02 June 2020, Limassol, Cyprus

MHP SE

Unaudited Financial Results for the First Quarter ended 31 March 2020

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 2020. Hereinafter, MHP SE and its subsidiaries are referred to as “MHP”, “The Company” or “The Group”.

OPERATIONAL HIGHLIGHTS

- Despite the challenges posed by the global COVID-19 pandemic and an outbreak of H5N1 avian influenza in Ukraine, the Company delivered a robust performance in the first quarter of 2020.
- Poultry production volumes reached 178,640 tonnes, up 4% (Q1 2019: 171,272 tonnes). Poultry production volumes of the European Operating Segment (PP) amounted to 23,858 tonnes (Q1 2019: 7,730 tonnes[1)]).
- The average chicken meat price decreased by 3% to USD 1.37 per kg (Q1 2019: USD 1.41 per kg) (excluding VAT). The average price of chicken meat produced by PP during Q1 2020 was 2.56 EUR per kg (Q1 2019: 2.57 EUR per kg)
- Chicken meat exports totaled 82,048 tonnes, a decrease of 12% from 93,045 tonnes in Q1 2019
- An outbreak of H5N1 avian influenza in Ukraine (the Vinnytsia region) was announced at the end of January 2020. This caused a temporary cessation of exports from Ukraine to the EU, Saudi Arabia and other MENA markets, and the majority of CIS countries. Exports to the EU reopened at the beginning of March 2020 and Saudi Arabia/MENA markets reopened in February and March 2020, while the majority of CIS countries recommenced in May 2020. In order to mitigate the adverse impact on MHP’s operations and profitability, management decided to decrease capacity utilization of poultry production complexes by approximately 10% from February until the end of March 2020. Since the beginning of April, all of the Company’s poultry production facilities have been operating at full capacity again.
- The impact of COVID-2019 on the Company in Q1 was not material and the Company largely continued to operate normally (apart from the avian influenza-related capacity reduction). As of the date of this report, the level of absenteeism of employees at MHP Group's enterprises is at the same level as last year. Management implemented a range of measures for preventing sickness and spread of infection within the company (including remote working, additional medical screenings, corporate transfers and use of protective masks). At the Company’s production facilities, work was organised in shifts of smaller numbers of people to limit contact and minimise the potential spread of infection. In addition, a wait list of potential workers was accumulated, in case replacement of infected persons and those on quarantine would be required.

FINANCIAL HIGHLIGHTS

- Revenue of US$ 443 million, an increase of 2% year-on-year (Q1 2018: US$ 436 million)
- Export revenue of US$ 237 million, comprising 54% of total revenue (Q1 2018: US$ 268 million, 61% of total revenue)
- Operating profit of US$ 47 million, decreased by 6% year-on-year; while operating margin was 11%
- Adjusted EBITDA margin (net of IFRS 16) increased to 20% from 19%; adjusted EBITDA (net of IFRS 16) increased to US$ 90 million from US$ 83 million
- Net loss of US$ 174 million, compared to profit of US$ 33 million for Q1 2019, primarily due to US$ 182 million of non-cash foreign exchange translation loss in Q1 2020, reflecting a [14]% weakening in the Ukraine Hryvnia/US Dollar exchange rate in the quarter, compared to a gain

[1)] results of PP from 21 February 2019 when the acquisition was completed of US$ 21 million in Q1 2019. Net profit before foreign exchange differences for Q1 2020 amounted to USD 8 million, 33% lower than USD 13 million for Q1 2019

FINANCIAL OVERVIEW

(in mln. US$, unless indicated otherwise)	**Q1 2020**	**Q1 2019**	*% change[1)]*
Revenue	**443**	**436**	**2%**
IAS 41 standard gains/(losses)	3	(6)	-150%
Gross profit	**92**	**81**	**14%**
Gross profit margin	*21%*	*19%*	*2pps*
Operating profit	**47**	**50**	**-6%**
Operating profit margin	*11%*	*11%*	*0 pps*
Adjusted EBITDA	**96**	**83**	**16%**
Adjusted EBITDA margin	*22%*	*19%*	*3 pps*
Adjusted EBITDA *(net of IFRS 16)*	**90**	**83**	**8%**
Adjusted EBITDA margin (net of IFRS 16)	*20%*	*19%*	*1 pps*
Net profit before foreign exchange differences	**8**	**12**	**-33%**
Net profit margin before forex (loss)/gain	*2%*	*3%*	*-1 pps*
Foreign exchange (loss)/gain	(182)	21	-967%
Net (loss) profit	**(174)**	**33**	**-627%**
Net (loss) profit margin	*-39%*	*8%*	*-47 pps*

[1)] pps – percentage points

Average official FX rate for Q1: UAH/US$ 25.0525 in 2020 and UAH/US$ 27.3058 in 2019

DIVIDENDS

On 13 April 2020, the Board of Directors approved payment of an interim dividend of USD 0.2803 per share, equivalent to USD 30 million to shareholders on the register as of 24 April 2020. The Board of Directors approved that dividends will not be paid on the Company's shares held in treasury. This dividend was paid to shareholders in Q2 2020.

DIAL-IN DETAILS

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

The dial-in details are:

Time:	14.00 London / 16.00 Kyiv / 09.00 New York
Title:	Financial results for Q1 2020
UK:	+44 203 984 9844
Ukraine:	+380 89 324 0624
USA:	+1 718 866 4614
PIN code:	645982

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

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

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Segment Performance
Poultry and related operations

	Q1 2020	Q1 2019	% change
Poultry			
Sales volume, third parties tonnes	157,729	164,004	-4%
Domestic sales volume, tonnes	*75,681*	*70,959*	*7%*
Export sales volume, tonnes	*82,048*	*93,045*	*-12%*
Average price per 1 kg net of VAT, USD	1.37	1.41	-3%
Average price per 1 kg net of VAT, UAH (Ukraine)	32.38	36.39	-11%
Average price per 1 kg net of VAT, USD (export)	1.45	1.48	-2%
Sunflower oil			
Sales volume, third parties tonnes	80,710	99,826	-19%
Soybeans oil			
Sales volume, third parties tonnes	10,768	15,152	-29%

Chicken meat

The total volume of chicken meat sold to third parties decreased by 4% in Q1 2020 to 157,729 tonnes (Q1 2019: 164,004 tonnes) as a result of a decrease in exports. In Q1 2020, export sales amounted to 82,048 tonnes, down 12% compared to the Q1 2019 export sales volume of 93,045 tonnes. The decrease was due to the temporary closure of export markets following the outbreak of H5N1 avian influenza in Ukraine. Domestic sales volumes increased by 7% year-on-year to 75,681 tonnes, driven by an increased share of frozen chicken (following the strategy to decrease stocks).

Poultry export prices decreased by 2% year-on-year respectively, mainly driven by the product mix change and weaker prices on fillet. Prices on the domestic market decreased by 11% year-on-year mainly due to increased sales of frozen chicken in Ukraine.

Vegetable oil

In Q1 2020, sunflower oil sales amounted to 80,710 tonnes, 19% lower year-on-year, mainly as a result of changes in delivery terms. In Q1 2020, MHP's sales of soybean oil decreased by 29% compared to Q1 2019 to 10,768 tonnes, mainly due to decreases in production as well as changes in delivery terms.

(in mln. US$, unless indicated otherwise)	Q1 2020	Q1 2019	*% change[1)]*
Revenue	**306**	**328**	**-7%**
- Poultry and other	*238*	*253*	*-6%*
- Vegetable oil	*68*	*75*	*-9%*
IAS 41 standard gain	**11**	**11**	**0%**
Gross profit	**67**	**69**	**-3%**
Gross margin	*22%*	*21%*	*1 pps*
Adjusted EBITDA	**68**	**71**	**-4%**
Adjusted EBITDA margin	*22%*	*22%*	*0 pps*
Adjusted EBITDA per 1 kg (net of IAS 41)	*0.36*	*0.37*	*-3%*

[1)] pps – percentage points

As a result of the lower sales volumes of chicken meat and vegetable oil, revenue decreased by 7% in Q1 2020 compared to Q1 2019.

IAS 41 standard gain in Q1 2020 amounted to US$ 11 million (unchanged from Q1 2019) mainly as a result of an increase in chicken meat stocks due to the decrease in sales.

Gross profit of the poultry and related operations segment for Q1 2019 remained almost at the same level as Q1 2018 and amounted to US$ 67 million. Poultry production costs decreased by 7% in Q1 2020 compared to Q1 2019 reflecting lower cost of mixed fodder as well as lower utility costs.

In Q1 2019, adjusted EBITDA decreased by 4%, in line with the decrease in gross profit.

Grain growing operations

(in mln. US unless indicated otherwise)	**Q1 2020**	**Q1 2019**	% change
Revenue	**24**	**52**	**-54%**
IAS 41 standard loss	(8)	(17)	-53%
Gross profit	**(1)**	**4**	**-125%**
Adjusted EBITDA	15	11	36%
Adjusted EBITDA *(net of IFRS 16)*	**9**	**11**	**-18%**

The grain growing segment's revenue for Q1 2020 amounted to US$ 24 million versus US$ 52 million in Q1 2019. The decrease was mainly attributable to the lower stocks of crops designated for sale as of 31 December 2019 compared to 31 December 2018, mainly due to the record yields in 2018.

IAS 41 standard loss for Q1 2020 amounted to US$ 8 million compared with US$ 17 million in Q1 2019. The loss represents the net change in effect of revaluation of agricultural produce (sunflower, corn, wheat and soya) driven by 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

Meat processing products	**Q1 2020**	**Q1 2019**	% change
Sales volume, third parties tonnes	7,860	7,572	4%
Price per 1 kg net VAT, UAH	68.90	65.73	5%

Sales volume of meat processing products increased slightly by 4% year-on-year to 7,860 tonnes compared with 7,572 tonnes in Q1 2019. The average processed meat price increased by 5% year-on-year to UAH 68.90 per kg in Q1 2019.

Convenience food	**Q1 2020**	**Q1 2019**	% change
Sales volume, third parties tonnes	4,039	4,067	-1%
Price per 1 kg net VAT, UAH	40.29	43.43	-7%

Sales volumes of convenience food in Q1 2020 remained relatively stable at 4,039 tonnes. The average price in Q1 2019 decreased by 7% to UAH 40.29 per kg (excluding VAT), due an increase in sales of more affordable product lines.

(in mln. US$, except margin data)	**Q1 2020**	**Q1 2019**	*% change[1)]*
Revenue	**34**	**30**	**13%**
- Meat processing and convenience food	*27*	*24*	*13%*
- Other[2)]	*7*	*6*	*17%*
IAS 41 standard gains/(losses)	**(1)**	**(1)**	**0%**
Gross profit	**5**	**2**	**150%**
Gross margin	*15%*	*7%*	*8 pps*
Adjusted EBITDA	**6**	**3**	**100%**
Adjusted EBITDA margin	*18%*	*10%*	*8 pps*

1) pps – percentage points
2) includes milk, cattle and feed grains.

Segment revenue in 1Q 2020 increased by 13% to US$ 34 million, mainly due to increased sales volume and prices of meat processing products. The segment's adjusted EBITDA increased to US$ 6 million due to higher returns earned from meat processing products and milk operations.

European operating segment (PP)

Poultry	**Q1 2020**	**Q1 2019** *(1 month)[1)]*
Sales volume, third parties tonnes	15,183	5,205
Price per 1 kg net VAT, EUR	2.56	2.57

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

In Q1 2020, poultry sales of the European operating segment, comprising the operations of Perutnina Ptuj which were acquired in February 2019, were 15,183 tonnes with an average price of EUR 2.56.

Meat processing products[1)]	**Q1 2020**	**Q1 2019** *(1 month)[2)]*
Sales volume, third parties tonnes	9,206	2,662
Price per 1 kg net VAT, EUR	2.75	2.69

1) includes sausages and convenience foods
2) results of PP from 21 February 2019 when the acquisition was completed

In Q1 2020, sales of meat processing products by PP amounted to 9,206 tonnes with an average price of EUR 2.75.

(in mln. US$, except margin data)	**Q1 2020**	**Q1 2019** *(1 month)[1)]*
Revenue	**78**	**26**
IAS 41 standard gains/(losses)	**-**	**1**
Gross profit	**20**	**6**
Gross margin	26%	23%
Adjusted EBITDA	**12**	**4**
Adjusted EBITDA margin	15%	15%
Adjusted EBITDA *(net of IFRS 16)*	**11**	**4**
Adjusted EBITDA margin (net of IFRS 16)	14%	15%

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

The European operating segment's revenue in Q1 2020 amounted to US$ 78 million (Q1 2019: US$ 26 million). Adjusted EBITDA (net of IFRS 16) amounted to US$ 11 million for Q1 2020 and US$ 4 million for Q1 2019. The adjusted EBITDA margin (net of IFRS 16) increased from 16% in Q1 2019 to 19% in Q1 2020.

Current Group cash flow

(in mln. US$)	**Q1 2020**	**Q1 2019**
Cash from operations	**77**	**80**
Change in working capital	(116)	62

Net Cash from operating activities	**(39)**	**142**
Cash used in investing activities	**(54)**	**(189)**
Including:		
Net cash outflow on acquisition of subsidiaries	-	(156)
CAPEX[1)]	(21)	(29)
Cash from financing activities	28	113
Total change in cash[2)]	**(65)**	**66**

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

[2)]Calculated as Net Cash from operating activities plus Cash used in investing activities plus Cash used in financing activities

Cash flow from operations before changes in working capital for Q1 2020 amounted to US$ 77 million (Q1 2019 US$ 80 million).

A US$ 116 million investment in working capital during Q1 2020 (compared with a US$ 62 million reduction in Q1 2019) was mostly related to:

- higher investments in inventory (sunflower and soya) designated for internal consumption, mostly due to lower stocks of crops as of 31 December 2019 compared with 31 December 2018;
- investment in inventories, primarily in grain growing entities, in respect of the forthcoming spring sowing campaign (seeds, fertilizers, plant protection products, etc.); and
- an increase in VAT receivable, which is expected to be reimbursed in Q2 2020.

In Q1 2020, total CAPEX amounted to US$ 21 million, mainly related to maintenance and Perutnina Ptuj production facilities.

Debt Structure and Liquidity

(in mln. US$)	**31 March 2020**	**31 December 2019**	**31 March 2019**
Total Debt[1)]	**1,468**	**1,480**	**1,521**
LT Debt[1)]	1,443	1,448	1,255
ST Debt [1)]	65	32	266
Trade credit facilities[2)]	(40)	-	-
Cash and bank deposits	(252)	(341)	(282)
Net Debt[1)]	**1,216**	**1,139**	**1,239**
LTM Adjusted EBITDA[1), 3)]	384	379	476
Net Debt / LTM Adjusted EBITDA[1), 3)]	3.17	3.01	2.60

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

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

[3)] Calculated as if acquisitions of subsidiaries had occurred on the first day of the year. LTM adjusted EBITDA of Perutnina Ptuj d.d amounted to US$ 50 million

As of 31 March 2020, the share of long-term debt in the total outstanding debt remained unchanged and amounted to 98% of total debt. The weighted average interest rate is around 7%.

As of 31 March 2020, MHP's cash and cash equivalents amounted to US$ 252 million. Net debt increased to US$ 1,216 million, versus US$ 1,139 million as at 31 December 2019.

The Net Debt / LTM adjusted EBITDA (net of IFRS 16) ratio was 3.17, which is higher than the limit of 3.0 as of 31 March 2020 as 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 must 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 additional control measures became effective on the date of publication of the audited consolidated financial statements as of and for the year ended 31 December 2019 (the accounts were published on 14 April 2020).

As a hedge for currency risks, revenue from the exports of grain, sunflower and soybean oil, sunflower husks, and chicken meat are denominated in hard currency, more than fully covering debt service expenses. Export revenue for Q1 2020 amounted to US$ 237 million or 54% of total revenue (US$ 268 million or 61% of total sales in Q1 2019).

Outlook

Although the effects of the COVID-10 pandemic did not have a material impact on Q1 performance, and the Company's poultry production facilities have been operating at full capacity since the beginning of April, COVID-19 is expected to have an adverse effect on the Company's earnings in Q2, mainly because of the impact on prices as many global competitors are currently experiencing reduced demand and resulting excess capacity.

With its vertical integration, competitive production costs and market diversification, MHP is well positioned to face these present uncertainties and potential turbulence in demand for poultry meat both in Ukraine and export markets. The Company therefore continues to expect another year of strong performance in 2020.

During the year, MHP foresees progress towards a number of its strategic goals:

- **Further integration of Perutnina Ptuj and overall increase in production**. MHP continues to expect its main drivers of growth in 2020 to be increases in poultry production volumes of c25,000 tonnes from PP and c10,000 tonnes from the Vinnytsia complex, combined with increasing efficiency of grain growing operations driven by optimisation of production costs and land utilization.
- **Transformation from a raw materials company into a 'culinary' company.** A gradual strategic shift towards more customer-centric products is underway. This strategic evolution, which is customer-led and involves MHP working closely with its customers as partners to anticipate their evolving needs, will be rolled-out more extensively over the next several years and will transform the Company's sales from a commodity production base to a branded value-added base delivering higher margin products. This development also further mitigates risks in the movement of raw products for export, such as when avian influenza outbreaks occur in Eastern Europe.
- **Export volume growth**. Driven by the continued implementation of the Company's diversification strategy as well as product mix optimisation - the "right product for the right market" - MHP continues to grow exports to countries within the EU, MENA, CIS and Africa, which should result in around 390,000 tonnes of exports (a 10% increase year-on-year) in 2020.

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 2020

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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 2020 to 31 March 2020 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.

1 June 2020

Members of the Board of Directors:

Chief Executive Officer	Yuriy Kosyuk
Chief Financial Officer	Viktoria Kapelyushnaya
Director	Yuriy Melnyk
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MANAGEMENT REPORT

Key financial highlights

During the three-month period ended 31 March 2020 consolidated revenue increased by 2% to USD 442,712 thousand, compared to USD 435,868 thousand for the three-month period ended 31 March 2019. Export sales of USD 237,390 thousand comprised 54% of total revenue, compared to USD 268,071 thousand and 61% of total revenue for the three-month period ended 31 March 2019. The increase in overall revenue is mainly attributable to the inclusion in 2020 of the results of Perutnina Ptuj for the full three-month period compared with the period from 21 February 2019 when the acquisition of Perutnina Ptuj was completed; this was partly offset by decreases in the price and volume of chicken meat sold.

Gross profit increased by 13% to USD 91,873 thousand for the three-month period ended 31 March 2020 compared to USD 81,060 thousand for the three-month period ended 31 March 2019 mainly due to the inclusion in 2020 of the results of Perutnina Ptuj for the full three-month period as well as an increase in its efficiency.

Operating profit decreased by 7% to USD 47,011 thousand for the three-month period ended 31 March 2020 compared to USD 50,409 thousand for the three-month period ended 31 March 2019, mainly as a result of an increase in administration, sales and distribution expenses primarily due to the inclusion of additional expenses of Perutnina Ptuj.

Continuing operations recorded a loss of USD 172,613 thousand for the three-month period ended 31 March 2020 compared to a profit of USD 33,763 thousand for the three-month period ended 31 March 2019. The loss in 2020 was due to depreciation of the Ukrainian Hryvnia against the US Dollar and EURO in the period, which resulted in a foreign exchange loss of USD 181,951 thousand for the three-month period ended 31 March 2020 compared to gain of USD 20,859 thousand for the three-month period ended 31 March 2019.

Dividends

On 13 April 2020, the Board of Directors approved payment of an interim dividend of USD 0.2803 per share, equivalent to USD 30,000 thousand to shareholders on the register as of 24 April 2020. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury. As at 1 June 2020 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 2019. A detailed explanation of the risks, and how the Group seeks to mitigate the risks, can be found on pages 145 to 149 of the annual report which is available at www.mhp.com.cy.

1 June 2020

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the three-month period ended 31 March 2020
(in thousands of US dollars, unless otherwise indicated)

	Notes	Three-month period ended 31 March 2020	Three-month period ended 31 March 2019
Continuing operations			
Revenue	4	442,712	435,868
Net change in fair value of biological assets and agricultural produce	4	3,043	(6,261)
Cost of sales		(353,882)	(348,547)
Gross profit		91,873	81,060
Selling, general and administrative expenses		(45,407)	(30,493)
Other operating income/(expenses), net		545	(158)
Operating profit		47,011	50,409
Finance income		4,320	1,482
Finance costs	10, 11	(37,296)	(35,656)
Foreign exchange (loss)/gain, net	5, 15	(181,951)	20,859
Other expenses, net		(3,464)	(1,271)
Other expenses, net		(218,391)	(14,586)
(Loss)/Profit before tax		(171,380)	35,823
Income tax expense		(1,233)	(2,060)
(Loss)/Profit for the period from continuing operations	5	(172,613)	33,763
Discontinued operations			
Loss for the year from discontinued operations	3	(1,482)	(416)
(Loss)/Profit for the period		(174,095)	33,347

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 2020
(in thousands of US dollars, unless otherwise indicated)

Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss:		
Cumulative translation difference	(204,125)	13,299
Other comprehensive (loss)/income for the period	(204,125)	13,299
Total comprehensive (loss)/income for the period	(378,220)	46,646
(Loss)/Profit attributable to:		
Equity holders of the Parent	(174,794)	34,050
Non-controlling interests	699	(703)
	(174,095)	33,347
Total comprehensive (loss)/income attributable to:		
Equity holders of the Parent	(376,509)	47,336
Non-controlling interests	(1,711)	(690)
	(378,220)	46,646
(Loss)/Earnings per share from continuing and discontinued operations		
Basic and diluted (loss)/earnings per share (USD per share)	(1.63)	0.32
(Loss)/Earnings per share from continuing operations		
Basic and diluted (loss)/earnings per share (USD per share)	(1.62)	0.32

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 2020

(in thousands of US dollars, unless otherwise indicated)

	Notes	31 March 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,738,364	2,049,298
Right-of-use asset		193,507	229,244
Goodwill	3	62,526	64,843
Intangible assets		95,412	106,522
Non-current biological assets		25,188	29,652
Long-term bank deposits		3,262	3,298
Deferred tax assets		1,792	2,284
Other non-current assets		21,802	23,713
		2,141,853	2,508,854
Current assets			
Inventories	8	277,809	208,389
Biological assets		192,743	205,747
Agricultural produce	8	141,303	215,816
Other current assets, net		85,890	52,573
Taxes recoverable and prepaid, net		57,140	30,030
Trade accounts receivable, net		121,446	124,474
Cash and cash equivalents		251,770	340,735
Assets classified as held for sale	3	-	3,877
		1,128,101	1,181,641
TOTAL ASSETS		3,269,954	3,690,495
EQUITY AND LIABILITIES			
Equity			
Share capital	9	284,505	284,505
Treasury shares		(44,593)	(44,593)
Additional paid-in capital		174,022	174,022
Revaluation reserve		701,642	862,435
Retained earnings		1,134,112	1,148,113
Translation reserve		(1,043,903)	(842,188)
Equity attributable to equity holders of the Parent		1,205,785	1,582,294
Non-controlling interests	3	11,861	13,572
Total equity		1,217,646	1,595,866
Non-current liabilities			
Bank borrowings	10	68,998	75,880
Bonds issued	11	1,367,047	1,365,669
Lease liabilities		128,595	151,789
Deferred revenues	6	42,114	49,933
Deferred tax liabilities		49,044	55,305
Other non-current liabilities		5,863	5,872
		1,661,661	1,704,448
Current liabilities			
Trade accounts payable		148,052	147,334
Other current liabilities	12	88,318	131,994
Bank borrowings	10	59,699	24,945
Accrued interest	10,11	35,246	21,789
Lease liabilities		59,332	64,074
Liabilities directly associated with assets classified as held for sale	3	-	45
		390,647	390,181
TOTAL LIABILITIES		2,052,308	2,094,629
TOTAL EQUITY AND LIABILITIES		3,269,954	3,690,495

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 2020
(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 2020	284,505	(44,593)	174,022	862,435	1,148,113	(842,188)	1,582,294	13,572	1,595,866
Profit for the period	-	-	-	-	(174,794)	-	(174,794)	699	(174,095)
Other comprehensive (loss)/income	-	-	-	-	-	(201,715)	(201,715)	(2,410)	(204,125)
Total comprehensive (loss)/income 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	-	-	-	-
Balance as of 31 March 2020	284,505	(44,593)	174,022	701,642	1,134,112	(1,043,903)	1,205,785	11,861	1,217,646

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 2019
(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 2019	284,505	(44,593)	174,022	642,800	1,040,327	(1,015,591)	1,081,470	16,536	1,098,006
Profit for the period	-	-	-	-	34,050	-	34,050	(703)	33,347
Other comprehensive income	-	-	-	-	-	13,286	13,286	13	13,299
Total comprehensive income for the period	-	-	-	-	34,050	13,286	47,336	(690)	46,646
Transfer from revaluation reserve to retained earnings	-	-	-	(17,805)	17,805	-	-	-	-
Dividends declared by the Parent	-	-	-	-	(80,000)	-	(80,000)	-	(80,000)
Non-controlling interests acquired (Note 3)	-	-	-	-	-	-	-	16,729	16,729
Translation differences on revaluation reserve	-	-	-	10,093	(10,093)	-	-	-	-
Balance as of 31 March 2019	284,505	(44,593)	174,022	635,088	1,002,089	(1.002,305)	1,048,806	32,575	1,081,381

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 CASH FLOWS
for the three-month period ended 31 March 2020
(in thousands of US dollars, unless otherwise indicated)

	Notes	Three-month period ended 31 March 2020	Three-month period ended 31 March 2019
Operating activities			
(Loss)/Profit before tax		(171,380)	35,823
Non-cash adjustments to reconcile profit before tax to net cash flows			
Profit/(Loss) before tax from discontinued operations		(1,482)	(416)
Depreciation and amortization expense	4	49,395	33,059
Net change in fair value of biological assets and agricultural produce	4	(3,043)	6,261
Change in allowance for irrecoverable amounts and direct write-offs		429	(311)
Loss/(Gain) on disposal of property, plant and equipment and other non-current assets		470	(211)
Finance income		(4,320)	(1,482)
Finance costs		37,296	35,656
Released deferred revenue		(408)	-
Non-operating foreign exchange loss/(gain), net		181,951	(20,859)
Operating cash flows before movements in working capital		88,908	87,520
Working capital adjustments			
Change in inventories	8	(102,256)	(7,524)
Change in biological assets		(19,781)	(17,487)
Change in agricultural produce	8	35,586	48,998
Change in other current assets		(3,081)	(12,747)
Change in taxes recoverable and prepaid		(35,965)	807
Change in trade accounts receivable		(10,872)	(6,500)
Change in other liabilities		(6,553)	3,464
Change in trade accounts payable		26,911	52,721
Cash generated by operations		(27,103)	149,252
Interest received		4,320	1,482
Interest paid		(15,790)	(7,176)
Income taxes paid		(800)	(1,402)
Net cash flows from operating activities		(39,373)	142,156
Investing activities			
Purchases of property, plant and equipment	7	(21,489)	(28,578)
Purchases of other non-current assets		-	(655)
Purchase of land lease rights		-	(2,532)
Proceeds from disposals of property, plant and equipment		739	365
Purchases of non-current biological assets		(669)	(385)
Acquisition of subsidiaries, net of cash acquired	3	-	(155,955)
Payments for renewal of lease agreements		(119)	-
Proceeds from disposals of assets held for sale	3	2,700	-
Loans provided to employees, net		(1,799)	(1,156)
Loans provided to related parties	12	(33,524)	(27)
Net cash flows used in investing activities		(54,161)	(188,923)
Financing activities			
Proceeds from bank borrowings		48,034	171,652
Repayment of bank borrowings		(17,486)	(56,492)
Repayment of lease obligations		(1,926)	(1,292)
Transaction costs related to bank loans received		-	(697)
Net cash flows from financing activities		28,622	113,171
Net decrease in cash and cash equivalents		(64,912)	66,404
Net foreign exchange difference		(24,053)	3,430
Cash and cash equivalents at 1 January		340,735	211,768
Cash and cash equivalents at 31 March		251,770	281,602

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 2020
(in thousands of US dollars, unless otherwise indicated)

	Notes	Three-month period ended 31 March 2020	Three-month period ended 31 March 2019
Non-cash transactions			
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor		-	981
Additions of property, plant and equipment under finance leases		-	255
Property, plant and equipment purchased for credit		1,144	-
Non-cash repayments of lease liabilities		10,842	-

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2020

(in thousands of US dollars, unless otherwise indicated)

1. Corporate information

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

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

The principal business activities of the Group are poultry and related operations, grain growing, as well as meat processing and other agricultural operations (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. Meat processing and other agricultural operations comprise the production and sale of cooked meat, sausages, convenience food products, milk and feed grains. During the three-month period ended 31 March 2020 the Group employed 31,277 people (31 December 2019: 31,427 people).

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

Name	*Country of registration*	*Year established/ acquired*	*Principal activities*	*31 March 2020*	*31 December 2019*
Raftan Holding Limited	Cyprus	2006	Sub-holding Company	100.0%	99.9%
Hemiak Investments Limited	Cyprus	2018	Sub-holding Company	100.0%	100.0%
MHP Lux S.A.	Luxembourg	2018	Finance Company	100.0%	100.00%
Myronivsky Hliboprodukt	Ukraine	1998	Management, marketing and sales	99.9%	99.9%
Myronivsky Plant of Manufacturing Feeds and Groats	Ukraine	1998	Fodder and vegetable oil production	88.5%	88.5%
Vinnytska Ptakhofabryka	Ukraine	2011	Chicken farm	99.9%	99.9%
Peremoga Nova	Ukraine	1999	Breeder farm	99.9%	99.9%
Oril-Leader	Ukraine	2003	Chicken farm	99.9%	99.9%
Myronivska Pticefabrika	Ukraine	2004	Chicken farm	99.9%	99.9%
Starynska Ptakhofabryka	Ukraine	2003	Breeder farm	100.0%	100.0%
Zernoprodukt MHP	Ukraine	2005	Grain cultivation	99.9%	99.9%
Katerinopilskiy Elevator	Ukraine	2005	Fodder production and grain storage, vegetable oil production	99.9%	99.9%
SPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	99.9%
Agrofort	Ukraine	2006	Grain cultivation	99.9%	99.9%
Urozhayna Krayina	Ukraine	2010	Grain cultivation	99.9%	99.9%
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9%	79.9%
AgroKryazh	Ukraine	2013	Grain cultivation	51.0%	51.0%
Agro-S	Ukraine	2013	Grain cultivation	51.0%	51.0%
Zakhid-Agro MHP	Ukraine	2015	Grain cultivation	100.0%	100.0%
Perutnina Ptuj d.d.	Slovenia	2019	Chicken farm	100.0%	100.0%
MHP Food Trading	United Arab Emirates	2016	Trading in vegetable oil, grain and 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 2020

(in thousands of US dollars, unless otherwise indicated)

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the three-month period ended 31 March 2020 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 2019 statement of financial position was derived from the audited consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

Adoption of new and revised International Financial Reporting Standards

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

Functional and presentation currencies

The functional currency of Ukrainian companies of the Group is the Ukrainian Hryvnia ("UAH"); the functional currency of the Cyprus companies and Luxembourg company of the Group is US Dollars ("USD"), the functional currency of the Slovenian companies of the Group is EURO ("EUR"). Transactions in currencies other than the functional currency of the entities concerned are treated as transactions in foreign currencies. Such transactions are initially recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. All realized and unrealized gains and losses arising on exchange differences are recognized in the consolidated statement of profit or loss and other comprehensive income for the period.

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

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

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

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

The following exchange rates were used:

Currency	*Closing rate as of 31 March 2020*	*Average for three months ended 31 March 2020*	*Closing rate as of 31 December 2019*	*Average for three months ended 31 March 2019*
UAH/USD	28.0615	25.0525	23.6862	27.3058
UAH/EUR	30.9617	27.6154	26.4220	31.0293

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2020

(in thousands of US dollars, unless otherwise indicated)

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

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

Seasonality of operations

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

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

3. Changes in the group structure

Discontinued operation

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

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

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

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

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

Acquisitions

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2020

(in thousands of US dollars, unless otherwise indicated)

Acquisitions *(continued)*

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

1) includes USD 16,466 thousand of lease liabilities recognised in accordance with the adoption of IFRS 16.
2) At the date of acquisition, there were 200,488 treasury shares

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

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

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

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

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

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

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

Changes in non-controlling interests in subsidiaries

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2020

(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 2020:

	Poultry and related operations	*Grain growing operations*	*Meat processing and other agricultural operations*	*Europe operating segment*	*Total reportable segments*	*Eliminations*	*Consolidated*
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)	-
Total revenue	314,941	94,622	34,129	77,924	521,616	(78,904)	442,712
Segment result	42,788	(1,474)	3,716	6,913	51,943	-	51,943
Unallocated corporate expenses							(4,932)
Other expenses, net [1]							(218,391)
Loss before tax from continuing operations							(171,380)
Other information:							
Depreciation and amortization expense [2]	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

[1] Includes finance income, finance costs, foreign exchange loss (net) and other expenses (net).

[2] 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.

The following table presents revenue and profit information regarding the Group's operating segments for the three-month period ended 31 March 2019:

	Poultry and related operations	*Grain growing operations*	*Meat processing and other agricultural operations*	*Europe operating segment*	*Total reportable segments*	*Eliminations*	*Consolidated*
External sales	327,677	52,510	29,999	25,682	435,868	-	435,868
Sales between business segments	10,507	40,547	66	-	51,120	(51,120)	-
Total revenue	338,184	93,057	30,065	25,682	486,988	(51,120)	435,868
Segment result	48,915	3,775	1,360	2,923	56,973	-	56,973
Unallocated corporate expenses							(6,564)
Other expenses, net [1]							(14,586)
Profit before tax from continuing operations							35,823
Other information:							
Depreciation and amortization expense [2]	22,582	7,484	1,743	883	32,692	-	32,692
Net change in fair value of biological assets and agricultural produce	10,519	(16,822)	(541)	583	(6,261)	-	(6,261)

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

[2] Depreciation and amortization for the three-month period ended 31 March 2019 does not include unallocated depreciation and amortization in the amount of USD 501 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the three-month period ended 31 March 2020
(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 2020 increased by 13% to USD 91,873 thousand compared to USD 81,060 thousand for the three-month period ended 31 March 2019. The increase was mainly attributable to the inclusion in 2020 of the results of Perutnina Ptuj for the full three-month period compared with the period from 21 February 2019 when the acquisition of Perutnina Ptuj was completed.

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

Continuing operations recorded a loss of USD 172,613 thousand for the three-month period ended 31 March 2020 compared to a profit of USD 33,763 thousand for the three-month period ended 31 March 2019. The loss in 2020 was due to an unrealized foreign exchange loss of USD 181,951 thousand for the three-month period ended 31 March 2020, mostly attributable to the effect of UAH depreciation against USD and EUR on bonds and bank borrowings denominated in foreign currencies; this compared to a foreign exchange gain of USD 20,859 thousand for the three-month period ended 31 March 2019.

6. Deferred revenues

Ukrainian Government supports domestic agri producers to encourage investment in the agricultural sector. According to the Law "On the State Budget for 2020", UAH 4,240 million were allocated to support the agricultural sector in 2020 via compensation program, including UAH 1,000 million to support the livestock sector (the limit of such support received during one year being up to UAH 50 million for one agri producer and related entities), and UAH 1,000 million to purchase agricultural machinery produced in Ukraine. During the year ended 31 December 2019, the Group received government grants in accordance to the compensation program for construction and reconstruction of livestock farms in an amount of UAH 198,563 thousand (USD 7,554 thousand) and compensation for purchase of agricultural machinery produced in Ukraine in amount of UAH 10,239 thousand (USD 395 thousand). During the three-month period ended 31 March 2020, the Group has not received any government grants in accordance with these programs.

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

During the three-month period ended 31 March 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 totaling USD 1,743 thousand (year ended 31 December 2019: USD 4,063 thousand).

7. Property, plant and equipment

During the three-month period ended 31 March 2020, the Group's additions to property, plant and equipment amounted to USD 22,633 thousand (three-month period ended 31 March 2019: USD 29,814 thousand) mainly related to investments in maintenance and Perutnina Ptuj production facilities.

There were no significant disposals of property, plant and equipment during the three-month period ended 31 March 2020.

The 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 2020 compared to 31 December 2019 is mainly attributable to costs incurred by grain growing entities in respect of the forthcoming spring sowing campaign as well as higher investments in sunflower and soya designated for internal consumption mostly due to a lower stock of crops as of 31 December 2019 compared to 31 December 2018.

A decrease of agricultural produce for the three-month period ended 31 March 2020 was mainly as a result of internal consumption of corn, wheat, soybeans and sunflower.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2020

(in thousands of US dollars, unless otherwise indicated)

9. Share capital

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

	31 March 2020	*31 December 2019*
Number of shares issued and fully paid	110,770,000	110,770,000
Number of shares outstanding	107,038,208	107,038,208

The authorized share capital as of 31 March 2020 and 31 December 2019 was EUR 221,540 thousand represented by 110,770,000 shares with par value of EUR 2 each.

All shares have equal voting rights and rights to receive dividends, which are payable at the discretion of the Group.

10. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 31 March 2020 and 31 December 2019:

		31 March 2020		*31 December 2019*	
Bank	*Currency*	*WAIR [1)]*	*USD' 000*	*WAIR [1)]*	*USD' 000*
Non-current					
Foreign banks	EUR	3.63%	68,998	3.64%	75,880
			68,998		75,880
Current					
Ukrainian banks	UAH	12.20%	15,323		-
Ukrainian banks	EUR	2.75%	21,295		-
Foreign banks	EUR	2.71%	2,941	2.72%	4,406
Current portion of long-term bank borrowings	EUR		20,140		20,539
			59,699		24,945
Total bank borrowings			128,697		100,825

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

As of 31 March 2020 and 31 December 2019, 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 2020 and 31 December 2019 were repayable as follows:

	31 March 2020	*31 December 2019*
Within one year	59,699	24,945
In the second year	16,237	17,484
In the third to fifth year inclusive	52,761	27,837
After five years	-	30,559
	128,697	100,825

As of 31 March 2020, the Group had available undrawn facilities of USD 214,707 thousand (31 December 2019: USD 224,683 thousand). These undrawn facilities expire during the period from June 2020 until March 2023.

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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 2020 and year ended 31 December 2019 the Group has complied with all covenants imposed by banks providing the borrowings.

As of 31 March 2020, the Group had borrowings of USD 47,289 thousand that were secured by property, plant and equipment with a carrying amount of USD 94,532 thousand (31 December 2019: USD 49,731 thousand and USD 99,978 thousand respectively).

As of 31 March 2020, the Group had borrowings of USD 10,261 thousand that were secured by agricultural produce with a carrying amount of USD 12,826 thousand (31 December 2019: USD 19,000 thousand and USD 23,750 thousand respectively).

As of 31 March 2020, the deposit with carrying amount of USD 3,263 thousand (31 December 2019: USD 3,298 thousand) was restricted as collateral to secure bank borrowings.

As of 31 March 2020 and 31 December 2019, accrued interest on bank borrowings was USD 714 thousand and USD 1,033 thousand, respectively.

11. Bonds issued

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

	31 March 2020	*31 December 2019*
7.75% Senior Notes due in 2024	500,000	500,000
6.95% Senior Notes due in 2026	550,000	550,000
6.25% Senior Notes due in 2029	350,000	350,000
Unamortized debt issuance cost	(32,953)	(34,331)
Total long-term portion of bonds issued	1,367,047	1,365,669

As of 31 March 2020 and 31 December 2019 amount of accrued interest on bonds issued was USD 34,532 thousand and USD 20,756 thousand, respectively.

6.25% Senior Notes

On 19 September 2019, MHP Lux S.A., a public company with limited liability (société anonyme) incorporated in 2018 under the laws of the Grand Duchy of Luxembourg, issued USD 350,000 thousand 6.25% Senior Notes due in 2029 at par value. Received funds were used to satisfy and discharge 8.25% Senior Notes due in April 2020, debt refinancing and general corporate purposes.

All expenses associated with placement of 6,25% Senior Notes amounted to USD 2,888 thousand were capitalized.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2019

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11. Bonds issued *(continued)*

6.95% Senior Notes

On 3 April 2018, MHP Lux S.A., a public company with limited liability (société anonyme) incorporated in 2018 under the laws of the Grand Duchy of Luxembourg, issued USD 550,000 thousand 6.95% Senior Notes due in 2026 at par value. Out of the total issue amount USD 416,183 thousand were designated for redemption and exchange of existing 8.25% Senior Notes due in 2020.

Early redemption of 8.25% Senior Notes due in 2020 out of issue of 6.95% Senior Notes due in 2026, which were placed with the same holders and where the change in the net present value of the future cash flows discounted using the original effective interest rate was less than 10% was accounted as an exchange and thus, all the related expenses, including part of consent fees, were capitalized and will be amortised over the maturity period of the 6.95% Senior Notes due in 2026.

The part of expenses, connected with placement of 6,95% Senior Notes amounted to USD 11,564 thousand were capitalized, including USD 10,413 thousands related to the exchange. All other related expenses in the amount of USD 32,915 thousand were expensed as incurred.

As a result of a non-substantial modification, the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate was recognised as a gain in the amount of USD 4,733 thousand at the date of modification in the consolidated statement of profit or loss.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP SE, PrJSC “Myronivsky Hliboprodukt”, PJSC “Myronivsky Plant of Manufacturing Feeds and Groats”, PrJSC “Zernoprodukt MHP”, PrJSC “Agrofort”, PrJSC “Oril-Leader”, PrJSC “Myronivska Pticefabrika”, “SPF “Urozhay” LLC, “Starynska Ptakhofabryka” ALLC, “Vinnytska Ptakhofabryka” LLC, “Peremoga Nova” SE, “Katerinopolskiy Elevator” LLC, Scylla Capital Limited and Raftan Holding Limited.

Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by the indenture, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may, upon written notice to the Group, declare all outstanding Senior Notes to be due and payable immediately. If a change of control occurs, the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

7.75% Senior Notes

On 10 May 2017, MHP SE issued USD 500,000 thousand 7.75% Senior Notes due in 2024 at par value. Out of the total issue amount USD 245,200 thousand were designated for redemption and exchange of existing 8.25% Senior Notes due in 2020.

Early redemption of 8.25% Senior Notes due in 2020 out of issue of 7.75% Senior Notes due in 2024, which were placed with the same holders and where the change in the net present value of the future cash flows discounted using the original effective interest rate was less than 10% was accounted as an exchange and thus, all the related expenses, including part of consent fees, were capitalized and will be amortised over the maturity period of the 7.75% Senior Notes due in 2024.

The part of expenses, connected with placement of 7.75% Senior Notes amounted to USD 9,830 thousand were capitalized, including USD 7,318 thousands related to the exchange. All other related expenses, including part of consent fees, in the amount of USD 4,599 thousand were expensed as incurred.

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

The Senior Notes are jointly and severally guaranteed on a senior basis by PrJSC “Myronivsky Hliboprodukt”, PJSC “Myronivsky Plant of Manufacturing Feeds and Groats”, PrJSC “Zernoprodukt MHP”, PrJSC “Agrofort”, PrJSC “Oril-Leader”, PrJSC “Myronivska Pticefabrika”, “SPF “Urozhay” LLC, “Starynska Ptakhofabryka”

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2019

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11. Bonds issued *(continued)*

7.75% Senior Notes *(continued)*

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 2020 and 31 December 2019.

As at 31 March 2020 the leverage ratio of the Group is 3.17 to 1 (31 December 2019: 3.01 to 1), higher than the defined limit 3.0 to 1. Thus, since 13 April 2020, the date of publication of audited consolidated financial statements as of and for the year ended 31 December 2019, the aforementioned restrictions are binding on the Group.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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12. Related party balances and transactions *(continued)*

Transactions with related parties during the three-month periods ended 31 March 2020 and 31 March 2019 were as follows:

	2020	*2019*
Loans provided to key management personnel	1,738	1,178
Sales of goods	72	-
Purchases from related parties	6	6
Loans provided	33,524	27
Interest charged on loans and finance aid provided	748	107

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

	2020	*2019*
Loans and finance aid receivable	56,304	24,845
Less: allowance for unrecoverable amounts	(2,742)	(3,128)
	53,805	21,717
Loans to key management personnel	5,675	4,945
Trade accounts receivable	109	197
Payables due to related parties	17	19

Loans and finance aid receivable

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

As of 31 March 2020, the Group had advanced loans to WTI in the aggregate amount of USD 53,900 thousand (31 December 2019: USD 20,400 thousand). The loans, with a maturity in June - December 2020, bear interest at a rate of 8.25% and are unsecured.

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 3,547 thousand and USD 2,335 thousand for the periods ended 31 March 2020 and 2019, respectively. Compensation of key management personnel consists of contractual salary and performance bonuses.

13. Contingencies and contractual commitments

Operating environment

Since 2016, the Ukrainian economy has demonstrated signs of stabilization after years of political and economic tension. Real GDP decreased by around 0.8% year on year for the three-month periods ended 31 March 2020 (2019: growth 3.5%) and annual inflation was modest at 2.3% (2018: 8.6%).

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 European Union (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") from 20 June 2019 has lifted the surrender requirement for foreign currency proceeds, cancelled all limits on repatriation of dividends since July 2019 and gradually decreased its discount rate for the first time in two years, from 18.0% in April 2019 to 8.0% in April 2020.

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13. Contingencies and contractual commitments *(continued)*

The degree of macroeconomic uncertainty in Ukraine in 2020 still remains high due to a significant amount of public debt scheduled for repayment in 2020, which requires mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. At the same time, Ukraine has passed through the period of presidential and parliamentary elections. All newly elected authorities have demonstrated their commitment to introduce reforms in order to boost economic growth, while maintaining macro-fiscal stability and liberalizing economic environment. These changes have resulted in, inter alia, an improved Fitch's rating of Ukraine's Long-Term Foreign- and Local-Currency Issuer Default Ratings from 'B-' to 'B', with a positive outlook.

Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned structural reforms and effective cooperation with the International Monetary Fund (the "IMF").

In addition, starting from early 2020 the new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in the announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets.

The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Ukrainian economy.

Management has considered all available information about the future, including the impact of the COVID-19 outbreak on customers, suppliers and staff, as well as actual and projected foreseeable impact from other various factors. Although the impact of COVID-19 on First Quarter results was not material, Management expects an adverse impact on Second Quarter earnings, mainly because of the impact on prices as many global competitors are currently experiencing reduced demand and resulting excess capacity. Management will continue to monitor the situation closely and will assess the need for additional measures in case the period of disruption becomes prolonged.

Taxation and legal issues

Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. The local and national tax environment is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and fines. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and fines, and these amounts could be material. While the Group believes it has complied with local tax legislation, there are new significant changes to the tax legislation that may be introduced in the near future.

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

The Group exports vegetable oil, chicken meat and related products, and performs intercompany transactions, which may potentially be in the scope of the Ukrainian transfer pricing ("TP") regulations. The Group has submitted the controlled transaction report for the year ended 31 December 2018 within the required deadline, and is in the process of preparation of all necessary documentation on controlled transactions for the years ended 31 December 2019 as required by legislation and plans to submit reports by 1st October 2020.

As of 31 March 2020, the Group's management assessed its possible exposure to tax risks for a total amount of USD 5,964 thousand related to corporate income tax (31 December 2019: USD 6,516 thousand). No provision was recognised relating to such possible tax exposure.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2020

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13. Contingencies and contractual commitments *(continued)*

As of 31 March 2020, companies of the Group were engaged in ongoing litigation with tax authorities for the amount of USD 19,370 (31 December 2019: USD 23,201 thousand), including USD 9,138 thousand (31 December 2019: USD 11,016 thousand) of litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. Of this amount, USD 1,149 thousand as of 31 March 2020 (31 December 2019: USD 1,241 thousand) relates to cases where court hearings have taken place and where the court in either the first or second instance has already ruled in favour of the Group.

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

Contractual commitments on purchase of property, plant and equipment

During the three-month period ended 31 March 2020, the companies of the Group entered into a number of contracts with foreign suppliers for the purchase of property, plant and equipment for the development of agricultural operations. As of 31 March 2020, purchase commitments on such contracts were primarily related to improvement of slaughtering facilities of Perutnina Ptuj and expansion of the Vinnytsya poultry complex and amounted to USD 11,991 thousand (31 December 2019: USD 10,340 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, and trade accounts payable due to the short-term nature of the financial instruments.

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

	Carrying amount		*Fair value*	
	31 March 2020	*31 December 2019*	*31 March 2020*	*31 December 2019*
Financial liabilities				
Bank borrowings *(Note 10)*	129,411	101,858	128,942	99,417
Senior Notes due in 2024, 2026, 2029 *(Note 11)*	1,401,579	1,386,425	1,152,234	1,468,144
Lease obligations	187,927	215,863	187,510	243,352

The carrying amount of Bank borrowings and Senior Notes issued includes interest accrued at each of the respective dates. The carrying amount of lease liabilities as at 31 March 2020 includes USD 176,431 thousand of land lease liabilities.

The fair value of bank borrowings and lease liabilities was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings 5.4% (31 December 2019: 5.4%) and for lease liabilities 18% (31 December 2019: 18.0%), and is within Level 2 of the fair value hierarchy. The market rate applied to the land lease obligations is 12%.

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

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15. Risk management policy

During the three-month period ended 31 March 2020 there were no changes to objectives, policies and processes for credit risk, capital risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk and commodity price and procurement risk managing.

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 2020 and 31 December 2019 were as follows:

	31 March 2020		*31 December 2019*	
	USD	*EUR*	*USD*	*EUR*
Total assets	211,594	9,668	162,672	14,190
Total liabilities	1,405,188	88,245	1,388,664	70,968

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*
2020		
Increase in USD exchange rate	10%	(119,359)
Increase in EUR exchange rate	10%	(7,858)
Decrease in USD exchange rate	5%	59,680
Decrease in EUR exchange rate	5%	3,929
2019		
Increase in USD exchange rate	10%	(122,599)
Increase in EUR exchange rate	10%	(5,678)
Decrease in USD exchange rate	5%	61,300
Decrease in EUR exchange rate	5%	2,839

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 2020, the Ukrainian Hryvnia depreciated against the EUR by 14.7% and against the USD by 8.5% (three-month period ended 31 March 2019: appreciated against the EUR and USD by 3.8% and 1.6% respectively). As a result, during the three-month period ended 31 March 2020 the Group recognized a net foreign exchange loss in the amount of USD 181,951 thousand (three-month period ended 31 March 2019: foreign exchange gain in the amount of USD 20,593 thousand) in the consolidated statement of profit or loss and other comprehensive income.

16. Subsequent events

On 13 April 2020, the Board of Directors approved payment of an interim dividend of USD 0.2803 per share, equivalent to USD 30,000 thousand to shareholders on the register as of 24 April 2020. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury. As at 1 June 2020 dividends were fully paid to shareholders.

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 1 June 2020.