PRESS RELEASE
23 May 2017, Kyiv, Ukraine

MHP S.A.

Unaudited Financial Results for the First Quarter Ended 31 March 2017

MHP S.A. (LSE:MHPC), one of the leading agro-industrial companies in Ukraine, focusing on the production of poultry and cultivation of grain, today announces its unaudited results for the first quarter ended 31 March 2017.

Q1 2017 OPERATIONAL HIGHLIGHTS

- Poultry production volumes reached 141,874 tonnes, decreased by 1% (Q1 2016: 143,751 tonnes)
- The average chicken meat price increased by 15% year-on-year to UAH 31.52 per kg (Q1 2016: UAH 27.50 per kg) (excluding VAT). In US$ terms, MHP's average poultry prices in Q1 2017 increased by 8% year-on-year
- Chicken meat exports increased by 60% to 49,151 tonnes (Q1 2016: 30,812 tonnes) as a result of increased exports to the MENA countries, EU and Africa

Q1 2017 FINANCIAL HIGHLIGHTS

- Revenue of US$ 279 million, increased by 27% year-on-year (Q1 2016: 220 million)
- Export revenue amounted to US$ 164 million, 59% of total revenue (Q1 2016: US$ 115 million, 52% of total revenue)
- Operating profit of US$ 74 million, increased by 3%; operating margin was 27% compared with 33% in Q1 2016
- Adjusted EBITDA margin declined to 33% (Q1 2016: 41%) mainly driven by significant IAS 41 effect in Q1 2016 compared to Q1 2017 related to increased stocks of poultry meat in Q1 2016 and higher sales volumes of grains in Q1 2017

FINANCIAL OVERVIEW

(in mln. US$, unless indicated otherwise)	Q1 2017	Q1 2016	*% change**
Revenue	**279**	**220**	**27%**
IAS 41 standard gains	10	30	-67%
Gross profit	**86**	**80**	**8%**
Gross profit margin	*31%*	*36%*	*-5pps*
Operating profit**	**74**	**72**	**3%**
Operating profit margin	*27%*	*33%*	*-6 pps*
Adjusted EBITDA	**93**	**91**	**2%**
Adjusted EBITDA margin	*33%*	*41%*	*-8 pps*
Net profit before foreign exchange differences	**50**	**51**	**-2%**
Net profit margin before forex gain/(loss)	*18%*	*23%*	*-5 pps*
Foreign exchange gain/(loss)	7	(107)	-107%
Net profit/(loss)	**57**	**(56)**	**-202%**
Net profit/(loss) margin	*20%*	*-25%*	*45 pps*

** pps – percentage points*
*** Operating profit before loss on impairment of property, plant and equipment*
Average official FX rate for Q1 2017 UAH/US$27.0611 and for Q1 2016 UAH/US$25.6537

CONFERENCE CALL 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:	09.00 New York / 14.00 London / 16.00 Kyiv / 16.00 Moscow
Title:	Financial results for Q1 2017
International/UK Dial in:	+44 2030432440
USA free call:	1 8778874163
Russia free call	+7 4952216523
Conference ID	EV00056414
Participant PIN code	79162513#

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

http://event.onlineseminarsolutions.com/r.htm?e=1418000&s=1&k=93C7F555BDDE73DA27A9D5B5E9C56A6E

For Investor Relations enquiries, please contact:

Anastasia Sobotiuk (Kyiv)	+38 044 207 99 58	a.sobotyuk@mhp.com.ua

For Analysts enquiries, please contact:

Iryna Bublyk (Kyiv)	+38 044 207 00 04	i.bublik@mhp.com.ua

Segment Performance

Poultry and related operations

	Q1 2017	Q1 2016	% change
Poultry			
Sales volume, third parties tonnes	123,931	107,329	15%
Incl. Export sales volume, tonnes	*49,151*	*30,812*	*60%*
Price per 1 kg net of VAT, UAH	31.52	27.50	15%
Sunflower oil			
Sales volume, third parties tonnes	82,133	82,745	-1%
Soybeans oil			
Sales volume, third parties tonnes	7,780	8,150	-5%

Aggregate volume of chicken meat sold to third parties in Q1 2017 increased by 15%. Domestic sales remained relatively flat and constituted 74,780 tonnes (Q1 2016: 76,617 tonnes).

Export sales in Q1 2017 increased by 60% to 49,151 tonnes (Q1 2016: 30,812 tonnes). During the reporting period, following its export diversification strategy, the Company has continued to develop its exports mainly in the countries of: the Middle East – representing over 24%, the EU – around 21%, Northern Africa – over 14% of total poultry exports.

The aggregate average chicken meat price in Q1 2017 was UAH 31.52, 15% higher in Hryvnia terms than the corresponding price for Q1 2016, mainly as a result of MHP's export product mix changing to more profitable markets and market targeting in general. The average chicken meat price on the domestic market increased by 12% during Q1 2017 compared to Q1 2016. At the same time, the US$ denominated export price for chicken meat increased by 11% during Q1 2017 compared to Q1 2016.

During Q1 2017, MHP's sales of sunflower oil have remained relatively stable compared to Q1 2016 and reached 82,133 tonnes. Sales of soybean oil decreased by 5% to 7,780 tonnes.

(in mln. US$, unless indicated otherwise)	Q1 2017	Q1 2016	*% change**
Revenue	**236**	**198**	**19%**
- Poultry and other	*168*	*128*	*31%*
- Vegetable oil	*68*	*70*	*-3%*
IAS 41 standard gains	**22**	**32**	**-31%**
Gross profit	**78**	**77**	**1%**
Gross margin	*33%*	*39%*	*-6 pps*
Adjusted EBITDA	**85**	**86**	**-1%**
Adjusted EBITDA margin	*36%*	*43%*	*-7 pps*
Adjusted EBITDA per 1 kg (net of IAS 41)	*0.51*	*0.50*	*2%*

** pps – percentage points*

As a result of the increase in sales of chicken meat, revenue from the poultry and related operations segment for Q1 2017 increased by 19% year-on-year.

IAS 41 standard gain/(loss) reflects the net change in fair value of biological assets and agricultural produce. IAS 41 standard gain in Q1 2017 was US$ 22 million compared with US$ 32 million in Q1 2016 mainly as a result of a more substantial increase in poultry meat stock in Q1 2016 compared to Q1 2017.

Gross profit of the poultry and related operations segment for Q1 2017 increased by 1% to US$ 78 million, with gross margin declining from 39% to 33% as a result of increased production costs, reflecting higher prices of grain consumed as well as higher energy and payroll costs.

Adjusted EBITDA decreased by 1%, with EBITDA margin declining from 43% to 36%, reflecting the change in gross profit and increased selling, general and administrative expenses.

Grain growing operations

(in mln. US$)	**Q1 2017**	**Q1 2016**
Revenue	**18**	**2**
IAS 41 standard loss	(14)	(2)
Gross profit	2	**-**
Adjusted EBITDA	**6**	**5**

Grain growing segment's revenue for Q1 2017 amounted to US$ 18 million compared to US$ 2 million in Q1 2016. The increase is attributable to higher export sales in Q1 2017 compared to Q1 2016 mainly as a result of higher yields during 2016.

IAS 41 standard loss for Q1 2017 amounted to US$ 14 million. The loss represents the net change in the effect of revaluation of agricultural produce (sunflower, corn, wheat and soya) as a result of lower levels of grain in stock due to internal consumption as a result of the harvest cycle and seasonality.

MHP has around 94,000 ha under winter crops, of which 56% is sown with winter wheat, 31% with winter rapeseeds and 12% with winter barley. The rest is triticale and rye.

The Spring sowing campaign is finished, with no significant changes in the crops structure.

The total land bank of MHP's grain growing segment comprised 370,000 hectares, of which around 360,000 hectares will be harvested in 2017.

Other agricultural operations

Meat processing products	**Q1 2017**	**Q1 2016**	% change
Sales volume, third parties tonnes	8,136	6,971	17%
Price per 1 kg net VAT, UAH	44.38	40.83	9%

Sales of meat processing products in Q1 2017 increased by 17% year-on-year to 8,136 tonnes mainly as a result of increased product promotion and advertisement activity, as well as increasing the product range and types of packaging.

The average processed meat price increased by 9% year-on-year to UAH 44.38 per kg in Q1 2017 mostly due to the increase in poultry prices.

(in mln. US$, except margin data)	**Q1 2017**	**Q1 2016**	*% change**
Revenue	**25**	**19**	***32%***
- Meat processing	*16*	*14*	*14%*
*- Other***	*9*	*5*	*80%*
IAS 41 standard gains	**2**	**-**	***100%***
Gross profit	**6**	**2**	***200%***
Gross margin	*24%*	*11%*	*13 pps*
Adjusted EBITDA	**5**	**2**	***150%***
AdjustedD EBITDA margin	*20%*	*11%*	*9 pps*

** pps – percentage points*

*** in Q1 2017 the Group decided to include convenience food previously reported in poultry and related operations segment to other agricultural operations in line with how Group's chief operating decision maker evaluates performance of the segments. Comparative information was restated retrospectively.*

Segment revenue in Q1 2017 increased by 32% year-on-year to US$ 25 million, in line with the increase in sales volume.

The segment's EBITDA increased to US$ 5 million in Q1 2017 compared to US$ 2 million in Q1 2016, mainly due to higher returns earned from meat processing, livestock and milk operations.

Current Group financial position and cash flow

(in mln. US$)	**Q1 2017**	**Q1 2016**
Cash from operations*	39	47
Change in working capital	(47)	46
Inc. PXF finance	*(22)*	*(5)*
Net Cash from operating activities	**(8)**	**93**
Cash used in investing activities	**59**	**(27)**
Net cash inflow on disposal of subsidiaries	(76)	-
CAPEX	**(17)**	**(27)**
Cash from financing activities	(76)	(39)
Incl. Dividends	*(53)*	*(60)*
Total financial activities	**(76)**	**(39)**
Total change in cash**	**(25)**	**27**

** Cash from operations for 1Q 2017 includes an upfront payment of interest on Senior Notes in amount of US$ 31 million that is normally due in Q2, however as a result of non-banking days on 1-2 April 2017 payment was settled in Q1.*

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

Cash flow from operations before changes in working capital for Q1 2017 amounted to US$ 39 million (Q1 2016: US$ 47 million). Excluding an upfront payment of interest on Senior Notes, cash from operations before working capital changes for Q1 2017 amounted to US$ 70 million.

Use of funds in working capital during Q1 2017 is mainly attributable to higher investment in inventories, related primarily to grain growing entities in respect of the forthcoming spring sowing campaign (seeds, fertilizers, plant protection products, etc.) as well as an increase in taxes recoverable, mostly related to increased VAT receivables, that are expected to be reimbursed in future periods.

In Q1 2017, CAPEX of US$ 17 million mainly related to purchases of agricultural machinery, expansion of rearing sites at the Starynska breeding farm and preparation works related to phase 2 of the Vinnytsia poultry project.

Debt Structure and Liquidity

(in mln. US$)	**31 March 2017**	**31 December 2016**	**31 March 2016**
Total Debt	**1,195**	**1,236**	**1,306**
LT Debt	924	991	1,032
ST Debt	271	245	274
Cash and bank deposits	(132)	(155)	(81)
Net Debt	**1,063**	**1,081**	**1,225**
LTM Adjusted EBITDA	417	415	411
Net Debt / LTM Adjusted EBITDA	*2.55*	*2.60*	2.98

As of March 31, 2017, the Company's debt structure remained relatively unchanged compared to 31 December 2016, with long-term debt representing 77% of total debt. The weighted average interest rate is around 8%.

At the end of Q1 2017, MHP's cash and cash equivalents amounted to US$ 132 million. Net debt decreased to US$ 1,063 million, compared to US$ 1,225 million as at 31 March 2016.

The Net Debt / LTM Adjusted EBITDA ratio was 2.55 as of 31 March 2017, well within the Eurobond covenant limit of 3.0.

As a hedge for currency risks, revenues from the export of grain, sunflower and soybean oil, sunflower husks, and chicken meat are denominated in US Dollars, more than fully covering debt service expenses. Export revenue for Q1 2017 amounted to US$ 164 million or 59% of total revenue (US$ 115 million or 52% of total revenue in Q1 2016).

In May 2017 MHP successfully completed a new Eurobond issue of US$500 million 7.75% Senior Notes due 2024. US$254 million of the proceeds from the new issue were used to repurchase US$245 million of our 8.25% Senior Notes due 2020. The balance from US$500 million will be used to repay certain other debt, to finance the expansion and diversification of MHP's poultry and grain business and to improve liquidity.

Dividends

On 14 March 2017, the Board of Directors of MHP S.A. approved payment of an interim dividend of US$ 0.7492 per share, equivalent to approximately US$ 80 million, on March 29, 2017 to shareholders on the register as of March 26, 2017. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury.

The Board of Directors of MHP S.A. also acknowledged the consent of WTI Trading Limited (the Company's major shareholder) to be paid later than the declared dividend payment date (but not later than November 1, 2017), with no interest accrued on the amount of dividend paid later.

During the three-month period ended 31 March 2017, MHP S.A. paid dividends to shareholders of approximately US$ 52.6 million.

Outlook

With a strong start of export sales of chicken meat in Q1 2017, in 2017 MHP plans to export around 220,000 tonnes of poultry to the countries of the MENA, the EU, Africa and CIS with a market targeting approach.

Several months ago we started the construction of Phase 2 of the Vinnytsia complex - Line 1 of 130,000 tonnes total capacity, which is going to be launched in the middle of 2018. (expected production at around 40,000 tonnes in 2018). In addition, construction of an alternative energy project at the Vinnytsia complex has already started.

Having completed the Company’s spring sowing campaign and taking into account weather conditions in general, MHP’s outlook for the 2017 harvest of crops is positive.

We are confident that, with our vertically integrated business model, we will continue to deliver strong financial results, supported by a significant and growing share of hard currency revenues from exports of chicken, oils and grain.

Notes to Editors:

About MHP

MHP is the leading producer of poultry products in Ukraine with the greatest market share and highest brand recognition for its products. MHP owns and operates each of the key stages of chicken production processes, from feed grains and fodder production to egg hatching and grow out to processing, marketing, distribution and sales (including through MHP's franchise outlets). Vertical integration reduces MHP's dependence on suppliers and its exposure to increases in raw material prices. In addition to cost efficiency, vertical integration also allows MHP to maintain strict biosecurity and to control the quality of its inputs and the resulting quality and consistency of its products through to the point of sale. To support its sales, MHP maintains a distribution network consisting of 11 distribution and logistical centres, within major Ukrainian cities. MHP uses its trucks for the distribution of its products, which Management believes reduces overall transportation costs and delivery times.

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

Since May 15, 2008, MHP has traded on the London Stock Exchange under the ticker symbol MHPC.

Forward-Looking Statements

This press release might contain forward-looking statements that refer to future events or forecast financial indicators for MHP S.A. Such statements do not guarantee that these are actions to be taken by MHP S.A. 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 S.A. does not intend to change these statements to reflect actual results.

MHP S.A. AND ITS SUBSIDIARIES

Interim condensed consolidated Financial Statements

As of and for the three-month period ended 31 March 2017

CONTENT

MANAGEMENT STATEMENT

To the best of our knowledge, the unaudited interim condensed consolidated financial statements prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

22 May 2017

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

MANAGEMENT REPORT

Key financial highlights

During the three-month period ended 31 March 2017 consolidated revenue increased by 27% and amounted to USD 278,795 thousand, compared to USD 219,879 thousand for the three-month period ended 31 March 2016. Export sales for the three-month period ended 31 March 2017 constituted 59% of total revenue and amounted to USD 163,946 thousand, compared to USD 114,782 thousand, 52% of total revenue for the three-month period ended 31 March 2016. Overall increase in revenue is mainly attributable to the increased exports volume of chicken meat and grains.

Gross profit has increased by 8% and amounted to USD 86,257 thousand for the three-month period ended 31 March 2017 compared to USD 79,714 thousand for the three-month period ended 31 March 2016.

Operating profit increased by 4% to USD 73,629 thousand for the three-month period ended 31 March 2017 compared to USD 70,627 thousand for the three-month period ended 31 March 2016.

Profit for the period from continuing operations for three-month period ended 31 March 2017 amounted to USD 56,839 thousand including foreign exchange gain of USD 6,903 thousand compared to net loss of USD 56,227 thousand including foreign exchange loss of USD 106,519 thousand for the three-month period ended 31 March 2016. Net profit before foreign exchange gain/loss remained stable year-on-year. Unrealized foreign exchange gain is mainly related to bank borrowings and bonds issued in foreign currency as a result of UAH appreciation against USD and EUR during the three-month period ended 31 March 2017.

Dividends

On 14 March 2017, the Board of Directors of MHP S.A. approved a payment of the interim dividend of USD 0.7492 per share, equivalent to approximately USD 80,000 thousand, on March 29, 2017 to shareholders on the register as of March 26, 2017. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury.

The Board of Directors of MHP S.A. also acknowledged the consent of WTI Trading Limited (the Company's major shareholder) to be paid later than on the declared dividend payment date (but not later than November 1, 2017), with no interest accrued on the amount of dividend paid later (Note 11).

During the three-month period ended 31 March 2017, MHP S.A. paid dividend to shareholders in amount of approximately USD 52,556 thousand.

22 May 2017

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three-month period ended 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

Continuing operations	*Notes*	*Three-month period ended 31 March 2017*	*Three-month period ended 31 March 2016*
Revenue	*4*	278,795	219,879
Net change in fair value of biological assets and agricultural produce	*4, 5*	10,002	30,334
Cost of sales		(202,540)	(170,499)
Gross profit		86,257	79,714
Selling, general and administrative expenses		(16,271)	(12,260)
VAT refunds and other government grants income	*6*	4,145	5,225
Other operating (expense)/income, net		(502)	(716)
Impairment of property, plant and equipment		-	(1,336)
Operating profit		73,629	70,627
Finance income		483	178
Finance costs		(24,140)	(26,656)
Foreign exchange gain/(loss), net	*14*	6,903	(106,519)
Other expenses, net		(523)	(1,315)
Other expenses, net		(17,277)	(134,312)
Profit/Loss before tax		56,352	(63,685)
Income tax benefit/(expense)		487	7,458
Profit/(Loss) for the period from continuing operations	5	56,839	(56,227)
Discontinued operations			
Loss for the period from discontinued operations	2	(19,824)	(6,034)
Profit/(Loss) for the period		37,015	(62,261)
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Effect of revaluation of property, plant and equipment		-	139,052
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income		-	(15,928)
Items that may be reclassified to profit or loss:			
Cumulative translation difference		3,352	(36,102)
Other comprehensive income/loss for the period		3,352	87,022
Total comprehensive income/loss for the period		40,367	24,761
Profit/(Loss) attributable to:			
Equity holders of the Parent		37,100	(65,870)
Non-controlling interests		(85)	609
		37,015	(65,261)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Parent		40,624	24,847
Non-controlling interests		(257)	(86)
		40,367	(24,761)
Earnings/(loss) per share from continuing and discontinued operations			
Basic and diluted earnings/(loss) per share (USD per share)		0.35	(0.59)
Earnings/(loss) per share from continuing operations			
Basic and diluted earnings/(loss) per share (USD per share)		0.53	(0.53)

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 10 to 22 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

	Notes	31 March 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,180,794	1,180,334
Land lease rights		44,490	43,845
Deferred tax assets		3,743	1,561
Non-current biological assets		17,174	14,558
Long-term bank deposits		755	577
Other non-current assets		17,570	13,554
		1,264,526	1,254,429
Current assets			
Inventories	8	215,399	187,332
Biological assets	9	152,600	116,214
Agricultural produce	8	137,356	167,389
Other current assets, net		30,467	25,424
Taxes recoverable and prepaid, net		50,096	31,235
Trade accounts receivable, net		47,942	50,868
Cash and cash equivalents		132,149	154,570
Assets classified as held for sale		-	88,396
		766,009	821,428
TOTAL ASSETS		2,030,535	2,075,857
EQUITY AND LIABILITIES			
Equity			
Share capital		284,505	284,505
Treasury shares		(48,503)	(48,503)
Additional paid-in capital		175,291	175,291
Revaluation reserve		535,511	570,649
Retained earnings		711,577	719,340
Translation reserve		(1,003,592)	(1,024,916)
Equity attributable to equity holders of the Parent		654,789	676,366
Non-controlling interests		13,952	16,698
Total equity		668,741	693,064
Non-current liabilities			
Bank borrowings	10	190,428	259,567
Bonds issued	11	727,034	725,361
Finance lease obligations		6,780	5,581
Deferred tax liabilities		12,961	11,264
		937,203	1,001,773
Current liabilities			
Trade accounts payable		45,910	46,508
Other current liabilities		105,123	61,766
Bank borrowings	10	264,130	236,807
Accrued interest		2,711	22,731
Finance lease obligations		6,717	8,044
Liabilities directly associated with assets classified as held for sale		-	5,164
		424,591	381,020
TOTAL LIABILITIES		1,361,794	1,382,793
TOTAL EQUITY AND LIABILITIES		2,030,535	2,075,857

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three-month period ended 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Parent								
	Share capital	*Treasury shares*	*Additional paid-in capital*	*Revaluation reserve*	*Retained earnings*	*Translation reserve*	*Total*	*Non-controlling interests*	*Total equity*
Balance as of 1 January 2017	284,505	(48,503)	175,291	570,649	719,340	(1,024,916)	676,366	16,698	693,064
Profit for the period	-	-	-	-	37,100	-	37,100	(85)	37,015
Other comprehensive loss	-	-	-	-	-	3,524	3,524	(172)	3,352
Total comprehensive income for the period	-	-	-	-	37,100	3,524	40,624	(257)	40,367
Transfer from revaluation reserve to retained earnings	-	-	-	(16,078)	16,078	-	-	-	-
Dividends declared by the Parent *(Note 15)*					(80,001)		(80,001)		(80,001)
Derecognition of interests in subsidiaries *(Note 2)*	-	-	-	(24,841)	24,841	17,800	17,800	(2,489)	15,311
Translation differences on revaluation reserve	-	-	-	5,781	(5,781)	-	-	-	-
Balance as of 31 March 2017	284,505	(48,503)	175,291	535,511	711,577	(1,003,592)	654,789	13,952	668,741

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 10 to 22 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 2016
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Parent								
	Share capital	*Treasury shares*	*Additional paid-in capital*	*Revaluation reserve*	*Retained earnings*	*Translation reserve*	*Total*	*Non-controlling interests*	*Total equity*
Balance as of 1 January 2016	284,505	(56,053)	178,192	567,525	645,020	(974,467)	644,722	28,127	672,849
Profit for the period	-	-	-	-	(72,018)	-	(72,018)	609	(71,409)
Other comprehensive loss	-	-	-	121,213	-	(33,495)	87,718	(696)	87,022
Total comprehensive income for the period	-	-	-	121,213	(72,018)	(33,495)	15,700	(87)	15,613
Transfer from revaluation reserve to retained earnings	-	-	-	(8,868)	8,868	-	-	-	-
Dividends declared by the Parent					(79,999)		(79,999)		(79,999)
Translation differences on revaluation reserve	-	-	-	(33,976)	33,976	-	-	-	-
Balance as of 31 March 2016	284,505	(56,053)	178,192	645,894	535,847	(1,007,962)	580,423	28,040	608,463

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

The accompanying notes on the pages 10 to 22 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the three-month period ended 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

	Notes	*Three-month period ended 31 March 2017*	*Three-month period ended 31 March 2016*
Operating activities			
Profit /(loss) before tax		36,528	(69,719)
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expense	*4*	19,464	20,782
Loss on disposal of subsidiaries	*2*	19,823	-
Net change in fair value of biological assets and agricultural produce	*4, 5*	(10,002)	(25,603)
Change in allowance for irrecoverable amounts and direct write-offs		263	(461)
Loss/(Gain) on disposal of property, plant and equipment and other non-current assets		(284)	1,422
Loss on impairment of property, plant and equipment		-	1,336
Finance income		(483)	(178)
Finance costs		24,140	28,227
Unrealised foreign exchange loss/(gain), net		(6,903)	106,876
Operating cash flows before movements in working capital		82,546	62,682
Working capital adjustments			
Change in inventories	*8*	(8,762)	24,696
Change in biological assets	*9*	(19,569)	(15,986)
Change in agricultural produce	*8*	19,588	5,116
Change in other current assets		(5,922)	9,848
Change in taxes recoverable and prepaid		(18,232)	23,399
Change in trade accounts receivable		3,716	823
Change in other liabilities		9,402	13,685
Change in trade accounts payable		(4,829)	(11,070)
Cash generated by operations		57,938	113,193
Interest received		450	307
Interest paid	*11*	(43,699)	(15,600)
Income taxes paid		(63)	(41)
Net cash flows from operating activities		14,626	97,859
Investing activities			
Purchases of property, plant and equipment	*7*	(11,504)	(24,335)
Purchases of other non-current assets		(3,681)	(208)
Purchase of land lease rights		(1,369)	(665)
Proceeds from disposals of property, plant and equipment		142	191
Purchases of non-current biological assets		(373)	(1,916)
Net cash inflow on disposal of subsidiaries	*2*	75,558	-
Investments in short-term deposits		(158)	-
Withdrawals of short-term deposits		85	-
Loans repaid by/(provided to) employees, net		(42)	(54)
Loans repaid by/(provided to) related parties, net		-	76
Net cash flows used in investing activities		58,658	(26,911)
Financing activities			
Proceeds from bank borrowings		40,404	99,506
Repayment of bank borrowings		(83,343)	(71,346)
Repayment of finance lease obligations		(2,732)	(3,387)
Dividends paid	*15*	(52,556)	(60,045)
Transaction costs related to bank loans received		(255)	-
Consent payment	*11*	-	(9,148)
Net cash flows from financing activities		(98,482)	(44,420)
Net increase/(decrease) in cash and cash equivalents		(25,198)	26,528
Net foreign exchange difference		4,266	(4,940)
Cash and cash equivalents attributable to disposal group classified as held for sale		2,099	-
Cash and cash equivalents at 1 January		150,982	59,343
Cash and cash equivalents at 31 March		132,149	80,931

The accompanying notes on the pages 10 to 22 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(continued)*
for the three-month period ended 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

	Notes	*Three-month period ended 31 March 2017*	*Three-month period ended 31 March 2016*
Non-cash transactions			
Effect of revaluation of property, plant and equipment		-	139,052
Additions of property, plant and equipment under finance leases		677	-
Property, plant and equipment purchased for credit		-	2,496

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 10 to 22 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 2017
(in thousands of US dollars, unless otherwise indicated)

1. Corporate information

MHP S.A. (the "Parent" or "MHP S.A."), a limited liability company (société anonyme) registered under the laws of Luxembourg, was formed on 30 May 2006. MHP S.A. to serve as the ultimate holding company of PJSC "Myronivsky Hliboproduct" ("MHP") and its subsidiaries. Hereinafter, MHP S.A. and its subsidiaries are referred to as the "MHP S.A. Group" or the "Group". The registered address of MHP S.A. is 5, rue Guillaume Kroll, L-1882 Luxembourg.

The controlling shareholder of MHP S.A. 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 S.A.

The principal business activities of the Group are poultry and related operations, grain growing, as well as other agricultural operations (meat processing, and meat products ready for consumption). The Group's poultry and related operations integrate all functions related to the production of chicken, including hatching, fodder manufacturing, raising chickens to marketable age ("grow-out"), processing and marketing of branded chilled products and include the production and sale of chicken products, vegetable oil, mixed fodder. Grain growing comprises the production and sale of grains. Other agricultural operations comprise the production and sale of cooked meat, sausages, convenience food products, milk, goose meat, foie gras and feed grains. During the three-month period ended 31 March 2017 the Group employed about 27,400 people (31 December 2016: 31,000 people).

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent's effective ownership interest as of 31 March 2017 and 31 December 2016 were as follows:

Name	*Country of registration*	*Year established/ acquired*	*Principal activities*	*31 March 2017*	*31 December 2016*
Raftan Holding Limited	Cyprus	2006	Sub-holding Company	100.0%	100.0%
Larontas Limited	Cyprus	2015	Sub-holding Company	100.0%	100.0%
MHP	Ukraine	1998	Management, marketing and sales	99.9%	99.9%
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	Ukraine	1998	Fodder and sunflower oil production	88.5%	88.5%
Vinnytska Ptahofabryka	Ukraine	2011	Chicken farm	99.9%	99.9%
Peremoga Nova	Ukraine	1999	Chicken farm	99.9%	99.9%
Druzhba Narodiv Nova	Ukraine	2002	Chicken farm	0.0%	100.0%
Oril-Leader	Ukraine	2003	Chicken farm	99.9%	99.9%
Tavriysky Kombikormovy Zavod	Ukraine	2004	Fodder production	99.9%	99.9%
Myronivska Ptahofabryka	Ukraine	2004	Chicken farm	99.9%	99.9%
Starynska Ptahofabryka	Ukraine	2003	Breeder farm	100.0%	100.0%
Ptahofabryka Snyatynska Nova	Ukraine	2005	Geese breeder farm	99.9%	99.9%
Zernoproduct	Ukraine	2005	Grain cultivation	99.9%	99.9%
Katerynopilsky Elevator	Ukraine	2005	Fodder production and grain storage, sunflower oil production	99.9%	99.9%
Druzhba Narodiv	Ukraine	2006	Cattle breeding, plant cultivation	0.0%	99.9%
NPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	99.9%
Agrofort	Ukraine	2006	Grain cultivation	86.1%	86.1%
Urozhayna Krayina	Ukraine	2010	Grain cultivation	99.9%	99.9%
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9%	79.9%
AgroKryazh	Ukraine	2013	Grain cultivation	99.9%	99.9%
Baryshevka	Ukraine	2013	Grain cultivation	51.0%	51.0%
Zakhid-Agro MHP	Ukraine	2015	Grain cultivation	100.0%	100.0%
Scylla Capital Limited	British Virgin Islands	2014	Trading in sunflower oil and poultry meat	100.0%	100.0%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2017

(in thousands of US dollars, unless otherwise indicated)

1. Corporate information *(continued)*

The Group's operational facilities are located in different regions of Ukraine, including Kyiv, Cherkasy, Dnipropetrovsk, Donetsk, Lviv, Ternopil, Ivano-Frankivsk, Vinnytsia, Sumy, Khmelnitsk regions.

2. Changes in the group structure

Disposal of subsidiaries

Crimean companies

On 17 February 2017 the Group sold its 100% ownership interest in the Group's companies located in Autonomous Republic of Crimea for cash consideration of USD 77,785 thousand. The consideration consisted only of cash, there were no direct costs related to disposal.

Assets and liabilities of Crimean companies as of the date of disposal were as follows:

	17 February 2017
Property, plant and equipment, net	52,530
Other non-current assets	1,451
Biological assets	9,938
Agricultural produce	9,242
Inventories	11,795
Trade accounts receivable, net	1,917
Taxes recoverable and prepaid, net	2,913
Other current assets	1,805
Cash and cash equivalents	2,227
Total assets	**93,818**
Trade accounts payable	(3,685)
Other current liabilities	(1,796)
Total liabilities	**(5,481)**
Intragroup accounts receivable and payable eliminated on consolidation, net	(6,040)
Net assets disposed	**82,297**

The following table presents the net result of the transaction:

Consideration received	77,785
Net assets disposed of	(82,297)
Non-controlling interest	2,488
Cumulative exchange loss in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control in subsidiaries[1)]	(17,800)
Loss on disposal	**(19,824)**

1) Upon disposal of subsidiaries, the total cumulative exchange differences attributable to devaluation of functional currency, which were previously a component of other comprehensive income, were reclassified to profit or loss. Previously recognised gain of revaluation surplus remaining in the revaluation reserve of property, plant and equipment were not reclassified to profit or loss, but transferred directly to retained earnings in the amount of USD 24,841 thousand.

Consideration received in cash and cash equivalents	77,785
Less: cash and cash equivalents balances disposed of	(2,227)
Net cash inflow arising on the disposal	**75,558**

The loss on disposal is included in the loss for the year from discontinued operations.

Information on financial result of subsidiaries for the period of 1 January 2017 until date of disposal have been considered immaterial for disclosure.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

3. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the three-month period ended 31 March 2017 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.

The 31 December 2016 statement of financial position was derived from the audited consolidated financial statements.

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 three-month period ended 31 March 2017 or prior periods.

Functional and presentation currencies

The functional currency of Ukrainian, Cyprus and Luxemburg companies of the Group is the Ukrainian Hryvnia ("UAH"); the functional currency of the Autonomous Republic of Crimea companies of the Group is the Russian Rouble ("RUB"). 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 on 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 comprehensive income for the period.

These interim condensed 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 statement of financial position presented are translated at the closing rate as of the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of the transactions;
- All resulting exchange differences are recognized as a separate component of equity.
- All equity items, except for the revaluation reserve, are translated at the historical exchange rate. The revaluation reserve is translated at the closing rate as of the date of the statement of financial position

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

The following exchange rates were used:

Currency	*Closing rate as of 31 March 2017*	*Average for three months ended 31 March 2017*	*Closing rate as of 31 December 2016*	*Average for three months ended 31 March 2016*	*Closing rate as of 31 December 2015*
UAH/USD	26.9761	27.0611	27.1909	25.6537	24.0007
UAH/EUR	28.9642	28.8089	28.4226	28.2764	26.2231
UAH/RUB	0.4785	0.46034	0.4511	0.3448	0.3293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the three-month period ended 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

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

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

Change in accounting policy

During the three-month period ended 31 March 2017 the Group voluntary changed its accounting policy for revenue and costs related to shipping and handling costs charged to customers.

Shipping costs include costs incurred to move the product from the seller's place of business to the buyer's designated location and include payments to third-party shippers. They may also include costs incurred directly by the seller (e.g. salaries and overheads related to the activities to prepare the goods for shipment).

Handling costs include costs incurred to store, move and prepare the products for shipment. Handling costs are incurred from when the product is removed from finished goods inventories to when the product is provided to the shipper and may include an allocation of internal overheads.

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

Shipping and handling costs had been previously reported as part of revenue earned and related costs reported in sales, general and administrative expenses.

In the current period the Group decided to change it's accounting policy with classification of Shipping and handling costs. The presentation of amounts billed to a customer for shipping and handling depends on an analysis of the principal versus agent considerations related to shipping and handling services. If control of the goods transfers on receipt by the customer, the Group will generally be considered to be the principal in the shipping and handling service. If the Group considers to be a principal in shipping and handling, amounts related to shipping and handling billed to a customer in a sale transaction are accounted as revenues earned for the goods provided (and the shipping services rendered, if the shipping service represents a distinct performance obligation) and is presented as revenue. Costs related to such services are reported in cost of sales.

If control of the goods transfers when the goods are shipped, the Group will be generally considered as agent with respect to the shipping service. If the Group considers to be an agent in shipping and handling, only the net commission received (if any) for arranging shipping, which is the excess of any amounts charged to the customer for shipping by Group over any amounts paid to the third party for those services is reported as revenue.

Costs related to shipping and handling, which are not charged to the customer or otherwise included in the price are reported as selling, general and administrative expenses.

The Group's management believes that this change in the accounting policy will result in the financial statements providing more relevant and reliable information about the revenue, cost of sales and selling, general and administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the three-month period ended 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

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

Change in accounting policy *(continued)*

The effect of the retrospective application of this policy on the consolidated statement of financial position was as follows:

	Three-month period ended 31 March 2017	*Three-month period ended 31 March 2016*
Revenue according to the old policy	278,795	219,879
Effect of the change in accounting policy	-	-
Revenue according to the new policy	278,795	219,879
Cost of sales according to the old policy	(195,724)	(165,195)
Effect of the change in accounting policy	(6,816)	(5,304)
Cost of sales according to the new policy	(202,540)	(170,499)
Selling, general and administrative expenses according to the old policy	(23,087)	(17,564)
Effect of the change in accounting policy	6,816	5,304
Selling, general and administrative expenses according to the new	(16,271)	(12,260)

The change in accounting policies had no effect on earnings per share and on consolidated statement of comprehensive income and on the consolidated statement of cash flows either in the current or previous periods.

During the three-month period ended 31 March 2017 the Group decided to include convenience food previously reported in poultry and related operations segment to other agricultural operations in line with how Group's chief operating decision maker ("CODM") evaluates performance of the segments. Based on the analysis of convenience food type and nature, the Group believes this disclosure provide more relevant information about the types of goods supplied by the Group's operating divisions. This change was accounted retrospectively as change in accounting policy, and all comparative information was restated retrospectively.

Seasonality of operations

Poultry and related operations as well as other agricultural operations are not significantly exposed to seasonal fluctuations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the three-month period ended 31 March 2017
(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 2017:

	Poultry and related operations	*Grain growing*	*Other agricultural operations*	*Eliminations*	*Consolidated*
External sales	235,619	18,455	24,721	-	278,795
Sales between business segments	5,943	42,140	64	(48,147)	-
Total revenue	241,562	60,595	24,785	(48,147)	278,795
Segment results	70,744	2,117	4,633	-	77,494
Unallocated corporate expenses					(3,865)
Other expenses, net					(17,277)
Profit before tax					56,352
Other information:					
Depreciation and amortization expense [1)]	13,556	3,787	795	-	18,138
Net change in fair value of biological assets and agricultural produce (Note 5)	21,768	(13,886)	2,120	-	10,002

[1)] Depreciation and amortization for the three-month period ended 31 March 2017 does not include unallocated depreciation and amortization in the amount of USD 1,326 thousand.

The following table presents revenue and profit information regarding the Group's operating segments for the three-month period ended 31 March 2016:

	Poultry and related operations	*Grain growing*	*Other agricultural operations*	*Eliminations*	*Consolidated*
External sales	198,416	2,126	19,337	-	219,879
Sales between business segments	5,320	32,223	52	(37,595)	-
Total revenue	203,736	34,349	19,389	(37,595)	219,879
Segment results	73,132	(189)	1,046	-	73,989
Unallocated corporate expenses					(2,026)
Impairment of property, plant and equipment					(1,336)
Other expenses, net					(134,312)
Profit before tax					(63,685)
Other information:					
Depreciation and amortization expense [1)]	12,811	5,008	674	-	18,493
Net change in fair value of biological assets and agricultural produce	31,927	(1,593)	-	-	30,334

[1)] Depreciation and amortization for the three-month period ended 31 March 2016 does not include unallocated depreciation and amortization in the amount of USD 683 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the three-month period ended 31 March 2017
(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 2017 increased compared to the three-month period ended 31 March 2016 and amounted to USD 86,257 thousand and USD 79,714 thousand respectively. The increase was primarily attributable to the increase exports volume of chicken meat and grains.

Operating profit increased at a lower rate compared to increase in gross profit mainly related to increase in payroll and related expenses for administration, sales and distribution employees primarily due to an increase in average wage rate, as well as increase of services costs mainly due to an increase in logistics costs and warehouse rent.

Net change in fair value, reflects IAS 41 adjustment relating to revaluation of poultry and breeder stock and other biological assets balances to the fair value as of 31 March 2017 as well as revaluation of agricultural produce to the fair value at the date of harvest.

The Group's profit for the period from continuing operations for the three-month period ended 31 March 2017 constituted increased compared to the net loss for the three-month period ended 31 March 2017 and amounted to USD 56,839 thousand and USD 56,227 thousand respectively. Increase is mainly attributed to unrealized foreign exchange gain amounted to USD 6,903 thousand for the three-month period ended 31 March 2017 compared to foreign exchange loss of USD 106,519 thousand for the three-month period ended 31 March 2016. Unrealized foreign exchange gain/loss mostly attributable to bonds and bank borrowings denominated in foreign currencies due to UAH appreciation/depreciation against USD and EUR.

6. VAT refunds and other government grants income

According to the Tax Code of Ukraine issued in December 2010 and effective since 1 January 2011 ("Tax Code"), companies that generated not less than 75% of gross revenues for the previous tax year from sales of own agricultural products are entitled to retain VAT on sales of agricultural products, net of VAT paid on purchases, for use in agricultural production.

During the year ended 31 December 2015 and before, VAT collected from agricultural producers was fully retained by these companies. On 24 December 2015, the Law "On amending the Tax Code of Ukraine and certain legislative acts of Ukraine in terms of ensuring the balanced budget receipts in 2016" was adopted effective 1 January 2016. In accordance with the new legislation, agricultural producers will be entitled to retain only a portion of VAT on agricultural operations. Producers of grain and industrial crops, cattle and dairy producers, poultry and other agriculture producers shall retain VAT in a portion of 15%, 80% and 50%, respectively.

On 30 December 2016 the President of Ukraine signed the Law No. 1791 On Amendments to the Tax Code of Ukraine Regarding the Balancing of Budget Revenues in 2017 (hereinafter the "Law No. 1791"). The Law No. 1791 introduces changes to VAT administration for agricultural companies which previously enjoyed a special VAT regime. The special VAT regime for agricultural companies was terminated as of 1 January 2017.

However, in order to continue state support for agricultural companies, the Law No. 1791 introduces budget subsidies for agricultural companies by amending the Law of Ukraine On State Support of Agriculture of Ukraine. From 2017 onwards, budget subsidies will be provided for 5 consecutive calendar years, until 1 January 2022. The agricultural producers eligible for the subsidies will include those involved in poultry production and animal farming, as well as fruit and vegetable farmers.

For each agricultural producer, the amount of the subsidy is not to exceed the amount of VAT tax paid by the producers, and will be distributed on a monthly basis.

7. Property, plant and equipment

During the three-month period ended 31 March 2017, the Group's additions to property, plant and equipment amounted to USD 12,181 thousand (three-month period ended 31 March 2016: USD 26,831 thousand).

There were no significant disposals of property, plant and equipment during the three-month period ended 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the three-month period ended 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

8. Inventories and agricultural produce

Increase in inventory and agricultural produce balances as of 31 March 2017 compared to 31 December 2016 is mainly attributable to costs incurred by grain growing entities in respect of forthcoming spring sowing campaign, partly offset by internal consumption of corn and sunflower for chicken feed.

Decrease of agricultural produce for period three-month ended 31 March 2017 was mainly as a result of internal consumption of corn.

9. Biological assets

Increase of current biological assets balances during the three-month period ended 31 March 2017 is primarily attributable to increase in crops balances that reflect seasonality element inherent in the grain growing segment as well as IAS 41 gains.

10. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 31 March 2017 and 31 December 2016:

		31 March 2017		*31 December 2016*	
Bank	*Currency*	*WAIR [1)]*	*USD' 000*	*WAIR [1)]*	*USD' 000*
Non-current					
Foreign banks	USD	8.12%	172,350	8.09%	241,823
Foreign banks	EUR	1.41%	18,078	1.33%	17,744
			190,428		259,567
Current					
Ukrainian banks	USD	6.40%	63,236	7.20%	68,752
Foreign banks	USD	6.98%	43,900	6.93%	65,500
Current portion of long-term bank borrowings			156,994		102,555
			264,130		236,807
Total bank borrowings			454,558		496,374

[1)] WAIR represents the weighted average interest rate on outstanding borrowings.

The Group's borrowings are drawn from various banks as term loans, credit line facilities and overdrafts. Repayment terms of principal amounts of bank borrowings vary from monthly repayment to repayment on maturity depending on the agreement reached with each bank. The interest on the borrowings drawn with the Ukrainian banks is payable on a monthly or quarterly basis. Interest on borrowings drawn with foreign banks is payable semi-annually.

All bank loans and credit lines held by the Group as of 31 March 2017 and 31 December 2016 bear the floating interest rates.

Bank borrowings and credit lines outstanding as of as of 31 March 2017 and 31 December 2016 were repayable as follows:

	31 March 2017	*31 December 2016*
Within one year	264,130	236,944
In the second year	94,724	134,837
In the third to fifth year inclusive	84,860	113,758
After five years	10,844	10,835
	454,558	496,374

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2017

(in thousands of US dollars, unless otherwise indicated)

10. Bank borrowings *(continued)*

As of 31 March 2017, the Group had available undrawn facilities of USD 74,799 thousand (31 December 2016: USD 84,774 thousand). These undrawn facilities expire during the period from January 2016 until July 2020.

The Group, as well as particular subsidiaries of the Group have to comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied with by the Group are liability to equity; net debt to EBITDA ratio; EBITDA to interest expenses ratio; and current ratio. The Group subsidiaries are also required to obtain approval from lenders regarding property to be used as collateral.

As of 31 March 2017 the Group had borrowings of USD 54,686 that were secured. These borrowings were secured by inventories with a carrying amount of USD 68,358 thousand.

11. Bonds issued

Bonds issued and outstanding as of 31 March 2017 and 31 December 2016 were as follows:

	31 March 2017	*31 December 2016*
8.25% Senior Notes due in 2020	750,000	750,000
Unamortized debt issue cost	(22,966)	(24,639)
Total long-term portion of bonds issued	727,034	725,361

As of 31 March 2017 and 31 December 2016 amount of accrued interest on bonds issued was USD nil thousand and USD 15,125 thousand, respectively.

Interest payment

Interest paid in the statement of consolidated cash flows for the 3 month period ended 31 March 2017 includes an upfront payment of interest on Senior Notes in amount of USD 30,938 thousand, that is normally due on 2 April 2017, however as a result of non-banking days on 1-2 April 2017 was settled earlier on 31 March 2017.

8.25% Senior Notes

On 8 April 2013, MHP S.A. issued USD 750,000 thousand 8.25% Senior Notes due in 2020 at an issue price of 100% of the principal amount. USD 350,000 thousand out of issued USD 750,000 thousand 8.25% Senior Notes were used to early redemption and exchange of its existed 10.25% Senior Notes due in 2015.

Early redemption of 10.25% Senior Notes due in 2015 out of issue of 8.25% Senior Notes due in 2020 placed with the same holders and the change in the net present value of the future cash flows was less than 10% is accounted as exchange and all the related expenses, including consent fees, were capitalized and will be amortized over the maturity period of the 8.25% Senior Notes due in 2020 in the amount of USD 28,293 thousand.

Otherwise related expenses, including consent fees, in the amount of USD 16,515 thousand were expensed as incurred.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Oril-Leader, Katerynopilsky Elevator, Ptahofabryka Peremoga Nova, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Ptahofabryka Shahtarska Nova, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Raftan Holding Limited, Scylla Capital Limited, Merique Holding Limited.

Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by the indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. If the Group fails to comply with the covenants imposed, all outstanding Senior Notes will become due and payable without further action or notice. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the three-month period ended 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

11. Bonds issued (continued)

Consent solicitation

On 7 March 2016, the Group has received consent from the Holders of the outstanding USD 750,000 thousand 8.25% Senior Notes for certain proposed amendments to the Indenture and the Notes. Amendments were obtained before the Consent Expiration Date (7 March 2016). The Amendments were implemented by way of execution of the Supplemental Indenture on March 8, 2016, and became effective from the Consent Settlement Date (9 March 2016).

In relation to the Notes, the Company has, on the Consent Settlement Date, paid to those Holders from whom valid Consents were delivered and not revoked on or prior to the Consent Expiration Date and which Consents are accepted by the Company the Consent Payment of USD 12.50 for each USD 1 thousand in principal amount of the Notes that were subject of the relevant Electronic Instructions and comprised USD 9,148 thousand.

During the periods ended 31 March 2017 and 31 December 2016 the Group has complied with all covenants defined by indebtedness agreement.

The weighted average effective interest rate on the Senior Notes is 9.29% per annum and 9.29% per annum for the three months ended 31 March 2017 and 2016, respectively.

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.

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. Management believes that amounts receivable due from related parties do not require an allowance for irrecoverable amounts and that the amounts payable to related parties will be settled at cost.

Transactions with related parties during the three-month periods ended 31 March 2017 and 2016 were as follows:

	2017	*2016*
Purchases from related parties	9	47

The balances owed to and due from related parties were as follows as of 31 March 2017 and 31 December 2016:

	31 March 2017	*31 December 2016*
Trade accounts receivable	114	113
Payables for dividends declared, included in *Other current liabilities*	27,445	-
Advances and finance aid	3,341	3,316

Compensation of key management personnel

Total compensation of the Group’s key management personnel (including compensation to Mr. Yuriy Kosyuk), which consists of contractual salary and performance bonuses amounted to USD 1,591 thousand and USD 953 thousand for the three-month periods ended 31 March 2017 and 2016, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2017

(in thousands of US dollars, unless otherwise indicated)

13. Contingencies and contractual commitments

Operating environment

In the recent years, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. In 2017, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions. These events resulted in higher inflation, devaluation of the national currency against major foreign currencies, illiquidity and volatility of financial markets. In January 2016, the agreement on the free trade area between Ukraine and the EU came into force. As a result, the Russian Federation implemented a trade embargo or import duties on key Ukrainian export products. In response, Ukraine implemented similar measures against Russian products.

For the three-month periods ended 31 March 2017 average inflation amounted to 3.95% comparing to 1.5% for the three-month periods ended 31 March 2016. Despite the fact that the cumulative inflation in Ukraine for the three latest years slightly exceeded 100%, management believes that the Ukrainian economy is not hyperinflationary due to slowing down of inflation during three-month periods ended 31 March 2017 and lack of qualitative characteristics of the hyperinflationary economic environment.

The economic situation began to stabilize in 2017, which resulted in GDP growth around 2.4% year on year for the three-month periods ended 31 March 2017 and stabilization of Ukrainian Hryvnia. This allowed the National Bank of Ukraine to ease some foreign exchange restrictions imposed during 2014-2015, including decrease of the required share of foreign currency proceeds sale to 65% and permission of dividends remittance. However, certain other restrictions were prolonged. Significant external financing is required to support the economy. As at 4 April 2017, Ukraine received the fourth tranche of extended fund facilities (EFF) agreed with the IMF. Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government’s efforts, yet further economic and political developments are currently difficult to predict.

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. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and fines. Future tax examinations could raise issues or assessments which are contrary to the Group companies’ tax filings. Such assessments could include taxes, penalties and fines, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

Facing current economic and political issues, the Government has implemented certain reforms in the tax system of Ukraine by adopting the Law of Ukraine ‘On Amending the Tax Code of Ukraine and Certain Laws of Ukraine’, which is effective from 1 January 2015, except for certain provisions which will take effect at a later date.

Management believes that the Group has been in compliance with all requirements of effective tax legislation and currently is assessing the possible impact of the introduced amendments.

Starting from 1 September 2013 the Tax Code of Ukraine introduced new, based on the OECD transfer pricing guidelines, rules for determining and applying fair market prices, which significantly changed transfer pricing (“TP”) regulations in Ukraine.

The Group exports Vegetable oil, Chicken meat and related products, performs intercompany transactions, which may potentially be in the scope of the new Ukrainian TP regulations. The Group has prepared all necessary documentation on controlled transactions for the year ended 31 December 2016 as required by legislation and plans to submit report.

As of 31 March 2017, the Group’s management assessed its possible exposure to tax risks for a total amount of USD 4,430 thousand related to corporate income tax (31 December 2016: USD 4,210 thousand). No provision was charged of such possible tax exposure.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2017

(in thousands of US dollars, unless otherwise indicated)

13. Contingencies and contractual commitments *(continued)*

Taxation and legal issues *(continued)*

As of 31 March 2017, companies of the Group were engaged in ongoing litigation with tax authorities for the amount of USD 3,944 (2016: USD 4,923 thousand), including USD 1,700 thousand (2016: USD 2,689 thousand) of litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. Out of this amount, USD 1,609 thousand as of 31 March 2017 (2016: USD 2,592 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 2017, 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 March 2017, purchase commitments on such contracts were primarily related to expansion of the Vinnytsya poultry complex and amounted to USD 16,257 thousand (31 December 2016: USD 2,656 thousand).

14. Risk management policy

During the three-month period ended 31 March 2017 there were no changes to objectives, policies and processes for credit risk, capital risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk and commodity price and procurement risk managing.

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 2017 and 31 December 2016 were as follows:

	31 March 2017		*31 December 2016*	
	USD	*EUR*	*USD*	*EUR*
Total assets	147,404	4,787	53,211	9,961
Total liabilities	1,163,085	49,436	1,223,408	90,012

The table below details the Group's sensitivity to strengthening 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.

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for the three-month period ended 31 March 2017
(in thousands of US dollars, unless otherwise indicated)

14. Risk management policy *(continued)*

Currency risk *(continued)*

	Change in foreign currency exchange rates	*Effect on profit before tax*
three-month period ended 31 March 2017		
Increase in USD exchange rate	10%	(101,568)
Increase in EUR exchange rate	10%	(4,465)
Decrease in USD exchange rate	5%	50,784
Decrease in EUR exchange rate	5%	2,232
three-month period ended 31 March 2016		
Increase in USD exchange rate	10%	(125,356)
Increase in EUR exchange rate	10%	(7,563)
Decrease in USD exchange rate	5%	62,678
Decrease in EUR exchange rate	5%	3,781

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

During the three-month period ended 31 March 2017, the Ukrainian Hryvnia depreciated against the EUR 1.9% and appreciated against the USD by 0.8% respectively (three-month period ended 31 March 2016: depreciated against the EUR by 11.7% and by 8.5% against the USD). As a result, during the three-month period ended 31 March 2017 the Group recognised net foreign exchange gain in the amount of USD 6,903 thousand (three-month period ended 31 March 2016: foreign exchange loss in the amount of USD 106,519 thousand) in the consolidated statement of comprehensive income.

15. Dividends

On 14 March 2017, the Board of Directors of MHP S.A. approved a payment of the interim dividend of USD 0.7492 per share, equivalent to approximately USD 80,000 thousand, on March 29, 2017 to shareholders on the register as of March 26, 2017. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury.

The Board of Directors of MHP S.A. also acknowledged the consent of WTI Trading Limited (the Company's major shareholder) to be paid later than on the declared dividend payment date (but not later than November 1, 2017), with no interest accrued on the amount of dividend paid later (Note 11).

During the three-month period ended 31 March 2017, MHP S.A. paid dividend to shareholders in amount of approximately USD 52,556 thousand.

16. Subsequent events

On 10 May 2017 the Group issued USD 500,000 thousand of 7.75% Senior Notes due in 2024, of which USD 254,400 thousand was used to repurchase its existed USD 245,200 thousand 8.25% Senior Notes due in 2020.

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 S.A. on 22 May 2017.