
Loans provided to employees, net		128	(1,799)
Loans and finance aid provided to related parties		(1,008)	(33,524)
Loans and finance aid repaid by related parties		11,000	-
<b>Net cash flows used in investing activities</b>		<u>(14,123)</u>	<u>(54,161)</u>
<b>Financing activities</b>			
Proceeds from bank borrowings		15,000	48,034
Repayment of bank borrowings		(29,022)	(17,486)
Repayment of lease liabilities		(5,375)	(1,926)
Dividends paid by subsidiaries to non-controlling shareholders		(5,234)	-
<b>Net cash flows from financing activities</b>		<u>(24,631)</u>	<u>28,622</u>
Net decrease in cash and cash equivalents		(75,255)	(64,912)
Net foreign exchange difference		(1,880)	(24,053)
Cash and cash equivalents at 1 January		217,579	340,735
<b>Cash and cash equivalents at 31 March</b>		<u>140,444</u>	<u>251,770</u>

*The accompanying notes on the pages 12 to 25 form an integral part of these interim condensed consolidated financial statements*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** *(continued)*  
**for the three-month period ended 31 March 2021**  
*(in thousands of US dollars, unless otherwise indicated)*

	<i>Notes</i>	<i>Three-month period ended 31 March 2021</i>	<i>Three-month period ended 31 March 2020</i>
<b>Non-cash transactions</b>			
Property, plant and equipment purchased for credit		-	1,144
Non-cash repayments of lease liabilities		659	592

On behalf of the Board:

Chief Executive Officer

Chief Financial Officer

Yuriy Kosyuk

Viktoria Kapelyushnaya

*The accompanying notes on the pages 12 to 25 form an integral part of these interim condensed consolidated financial statements*



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2021

(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 depository 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 at 31 March 2021 the Group employed 30,150 people (31 December 2020: 30,471 people).

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent’s effective ownership interest as of 31 March 2021 and 31 December 2020 were as follows:

Name	Country of registration	Year established/ acquired	Principal activities	31 March 2021	31 December 2020
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%	100.0%
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%
Zemoprodukt 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**for the three-month period ended 31 March 2021**  
*(in thousands of US dollars, unless otherwise indicated)*

**2. Basis of preparation and accounting policies**

***Basis of preparation***

The interim condensed consolidated financial statements for the three-month period ended 31 March 2021 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

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

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

The 31 December 2020 statement of financial position was derived from the audited consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

***Adoption of new and revised International Financial Reporting Standards***

The adoption of the new or revised Standards did not have any effect on the financial position or performance of the Group and did not result in any changes to the Group’s accounting policies and the amounts reported in the interim condensed consolidated financial statements of the Group.

***Functional and presentation currencies***

The functional currency of Ukrainian companies of the Group is the Ukrainian Hryvnia (“UAH”); the functional currency of the Cyprus companies and Luxembourg company of the Group is US Dollars (“USD”), the functional currency of the 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 recognized in the consolidated statement of profit or loss and other comprehensive income for the period.

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

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

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate as of the reporting date of that statement of financial position;
- Income and expenses for each consolidated statement of profit or loss and other comprehensive income are translated at exchange rates at the dates of the transactions;
- 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2021

(in thousands of US dollars, unless otherwise indicated)

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

#### Functional and presentation currencies (continued)

The following exchange rates were used:

Currency	Closing rate as of 31 March 2021	Average for three months ended 31 March 2021	Closing rate as of 31 December 2020	Average for three months ended 31 March 2020
UAH/USD	27.8852	27.9694	28.2746	25.0525
UAH/EUR	32.7233	33.7569	34.7396	27.6154
USD/EUR	1.1735	1.2069	1.2287	1.1023

#### Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

#### Seasonality of operations

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

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

### 3. Changes in the group structure

#### Discontinued operation

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

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

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2021

(in thousands of US dollars, unless otherwise indicated)

### 4. Segment information

The following table presents revenue and profit information regarding the Group's operating segments for the three-month period ended 31 March 2021:

	<i>Poultry and related operations</i>	<i>Grain growing operations</i>	<i>Meat processing and other agricultural operations</i>	<i>European operating segment</i>	<i>Total reportable segments</i>	<i>Eliminations</i>	<i>Consolidated</i>
External sales	315,343	8,936	36,027	86,703	447,009	-	447,009
Sales between business segments	9,594	72,310	73	-	81,977	(81,977)	-
<b>Total revenue</b>	<b>324,937</b>	<b>81,246</b>	<b>36,100</b>	<b>86,703</b>	<b>528,986</b>	<b>(81,977)</b>	<b>447,009</b>
<b>Segment result</b>	<b>8,581</b>	<b>1,530</b>	<b>1,870</b>	<b>7,981</b>	<b>19,962</b>	<b>-</b>	<b>19,962</b>
Unallocated corporate expenses							(3,965)
Other expenses, net <sup>1)</sup>							(12,044)
<b>Loss before tax from continuing operations</b>							<b>3,953</b>
<b>Other information:</b>							
Depreciation and amortization expense <sup>2)</sup>	23,520	17,554	1,500	4,388	46,962	-	46,962
Net change in fair value of biological assets and agricultural produce	793	(22,416)	274	345	(21,004)	-	(21,004)

<sup>1)</sup> Includes finance income, finance costs, foreign exchange loss (net) and other expenses (net).

<sup>2)</sup> Depreciation and amortization for the three-month period ended 31 March 2021 does not include unallocated depreciation and amortization in the amount of USD 537 thousand.

The following table presents revenue and profit information regarding the Group's operating segments for the three-month period ended 31 March 2020:

	<i>Poultry and related operations</i>	<i>Grain growing operations</i>	<i>Meat processing and other agricultural operations</i>	<i>European operating segment</i>	<i>Total reportable segments</i>	<i>Eliminations</i>	<i>Consolidated</i>
External sales	306,301	24,625	33,862	77,924	442,712	-	442,712
Sales between business segments	8,640	69,997	267	-	78,904	(78,904)	-
<b>Total revenue</b>	<b>314,941</b>	<b>94,622</b>	<b>34,129</b>	<b>77,924</b>	<b>521,616</b>	<b>(78,904)</b>	<b>442,712</b>
<b>Segment result</b>	<b>42,788</b>	<b>(1,474)</b>	<b>3,716</b>	<b>6,913</b>	<b>51,943</b>	<b>-</b>	<b>51,943</b>
Unallocated corporate expenses							(4,932)
Other expenses, net <sup>1)</sup>							(218,391)
<b>Profit before tax from continuing operations</b>							<b>(171,380)</b>
<b>Other information:</b>							
Depreciation and amortization expense <sup>2)</sup>	25,765	16,561	1,778	5,041	49,145	-	49,145
Net change in fair value of biological assets and agricultural produce	11,279	(7,806)	(562)	132	3,043	-	3,043

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

<sup>2)</sup> Depreciation and amortization for the three-month period ended 31 March 2020 does not include unallocated depreciation and amortization in the amount of USD 250 thousand.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2021

(in thousands of US dollars, unless otherwise indicated)

### 5. Profit for the period

The Group's gross profit for the three-month period ended 31 March 2021 decreased compared to the three-month period ended 31 March 2020 and amounted to USD 65,821 thousand and USD 91,873 thousand, respectively. The decrease was driven mainly by lower gross profit in the poultry and related operations segment due to increase in cost.

The Group's profit for the period from continuing operations for the three-month period ended 31 March 2021 increased compared to the three-month period ended 31 March 2020 from USD 172,613 thousand of loss to profit of USD 872 thousand. A positive impact was attributable to an unrealized foreign exchange gain amounted to USD 19,896 thousand for the three-month period ended 31 March 2021 compared to loss in amount of USD 181,951 thousand for the three-month period ended 31 March 2020. Unrealized foreign exchange loss for the three-month period ended 31 March 2020 was mostly attributable to bonds and bank borrowings denominated in foreign currencies due to UAH depreciation against USD and EUR.

### 6. Deferred income

During the three-month periods ended 31 March 2021 and 2020, the Group received government compensations in accordance with EU farming subsidies policy and other compensations in accordance with the EU national programs of employment, assigned contributions for employees, and refunds of excise duties in amount of USD 1,909 thousand and USD 1,743 thousand respectively.

### 7. Property, plant and equipment

During the three-month period ended 31 March 2021, the Group's additions to property, plant and equipment amounted to USD 20,177 thousand (three-month period ended 31 March 2020: USD 22,633 thousand) mainly related to modernization projects, new products development and the maintenance and improvement of Perutnina Ptuj production facilities.

There were no significant disposals of property, plant and equipment during the three-month period ended 31 March 2021.

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

### 8. Inventories and agricultural produce

An increase in inventory balance as of 31 March 2021 compared to 31 December 2020 is mainly attributable to costs incurred by grain growing entities in respect of forthcoming spring sowing campaign as well as higher investments in sunflower, soya and corn designated for internal consumption.

A decrease of agricultural produce for three-month period ended 31 March 2021 was mainly as a result of internal consumption of corn, wheat, soybeans and sunflower.

### 9. Shareholders' equity

As of 31 March 2021 and 31 December 2020 the authorized, issued and fully paid share capital of MHP SE comprised the following number of shares:

	<u>31 March 2021</u>	<u>31 December 2020</u>
Number of shares issued and fully paid	110,770,000	110,770,000
Number of shares outstanding	107,038,208	107,038,208

The authorized share capital as of 31 March 2021 and 31 December 2020 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.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2021

(in thousands of US dollars, unless otherwise indicated)

### 10. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 31 March 2021 and 31 December 2020:

	Currency	2021		2020	
		WAIR <sup>1)</sup>	USD' 000	WAIR <sup>1)</sup>	USD' 000
<b>Non-current</b>					
	EUR	EURIBOR <sup>2)</sup> + 2.65%	55,050	EURIBOR <sup>2)</sup> + 2.62%	63,142
	EUR	2.43%	1,313	2.54%	1,466
			<u>56,363</u>		<u>64,608</u>
<b>Current</b>					
	UAH		-	6.25%	3,537
	USD	2.2%	15,000	LIBOR + 3.25%	15,000
	EUR		-	2.30%	8,601
Current portion of long-term bank borrowings	EUR	EURIBOR <sup>2)</sup> + 2.65%	<u>13,978</u>	EURIBOR <sup>2)</sup> + 2.62%	<u>12,650</u>
			<u>28,978</u>		<u>39,788</u>
<b>Total bank borrowings</b>			<b><u>85,341</u></b>		<b><u>104,396</u></b>

<sup>1)</sup> WAIR represents the weighted average interest rate on outstanding borrowings.

<sup>2)</sup> According to the agreements terms, if market EURIBOR becomes negative, it shall be deemed to be zero for calculation of interest expense.

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 March 2021 and 31 December 2020, all of the Group's bank term loans and credit lines bear floating and fixed interest rates.

Bank borrowings and credit lines outstanding as of 31 March 2021 and 31 December 2020 were repayable as follows:

	31 March 2021	31 December 2020
Within one year	28,978	39,788
In the second year	46,644	17,196
In the third to fifth year inclusive	9,719	47,412
After five years	-	-
	<b><u>85,341</u></b>	<b><u>104,396</u></b>

As of 31 March 2021, the Group had available undrawn facilities of USD 299,979 thousand (31 December 2020: USD 304,910 thousand). These undrawn facilities expire during the period until April 2023.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2021

(in thousands of US dollars, unless otherwise indicated)

### 10. Bank borrowings (continued)

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 three-month period ended 31 March 2021 and year ended 31 December 2020 the Group has complied with all covenants imposed by banks providing the borrowings.

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 March 2021, the Group had borrowings of USD 57,268 thousand that were secured by property, plant and equipment and agricultural produce with a carrying amount of USD 95,144 thousand (31 December 2020: USD 60,958 thousand and USD 102,587 thousand respectively).

As of 31 March 2021, the deposit with carrying amount of USD 3,362 thousand (31 December 2020: USD 3,632 thousand) was restricted as collateral to secure bank borrowings.

As of 31 March 2021 and 31 December 2020, interest payable on bank borrowings was USD 421 thousand and USD 730 thousand, respectively.

### 11. Bonds issued

Bonds issued and outstanding as of 31 March 2021 and 31 December 2020 were as follows:

	Carrying amount		Nominal amount	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
7.75% Senior Notes due in 2024	488,352	487,480	500,000	500,000
6.95% Senior Notes due in 2026	536,711	536,153	550,000	550,000
6.25% Senior Notes due in 2029	347,430	347,366	350,000	350,000
Unamortized debt issuance cost	-	-	(27,507)	(29,001)
<b>Total bonds issued</b>	<b>1,372,493</b>	<b>1,370,999</b>	<b>1,372,493</b>	<b>1,370,999</b>

As of 31 March 2021 and 31 December 2020 amount of accrued interest on bonds issued was USD 34,532 thousand and USD 20,757 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 "Zernoproduct MHP" and PrJSC "Agrofort".

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
for the three-month period ended 31 March 2021**

*(in thousands of US dollars, unless otherwise indicated)*

**11. Bonds issued (continued)****6.25% Senior Notes (continued)**

Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by the indenture, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may, upon written notice to the Group, declare all outstanding Senior Notes to be due and payable immediately. If a change of control occurs, the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

**6.95% Senior Notes**

On 3 April 2018, MHP Lux S.A. 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.

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*(in thousands of US dollars, unless otherwise indicated)*

**11. Bonds issued (continued)****7.75% Senior Notes (continued)**

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 March 2021 and 31 December 2020.

As at 31 March 2021 the leverage ratio of the Group is 4.28 to 1 (31 December 2020: 3.66 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 19 May 2021 the aforementioned restrictions are binding on the Group.

**12. 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2021

(in thousands of US dollars, unless otherwise indicated)

### 12. Related party balances and transactions (continued)

#### *Transactions with related parties under common control*

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

Terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction.

Transactions with related parties during the three-month periods ended 31 March 2021 and 31 March 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Loans and finance aid provided	1,008	33,524
Loans and finance aid repaid	11,000	-
Interest charged on loans and financial aid repaid	1,121	-
Interest charged on loans and finance aid provided	1,338	748
Loans provided to key management personnel	-	1,738
Loans repaid by key management personnel	177	-
Sales of goods	-	72
Purchases from related parties	2	6
Less allowance against loans and finance aid provided	204	-

The balances owed to and due from related parties were as follows as of 31 March 2021 and 31 December 2020:

	<u>2021</u>	<u>2020</u>
Loans and finance aid receivable	63,687	73,035
Less: allowance for unrecoverable amounts	<u>(4,196)</u>	<u>(4,340)</u>
	59,491	68,695
Loans to key management personnel	4,393	4,480
Trade accounts receivable	110	109
Payables due to related parties	17	17

#### **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.

As of 31 March 2021, the Group had advanced loans to WTI in the aggregate amount of USD 56,400 thousand (31 December 2020: USD 67,400 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 11).

#### **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 USD 2,573 thousand and USD 3,547 thousand for the periods ended 31 March 2021 and 2020, respectively. Compensation of key management personnel consists of contractual salary and performance bonuses.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**13. 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. Real GDP decreased by around 1.5% year on year for the three-month periods ended 31 March 2021 (2020: 0.8%) and inflation amounted to 3.4% (2020: 0.7%).

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

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 7.5% in April 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.

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 March 2021.

***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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2021

(in thousands of US dollars, unless otherwise indicated)

### 13. Contingencies and contractual commitments (continued)

#### **Taxation and legal issues (continued)**

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 March 2021, the Group's management assessed its possible exposure to tax risks for a total amount of USD 5,535 thousand related to corporate income tax (31 December 2020: USD 5,459 thousand). No provision was recognised relating to such possible tax exposure.

As of 31 March 2021, companies of the Group were engaged in ongoing litigation with tax authorities for the amount of USD 36,626 thousand (31 December 2020: USD 36,616 thousand), including USD 26,619 thousand (31 December 2020: USD 26,153 thousand) of litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. Out of this amount, USD 120 thousand as of 31 March 2021 (31 December 2020: USD 289 thousand) relates to cases where court hearings have taken place and where the court in either the first or second instance has already ruled in favour of the Group.

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

#### **Contractual commitments on purchase of property, plant and equipment**

During the three-month period ended 31 March 2021, the companies of the Group entered into a number of contracts with foreign suppliers for the purchase of property, plant and equipment for the development of agricultural operations. As of 31 March 2021, purchase commitments on such contracts were primarily related to modernization projects, new products development and the maintenance and improvement of Perutnina Ptuj production facilities and amounted to USD 17,730 thousand (31 December 2020: USD 15,396 thousand).

### 14. 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:

	<i>Carrying amount</i>		<i>Fair value</i>	
	<i>31 March 2021</i>	<i>31 December 2020</i>	<i>31 March 2021</i>	<i>31 December 2020</i>
<b>Financial liabilities</b>				
Bank borrowings (Note 10)	85,762	105,126	85,310	103,737
Senior Notes due in 2024, 2026, 2029 (Note 11)	1,407,025	1,391,756	1,467,824	1,515,005

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2021

(in thousands of US dollars, unless otherwise indicated)

### 14. Fair value of financial instruments (continued)

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 2020: 5.5%), 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.

### 15. Risk management policy

During the three-month period ended 31 March 2021 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.

#### Currency risk

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 March 2021 and 31 December 2020 were as follows:

	31 March 2021		31 December 2020	
	USD	EUR	USD	EUR
Total assets	163,547	21,108	209,298	31,412
Total liabilities	1,431,994	45,004	1,417,050	59,904

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

	Change in foreign currency exchange rates	Effect on profit before tax
<i>2021</i>		
Increase in USD exchange rate	15%	(190,267)
Increase in EUR exchange rate	15%	(3,584)
Decrease in USD exchange rate	15%	190,267
Decrease in EUR exchange rate	15%	3,584
<i>2020</i>		
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

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

During the three-month period ended 31 March 2021, the Ukrainian Hryvnia appreciated against the EUR by 6.2% and against the USD by 1.4% (three-month period ended 31 March 2020: depreciated against the EUR and USD by 14.7% and 8.5% respectively). As a result, during the three-month period ended 31 March 2021 the Group recognized net foreign exchange gain in the amount of USD 19,896 thousand (three-month period ended 31 March 2020: foreign exchange loss in the amount of USD 181,951 thousand) in the consolidated statement of profit or loss and other comprehensive income.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
for the three-month period ended 31 March 2021**

*(in thousands of US dollars, unless otherwise indicated)*

**16. Subsequent events**

On 28 April 2021, shareholders of MHP at the AGM approved payment of an annual dividend of US\$ 0.2803 per share, equivalent to US\$ 30 million, to shareholders on the register as of 7 May 2021. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury. As of 19 May 2021, dividends were fully paid to shareholders.

On 19 April 2021 merger of MHP SE with its subsidiaries, namely Raftan Holding Ltd, Hemiak Holding Ltd and Eledem Investments Ltd, took place. All assets and liabilities of merging companies have been transferred to the succeeding company MHP SE. Subsidiary companies were dissolved.

**17. Authorization of the interim condensed consolidated financial statements**

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors of MHP SE on 18 May 2021.