



09 September 2021, Limassol, Cyprus

MHP SE

Financial Results for the Second Quarter and Six Months Ended 30 June 2021

MHP SE (LSE:MHPC), the parent company of a leading international agro-industrial group with headquarters in Ukraine, today announces its results for the second quarter and six months ended 30 June 2021. Hereinafter, MHP SE and its subsidiaries are referred to as “MHP”, “The Company” or “The Group”.

Starting from the publication of its financial results for Q1 2021, MHP shows relevant comparisons of results not only year-on-year but also to the preceding period. Accordingly, Q2 2021 results in Poultry, Meat Processing and European Operating segments are compared not only with Q2 2020 but also with Q1 2021. For Grain Growing Operations, where results are driven by seasonality effects, this comparison is not relevant.

OPERATIONAL HIGHLIGHTS

Q2 2021

- Poultry production volume increased by 5% year-on-year to 190,908 tonnes (Q2 2020: 181,291 tonnes). Poultry production volumes of the European Operating Segment (Perutnina Ptuj or PP) amounted to 29,455 tonnes (Q2 2020: 26,101 tonnes).
- The average chicken meat price increased by 31% year-on-year to US\$ 1.67 per kg (Q2 2020: US\$ 1.27 per kg) (excluding VAT). The average price of poultry meat produced by PP during Q2 2021 was EUR 2.53 per kg (Q2 2020: EUR 2.50 per kg).
- Chicken meat exports totaled 109,055 tonnes, an increase of 23% compared to 88,505 tonnes in Q2 2020.

H1 2021

- Poultry production volume slightly decreased to 357,531 tonnes (H1 2020: 359,931 tonnes). Poultry production volumes of PP amounted to 54,117 tonnes (H1 2020: 49,959 tonnes).
- The average chicken meat price increased by 18% year-on-year to US\$ 1.56 per kg (H1 2020: US\$ 1.32 per kg) (excluding VAT). The average price of poultry meat produced by PP was EUR 2.51 per kg (1H 2020: EUR 2.53 per kg).
- Chicken meat exports increased by 12% to 191,315 tonnes compared to 170,553 tonnes in H1 2020.

FINANCIAL HIGHLIGHTS

Q2 2021

- Revenue increased to US\$ 542 million, up 28% year-on-year (Q2 2020: US\$ 425 million).
- Export revenue increased to US\$ 285 million, 32% higher year-on-year, representing 53% of total revenue (Q2 2020: US\$ 215 million, 51% of total revenue).
- Operating profit increased to US\$ 239 million, up 163% year-on-year (Q2 2020: US\$ 91 million); operating margin more than doubled to 44% (Q2 2020: 21%).
- Adjusted EBITDA (net of IFRS 16) increased by 120% to US\$ 277 million; adjusted EBITDA margin (net of IFRS 16) increased from 30% to 51%.
- Net profit increased to US\$ 231 million, compared to US\$ 112 million in Q2 2020, including non-cash foreign exchange gains of US\$ 31 million (Q2 2020: US\$ 52 million). Net profit before foreign exchange differences amounted to US\$ 201 million compared to US\$ 60 million in Q2 2020.

H1 2021

- Revenue increased to US\$ 989 million, up by 14% year-on-year (H1 2020: US\$ 867 million).

- Export revenue increased to US\$ 502 million, 11% higher year-on-year representing 51% of total revenue (H1 2020: US\$ 453 million, 52% of total revenue).
- Operating profit increased to US\$ 255 million, up 85% year-on-year and operating margin increased from 16% to 26%.
- Adjusted EBITDA (net of IFRS 16) increased by 55% to US\$ 334 million; adjusted EBITDA margin (net of IFRS 16) increased from 25% to 34%.
- Net profit increased to US\$ 232 million, compared to a loss of US\$ 62 million in H1 2020, primarily reflecting a US\$ 51 million non-cash foreign exchange gain in H1 2021 compared with a US\$ 129 million foreign exchange loss in H1 2020). Net profit before foreign exchange differences amounted to US\$ 182 million compared to US\$ 67 million in H1 2020.

FINANCIAL OVERVIEW

(in mln. US\$, unless indicated otherwise)	Q2 2021	Q2 2020	% change ¹⁾	H1 2021	H1 2020	% change ¹⁾
Revenue	542	425	28%	989	867	14%
IAS 41 standard gains	146	43	240%	125	46	172%
Gross profit	292	127	130%	358	219	63%
Gross profit margin	54%	30%	24 pps	36%	25%	11 pps
Operating profit	239	91	163%	255	138	85%
Operating profit margin	44%	21%	23 pps	26%	16%	10 pps
Adjusted EBITDA	281	129	118%	344	226	52%
Adjusted EBITDA margin	52%	30%	22 pps	35%	26%	9 pps
Adjusted EBITDA (net of IFRS 16)	277	126	120%	334	216	55%
Adjusted EBITDA margin (net of IFRS 16)	51%	30%	21 pps	34%	25%	9 pps
Net profit before foreign exchange differences	201	60	235%	182	67	172%
Net profit margin before forex gain	37%	14%	23 pps	18%	8%	10 pps
Foreign exchange result	31	52	-40%	51	(129)	140%
Net profit/(loss)	231	112	106%	232	(62)	474%
Net profit margin	43%	26%	17 pps	23%	-7%	30 pps

¹⁾ pps – percentage points

Average official FX rate for Q2 2021 UAH/US\$ 27.59 and for Q2 2020 UAH/US\$ 26.91

Average official FX rate for H1 2021 UAH/US\$ 27.78 and for H1 2020 UAH/US\$ 25.98

DIVIDENDS

On 28 April 2021, shareholders of MHP at the AGM approved payment of an annual dividend of US\$ 0.2803 per share, equivalent to US\$ 30 million, to shareholders on the register as of 07 May 2021. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury. As of 30 June 2021, dividends were fully paid to shareholders.

DIAL-IN DETAILS

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

The dial-in details are:

Time:	14.00 London / 16.00 Kyiv / 09.00 New York
Title:	Financial results for Q2 and H1 2021
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 follow the link:

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

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Segment Performance

Poultry and Related Operations Segment

	Q2 2021	Q2 2020	% change YoY ¹⁾	Q1 2021	% change QoQ ¹⁾	H1 2021	H1 2020	% change ¹⁾
Poultry								
Sales volume, third parties tonnes	181,804	170,912	6%	154,370	18%	336,174	328,385	2%
<i>Domestic sales volume, tonnes</i>	<i>72,749</i>	<i>82,407</i>	<i>-12%</i>	<i>72,110</i>	<i>1%</i>	<i>144,859</i>	<i>157,832</i>	<i>-8%</i>
<i>Export sales volume, tonnes</i>	<i>109,055</i>	<i>88,505</i>	<i>23%</i>	<i>82,260</i>	<i>33%</i>	<i>191,315</i>	<i>170,553</i>	<i>12%</i>
Share of export sales, %	60%	52%	8 pps	53%	7 pps	57%	52%	5 pps
Average price per 1 kg net of VAT, US\$	1.67	1.27	31%	1.43	17%	1.56	1.32	18%
Average price per 1 kg net of VAT, UAH (Ukraine)	45.05	31.82	42%	41.50	9%	43.28	32.14	35%
Average price per 1 kg net of VAT, US\$ (Ukraine)	1.63	1.18	38%	1.48	10%	1.56	1.24	26%
Average price per 1 kg net of VAT, US\$ (export)	1.69	1.35	25%	1.38	22%	1.56	1.40	11%
Sunflower oil								
Sales volume, third parties tonnes	35,192	82,646	-57%	55,958	-37%	91,140	163,356	-44%
Soybeans oil								
Sales volume, third parties tonnes	11,871	10,841	10%	11,146	7%	23,017	21,609	7%

¹⁾ pps – percentage points

Chicken meat prices

The total volume of chicken meat sold to third parties in H1 2021 increased by 2% to 336,174 tonnes (H1 2020: 328,385 tonnes) mainly as a result of an increase in export sales predominantly to the MENA region. In Q2 2021 domestic sales decreased by 12% to 72,749 tonnes compared to Q2 2020 (but relatively stable quarter-on-quarter), mainly due to decreased sales of frozen chicken and lower sales of MDM and whole chicken.

Poultry export prices in Q2 2021 increased by 25% year-on-year, and by 22% quarter-on-quarter, mainly driven by strong prices on breast and fillet in Europe and positive price trends for quarters driven by international poultry production cost increases.

Poultry prices on the domestic market in Q2 2021 increased by 38% year-on-year mainly affected by a substantial poultry production cost increase since Q4 2020 and upward price trends for all proteins.

Vegetable oil

In Q2 2021, sunflower oil sales volume amounted to 35,192 tonnes, down 57% year-on-year. In H1 2021 MHP's sales of sunflower oil decreased by 44% compared to H1 2020 to 91,140 tonnes, mainly due to a decrease in production as a result of a decreased share of sunflower cake in fodder (due to a change in the fodder recipe).

Sales of soybean oil amounted to 11,871 tonnes in Q2 2021, 10% higher year-on-year, and 23,017 tonnes in H1 2021, 7% higher year-on-year, mainly as a result of raising production to support the increased share of soybean cake in fodder and increased third party sales.

<i>(in mln. US\$, unless indicated otherwise)</i>	Q2 2021	Q2 2020	% change YoY¹⁾	Q1 2021	% change QoQ¹⁾	H1 2021	H1 2020	% change¹⁾
Revenue	392	302	30%	315	24%	707	608	16%
- Poultry and other	334	238	40%	248	35%	582	476	22%
- Vegetable oil	58	64	-9%	67	-13%	125	132	-5%
IAS 41 standard gains/(losses)	18	(5)	460%	1	1700%	19	6	217%
Gross profit	110	51	116%	33	233%	143	118	21%
Gross margin	28%	17%	11 pps	10%	18 pps	20%	19%	1 pps
Adjusted EBITDA	108	54	100%	32	238%	140	122	15%
Adjusted EBITDA margin	28%	18%	10 pps	10%	18 pps	20%	20%	0 pps
Adjusted EBITDA per 1 kg (net of IAS 41)	0.50	0.35	43%	0.20	150%	0.36	0.35	3%

¹⁾ pps – percentage points

Revenue increased by 16% in H1 2021 compared to H1 2020 as a result of increased sales volumes and prices of chicken meat.

IAS 41 standard gain in Q2 2021 amounted to US\$ 18 million (compared with a US\$ 5 million loss in Q2 2020) mainly as a result of increase in prices of chicken meat.

Gross profit in Q2 2021 increased by 116% year-on-year to US\$ 110 million. This was mainly due to increases in both sales volumes and chicken meat prices. Poultry production costs in Q2 2021 slightly decreased compared to Q1 2020 reflecting lower cost of sunflower cake in fodder as well as the lower utility costs.

Adjusted EBITDA in H1 2021 increased by 15% as a result of an increase in gross profit partly offset by an increase in administration, sales and distribution expenses.

Grain Growing Operations Segment

In 2021, the Company is to harvest around 355,000 hectares of land.

As of the date of this report, only the Company's harvesting campaign of winter crops is complete. All spring crop (corn, soybeans and sunflower) yields are expected to be good and are in line with the Company's expectations taking into account weather conditions.

Winter crops current (bunker) yields are as follows:

	2021¹⁾		2020	
	MHP's average	Ukraine's average	MHP's average	Ukraine's average
	<i>tonnes per hectare</i>		<i>tonnes per hectare</i>	
Wheat	6.1	4.6	5.1	4.1
Rapeseed	3.4	2.7	2.7	2.3

¹⁾ The latest available indicators at the publishing date.

<i>(in mln. US\$, unless indicated otherwise)</i>	H1 2021	H1 2020	% change
Revenue	12	35	-66%
IAS 41 standard gains	102	38	168%
Gross profit	147	49	200%
Adjusted EBITDA	171	73	134%
Adjusted EBITDA (net of IFRS 16)	161	65	148%

Revenue in H1 2021 amounted to US\$ 12 million compared to US\$ 35 million in H1 2020. The decrease was mainly attributable to the lower amount of crops in stock designated for sale as of 31 December 2020, compared to stock for sale as of 31 December 2019, mainly as a result of lower yields in 2020.

IAS 41 standard gain in H1 2021 amounted to US\$ 102 million compared to US\$ 38 million in H1 2020. The gain mainly represents the result of the revaluation of crops in fields (biological assets) at the reporting date, due to increases in grain prices.

Meat Processing and Other Agricultural Operations segment

Meat processing products	Q2 2021	Q2 2020	% change YoY	Q1 2021	% change QoQ	H1 2021	H1 2020	% change
Sales volume, third parties tonnes	8,462	8,607	-2%	7,607	11%	16,069	16,522	-3%
Price per 1 kg net VAT, UAH	80.72	70.77	14%	75.59	7%	78.29	69.99	12%

Sales volume of meat processing products remained almost unchanged year-on-year and amounted to 16,069 tonnes in H1 2021. The average processed meat price increased by 12% year-on-year to UAH 78.29 per kg in H1 2021 driven mainly by an increase in raw material price (poultry meat).

Convenience food	Q2 2021	Q2 2020	% change YoY	Q1 2021	% change QoQ	H1 2021	H1 2020	% change
Sales volume, third parties tonnes	4,485	4,361	3%	4,180	7%	8,665	8,537	1%
Price per 1 kg net VAT, UAH	50.91	38.63	32%	43.03	18%	47.11	39.91	18%

Sales volumes of convenience food in H1 2021 remained stable and amounted to 8,665 tonnes. The average price in H1 2021 increased by 18% to UAH 47.11 per kg (excluding VAT), due to increased sales of more expensive SKUs and expansion of cooperation with large HoReCa channels such as McDonalds Ukraine and KFC (since Q2 2021) with more marginal products sales increase.

<i>(in mln. US\$, except margin data)</i>	Q2 2021	Q2 2020	% change YoY¹⁾	Q1 2021	% change QoQ¹⁾	H1 2021	H1 2020	% change¹⁾
Revenue	42	34	24%	36	17%	78	67	16%
- Meat processing	34	26	31%	27	26%	61	53	15%
- Other ²⁾	8	8	0%	9	-11%	17	14	21%
IAS 41 standard gains/(losses)	3	1	200%	-	100%	3	-	100%
Gross profit	8	3	167%	5	60%	13	8	63%
Gross margin	19%	9%	10 pps	14%	5 pps	17%	12%	5 pps
Adjusted EBITDA	6	3	100%	4	50%	10	9	11%
Adjusted EBITDA margin	14%	9%	5 pps	11%	3 pps	13%	13%	0 pps

¹⁾pps – percentage points

²⁾includes milk, cattle, and feed grains.

Revenue in H1 2021 increased by 16% year-on-year to US\$ 78 million due to increase in price of meat processing products. Adjusted EBITDA increased to US\$ 10 million due to higher returns earned from milk operations.

European Operating Segment

Poultry	Q2 2021	Q2 2020	% change YoY	Q1 2021	% change QoQ	H1 2021	H1 2020	% change
Sales volume, third parties tonnes	19,508	15,855	23%	16,042	22%	35,549	31,038	15%
Price per 1 kg net VAT, EUR	2.53	2.50	1%	2.48	2%	2.51	2.53	-1%

Poultry sales in Q2 2021 increased by 23% to 19,508 tonnes (Q2 2021: 15,855 tonnes) and 22% quarter-on-quarter. This was facilitated by increased production of chicken meat following expansion of facilities in Croatia and Serbia. Average prices remained relatively stable year-on-year and constituted EUR 2.53 in Q2 2021.

Meat processing products¹⁾	Q2 2021	Q2 2020	% change YoY	Q1 2021	% change QoQ	H1 2021	H1 2020	% change
Sales volume, third parties tonnes	9,868	9,429	5%	9,148	8%	19,016	18,635	2%
Price per 1 kg net VAT, EUR	2.80	2.69	4%	2.71	3%	2.76	2.72	1%

¹⁾ includes sausages and convenience foods

Meat processing product sales were up 5% year-on-year and amounted to 9,868 tonnes in Q2 2021 (Q2 2020: 9,429 tonnes) and 8% quarter-on-quarter. Average prices in Q2 2021 increased by 4% to EUR 2.80, remained relatively stable in H1 2021 year-on-year.

<i>(in mln. US\$, except margin data)</i>	Q2 2021	Q2 2020	% change YoY¹⁾	Q1 2021	% change QoQ¹⁾	H1 2021	H1 2020	% change¹⁾
Revenue	104	79	32%	87	20%	191	157	22%
IAS 41 standard gains	2	2	0%	-	100%	2	2	0%
Gross profit	31	24	29%	24	29%	55	44	25%
<i>Gross margin</i>	<i>30%</i>	<i>30%</i>	<i>0 pps</i>	<i>28%</i>	<i>2 pps</i>	<i>29%</i>	<i>28%</i>	<i>1 pps</i>
Adjusted EBITDA	21	16	31%	12	75%	33	28	18%
<i>Adjusted EBITDA margin</i>	<i>20%</i>	<i>20%</i>	<i>0 pps</i>	<i>14%</i>	<i>6 pps</i>	<i>17%</i>	<i>18%</i>	<i>-1 pps</i>
Adjusted EBITDA (net of IFRS 16)	20	15	33%	12	67%	32	26	23%
<i>Adjusted EBITDA margin (net of IFRS 16)</i>	<i>19%</i>	<i>19%</i>	<i>0 pps</i>	<i>14%</i>	<i>5 pps</i>	<i>17%</i>	<i>17%</i>	<i>0 pps</i>

¹⁾ pps – percentage points.

Revenue increased by 22% to US\$ 191 million in H1 2021, mainly as a result of an increase in poultry sales volume. Adjusted EBITDA (net of IFRS 16) reached US\$ 20 million and US\$ 32 million in Q2 2021 and H1 2021 respectively. An increase in Adjusted EBITDA in Q2 2021 year-on-year was mainly attributable higher volumes sold and higher operational efficiencies which allowed PP to offset growing cost of raw materials.

Current Group Cash Flow

<i>(in mln. US\$)</i>	Q2 2021	Q2 2020	H1 2021	H1 2020
Cash from operations	86	22	151	99
Change in working capital	(1)	(7)	(102)	(123)
Net Cash from operating activities	85	15	49	(24)
Cash used in investing activities	(41)	(23)	(55)	(77)
<i>Including:</i>				
CAPEX ¹⁾	(31)	(20)	(54)	(41)
Cash from financing activities	6	(41)	(14)	(13)
Dividends	(33)	(30)	(38)	(30)

<i>(in mln. US\$)</i>	Q2 2021	Q2 2020	H1 2021	H1 2020
Total financial activities	(27)	(71)	(52)	(43)
Total change in cash²⁾	17	(79)	(58)	(144)

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

²⁾ Calculated as Net Cash from operating activities plus Cash used in investing activities plus Total financial activities

Cash flow from operations before changes in working capital in H1 2021 amounted to US\$ 151 million (H1 2020: US\$ 99 million).

Use of funds in working capital during H1 2021 was mostly related to investments in crops in the fields to be harvested in H2 2021. The difference compared to H1 2020 was mainly attributable to lower investments in inventory during H1 2021 (sunflower and soya) designated for internal consumption.

In H1 2021 total CAPEX amounted to US\$ 54 million mainly related to modernization projects, new products development, maintenance and further improvements at Perutnina Ptuj production facilities.

Debt Structure and Liquidity

<i>(in US\$, millions)</i>	30 June 2021	31 December 2020	30 June 2020
Total Debt ¹⁾	1,453	1,462	1,467
<i>LT Debt ¹⁾</i>	<i>1,435</i>	<i>1,453</i>	<i>1,442</i>
<i>ST Debt ¹⁾</i>	<i>53</i>	<i>36</i>	<i>31</i>
<i>Trade credit facilities²⁾</i>	<i>(35)</i>	<i>(27)</i>	<i>(6)</i>
Cash and bank deposits	(162)	(218)	(185)
Net Debt¹⁾	1,291	1,244	1,282
LTM EBITDA ¹⁾	458	340	345
Net Debt / LTM EBITDA¹⁾	2.82	3.66	3.72

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.

As of 30 June 2021, the share of long-term debt in the total outstanding debt remained at 99%. The weighted average interest rate was below 7%.

As of 30 June 2021, MHP's cash and cash equivalents amounted to US\$ 162 million. Net debt increased to US\$ 1,291 million, compared to US\$ 1,244 million as at 31 December 2020.

The Net Debt / LTM adjusted EBITDA (net of IFRS 16) ratio was 2.82 as of 30 June 2021, lower than the limit of 3.0 defined in the Eurobond agreement. Thus, as from 09 September 2021, the date of publication of reviewed interim condensed consolidated financial statements for the six-month period ended 30 June 2021, the restrictions under the indebtedness agreements are no longer binding on the Group.

As a hedge for currency risks, revenue from the export of grain, sunflower and soybean oil, sunflower husks, and chicken meat are denominated in US Dollars and Euros, sufficient for covering debt service expenses. Export revenue for H1 2021 amounted to US\$ 502 million or 51% of total revenue (US\$ 453 million or 52% of total sales in H1 2020).

Outlook

As expected, after difficult fourth (2020) and first (2021) quarters during which increased costs of poultry production (driven by higher grain costs) could only partly be recovered by increased poultry prices, external trends impacted much more favourably on our business in the second quarter, resulting in a record financial result for the first half. This powerful combination of positive trends has continued into the second half of the year, with poultry prices increasing in both export and domestic markets, excellent weather conditions generating strong crop yields and high global grain prices. As a result, with a successful hedging programme to lock in a high proportion of grain prices, we have raised our expectations for the full year with EBITDA now expected to reach a record of close to US\$600 million. The net debt to EBITDA ratio, which already improved significantly to 2.82 as at 30 June, is expected to improve further to around 2.0 by year-end.

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) and in the EU.

Ukraine: MHP has the greatest market share (around 57% of industrial production) 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 15 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.

The Balkans: Perutnina Ptuj is a leading poultry and meat-processing producer in the Balkans, has production assets in four Balkan countries: Slovenia, Croatia, Serbia, Bosnia and Herzegovina; owns distribution companies in Austria, Macedonia and Romania and supply products to 15 countries in Europe. Perutnina Ptuj is a vertically integrated company across all states of chicken meat production - feed, hatching eggs production and hatching, breeding, slaughtering, sausages and further poultry processing production.

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 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 six-month period ended 30 June 2021

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STATEMENT OF MEMBERS OF THE BOARD OF DIRECTORS

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

- (a) The interim condensed consolidated financial statements for the period from 1 January 2021 to 30 June 2021 that are presented on pages 7 to 30:
- i. were prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union 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 whole, and
- (b) the interim management report gives a fair review of the information required under Article 10 (6) of the Law.

8 September 2021

Members of the Board of Directors:

Chief Executive Officer



Yuriy Kosyuk

Chief Financial Officer



Viktoria Kapelyushnaya

Director



Yuriy Melnyk

Director



John Grant

Director



John Clifford Rich

Director



Philip J Wilkinson

Director



Christakis Taoushanis

MANAGEMENT REPORT

Key financial highlights

During the six-month period ended 30 June 2021 consolidated revenue increased by 14% to USD 988,575 thousand, compared to USD 867,448 thousand for the six-month period ended 30 June 2020. The increase was mainly attributable to higher export and domestic prices as well as growth in export volume of chicken meat sold. Export sales for the six-month period ended 30 June 2021 constituted 51% of total revenue and amounted to USD 501,564 thousand, compared to USD 452,721 thousand, and 52% of total revenue for the six-month period ended 30 June 2020. The increase in export revenue was mainly attributable to higher prices and volume of chicken meat sold.

Gross profit increased by 63% to USD 358,085 thousand for the six-month period ended 30 June 2021 compared to USD 219,014 thousand for the six-month period ended 30 June 2020. The increase was driven mainly by higher returns earned by the grain growing segment due to increase in grain prices.

Operating profit increased by 85% to USD 255,154 thousand for the six-month period ended 30 June 2021 compared to USD 138,041 thousand for the six-month period ended 30 June 2020.

Profit from continuing operations for the six-month period ended 30 June 2021 amounted to USD 232,306 thousand, compared to loss of USD 60,629 thousand for the six-month period ended 30 June 2020. The improvement reflects the increase in operating profit as well as appreciation of the Ukrainian Hryvnia against US Dollar and EURO, which resulted in a foreign exchange gain of USD 50,503 thousand for the six-month period ended 30 June 2021 compared to a foreign exchange loss of USD 129,472 thousand for the six-month period ended 30 June 2020.

Having regard to the activities of the Group, management believes that the above measures are frequently used by investors, analysts and stakeholders to evaluate the efficiency of the Group's operations. For further information on the above measures, please refer to page 6 of the interim condensed consolidated financial statements for the six-month period ended 30 June 2021.

Related parties

During the six-month periods ended 30 June 2021 and 30 June 2020 the Group entered 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. Detailed information on operations with related parties is disclosed in Note 14.

Dividends

At the extraordinary general meeting, which was held on 28 April 2021, the Shareholders of MHP SE have approved payment of an annual dividend of USD 0.2803 per share, equivalent to USD 30,000 thousand to shareholders on the register as of 7 May 2021. As at 30 June 2021 dividends were fully paid to shareholders.

Risks and uncertainties

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

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

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

Risks and uncertainties (continued)

COVID-19 had an adverse impact on 2020 earnings, mainly because of its impact on prices and export volumes as many global competitors were experiencing reduced demand and resulting excess capacity. At the end of 2020 and in 1H 2021 the situation stabilized temporarily, although it still could negatively impact the remainder of 2021. These challenges could increase our operating costs and negatively impact our volumes. Management cannot currently predict the impact that COVID-19 may have on short and long-term demand, as it will depend on, among other things, the severity and duration of the COVID-19 crisis.

Management has concluded that COVID-19 is unlikely to have a material impact on MHP's business operations. The Company's liquidity is expected to be adequate to continue operations and meet obligations as they become due in the foreseeable future.

8 September 2021

On behalf of the Board:

Chief Executive Officer



Yuriy Kosyuk

Chief Financial Officer



Viktoria Kapelyushnaya

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To MHP SE

Introduction

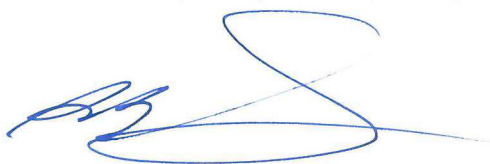
We have reviewed the interim condensed consolidated financial statements of MHP SE (the "Company"), and its subsidiaries (collectively referred to as "the Group") on pages 7 to 30, which comprise the interim condensed consolidated statement of financial position as at 30 June 2021 and the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared in all material respects in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union.



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

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, Cyprus
8 September 2021

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

for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

	Notes	Six-month period ended 30 June		Three-month period ended 30 June	
		2021	2020	2021	2020
Revenue	4, 5	988,575	867,448	541,566	424,736
Net change in fair value of biological assets and agricultural produce	4	125,326	46,329	146,330	43,286
Cost of sales		(755,816)	(694,763)	(395,632)	(340,881)
Gross profit	6	358,085	219,014	292,264	127,141
Selling, general and administrative expenses		(105,396)	(88,269)	(57,202)	(42,862)
Other operating income		7,313	9,579	5,938	7,635
Other operating expenses		(4,848)	(2,283)	(1,843)	(884)
Operating profit	6	255,154	138,041	239,157	91,030
Finance income		6,307	7,749	3,184	3,429
Finance costs	12, 13	(71,766)	(73,036)	(36,830)	(35,740)
Foreign exchange gain/(loss), net		50,503	(129,472)	30,607	52,479
Other (expenses)/income, net		(73)	(5,208)	54	(1,744)
Profit/(Loss) before tax		240,125	(61,926)	236,172	109,454
Income tax (expenses)/benefit		(7,819)	1,297	(4,738)	2,530
Profit/(Loss) for the period from continuing operations	6	232,306	(60,629)	231,434	111,984
Discontinued operations					
Profit/(loss) for the year from discontinued operations		179	(1,482)	179	-
Profit/(Loss) for the period		232,485	(62,111)	231,613	111,984

The accompanying notes on the pages 14 to 30 form an integral part of these interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME** *(continued)*
for the six-month period ended 30 June 2021
(in thousands of US dollars, unless otherwise indicated)

		Six-month period ended 30 June		Three-month period ended 30 June	
	Notes	2021	2020	2021	2020
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Decrease in revaluation reserve as a result of impairment of property, plant and equipment	3	(4,105)	-	(4,105)	-
Items that may be reclassified to profit or loss:					
Cumulative translation difference on retranslation to group's presentation currency		25,460	(150,042)	38,682	54,083
Other comprehensive income/(loss) for the period		21,355	(150,042)	34,577	54,083
Total comprehensive income/(loss) for the period		253,840	(212,153)	266,190	166,067
Profit/(Loss) attributable to:					
Equity holders of the Parent		225,577	(67,234)	224,105	107,560
Non-controlling interests		6,908	5,123	7,508	4,424
		232,485	(62,111)	231,613	111,984
Total comprehensive income/(loss) attributable to:					
Equity holders of the Parent		248,174	(215,752)	254,520	160,757
Non-controlling interests		5,666	3,599	11,670	5,310
		253,840	(212,153)	266,190	166,067
Earnings/(Loss) per share from continuing and discontinued operations					
Basic and diluted earnings/(loss) per share (USD per share)		2.11	(0.63)	2.09	1.00
Earnings/(Loss) per share from continuing operations					
Basic and diluted earnings/(loss) per share (USD per share)		2.11	(0.61)	2.09	1.00

On behalf of the Board:

Chief Executive Officer



Yuriy Kosyuk

Chief Financial Officer



Viktoria Kapelyushnaya

The accompanying notes on the pages 14 to 30 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

	Notes	30 June 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,711,024	1,678,917
Right-of-use asset		223,464	207,001
Intangible assets		91,982	96,841
Goodwill		69,286	70,614
Non-current biological assets		30,606	25,584
Non-current financial assets		24,783	23,083
Long-term bank deposits		10,317	4,612
Deferred tax assets		2,760	1,822
		<u>2,164,222</u>	<u>2,108,474</u>
Current assets			
Inventories		256,173	240,715
Biological assets	10	515,412	175,085
Agricultural produce	9	139,743	269,045
Prepayments		24,805	16,776
Other current financial assets		80,401	81,314
Taxes recoverable and prepaid		59,533	54,647
Trade accounts receivable		150,611	119,187
Cash and cash equivalents		161,874	217,579
		<u>1,388,552</u>	<u>1,174,348</u>
TOTAL ASSETS		<u>3,552,774</u>	<u>3,282,822</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	284,505	284,505
Treasury shares		(44,593)	(44,593)
Additional paid-in capital		174,022	174,022
Revaluation reserve		637,169	648,982
Retained earnings		1,400,043	1,195,143
Translation reserve		(995,142)	(1,020,229)
Equity attributable to equity holders of the Parent		<u>1,456,004</u>	<u>1,237,830</u>
Non-controlling interests		14,803	16,373
Total equity		<u>1,470,807</u>	<u>1,254,203</u>
Non-current liabilities			
Bank borrowings	12	54,024	64,608
Bonds issued	13	1,374,020	1,370,999
Lease liabilities	17	157,750	136,495
Deferred income	7	45,102	44,505
Deferred tax liabilities		31,280	29,867
Other non-current liabilities		6,994	7,233
		<u>1,669,170</u>	<u>1,653,707</u>
Current liabilities			
Trade accounts payable		179,027	149,768
Other current financial liabilities		66,722	86,638
Advances received		30,558	15,227
Bank borrowings	12	48,844	39,788
Interest payable	12, 13	21,355	21,487
Lease liabilities	17	66,291	62,004
		<u>412,797</u>	<u>374,912</u>
TOTAL LIABILITIES		<u>2,081,967</u>	<u>2,028,619</u>
TOTAL EQUITY AND LIABILITIES		<u>3,552,774</u>	<u>3,282,822</u>

On behalf of the Board:

Chief Executive Officer



Yuriy Kosyuk

Chief Financial Officer



Viktoria Kapelyushnaya

The accompanying notes on the pages 14 to 30 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 30 June 2021
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Parent						Non-controlling interests	Total equity
	Share capital	Treasury shares	Additional paid-in capital	Revaluation reserve	Retained earnings	Translation reserve		
Balance as of 1 January 2021	284,505	(44,593)	174,022	648,982	1,195,143	(1,020,229)	16,373	1,254,203
Profit for the period	-	-	-	-	225,577	-	6,908	232,485
Other comprehensive profit	-	-	-	(2,490)	-	25,087	(1,242)	21,355
Total comprehensive profit for the period	-	-	-	(2,490)	225,577	25,087	5,666	253,840
Transfer from revaluation reserve to retained earnings	-	-	-	(34,695)	34,695	-	-	-
Dividends declared by the Parent (Note 18)	-	-	-	-	(30,000)	-	-	(30,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	(7,985)	(7,985)
Non-controlling interests arising in a business combination	-	-	-	-	-	-	749	749
Translation differences on revaluation reserve	-	-	-	25,372	(25,372)	-	-	-
Balance as of 30 June 2021	<u>284,505</u>	<u>(44,593)</u>	<u>174,022</u>	<u>637,169</u>	<u>1,400,043</u>	<u>(995,142)</u>	<u>14,803</u>	<u>1,470,807</u>

On behalf of the Board:

Chief Executive Officer

Chief Financial Officer



Yuriy Kosyuk



Viktoriya Kapelyushnaya

The accompanying notes on the pages 14 to 30 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 30 June 2020
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Parent						Non-controlling interests	Total equity
	Share capital	Treasury shares	Additional paid-in capital	Revaluation reserve	Retained earnings	Translation reserve		
Balance as of 1 January 2020	284,505	(44,593)	174,022	862,435	1,148,113	(842,188)	13,572	1,595,866
Loss for the period	-	-	-	-	(67,234)	-	5,123	(62,111)
Other comprehensive loss	-	-	-	-	-	(148,518)	(1,524)	(150,042)
Total comprehensive loss for the period	-	-	-	-	(67,234)	(148,518)	3,599	(212,153)
Transfer from revaluation reserve to retained earnings	-	-	-	(41,585)	41,585	-	-	-
Dividends declared by the Parent (Note 18)	-	-	-	-	(30,000)	-	-	(30,000)
Translation differences on revaluation reserve	-	-	-	(95,930)	95,930	-	-	-
Balance as of 30 June 2020	<u>284,505</u>	<u>(44,593)</u>	<u>174,022</u>	<u>724,920</u>	<u>1,188,394</u>	<u>(990,706)</u>	<u>17,171</u>	<u>1,353,713</u>

On behalf of the Board:

Chief Executive Officer

Chief Financial Officer



Yuriy Kosyuk



Viktoriya Kapelyushnaya

The accompanying notes on the pages 14 to 30 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six-month period ended 30 June 2021
(in thousands of US dollars, unless otherwise indicated)

	Notes	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Operating activities			
Profit/(Loss) before tax		240,125	(61,926)
Loss/(Profit) before tax from discontinued operations		179	(1,482)
Non-cash adjustments to reconcile profit or loss before tax to net cash flows			
Depreciation and amortization expense	4	89,066	87,738
Net change in fair value of biological assets and agricultural produce	4	(125,326)	(46,329)
Change in allowance for expected credit losses and direct write-offs		2,099	1,503
Loss on disposal of property, plant and equipment and other non-current assets		909	270
Finance income		(6,307)	(7,749)
Finance costs	12, 13	71,766	73,036
Released deferred income		(758)	(772)
Non-operating foreign exchange loss/(gain), net		(50,503)	129,472
Operating cash flows before movements in working capital		221,250	173,761
Working capital adjustments			
Change in inventories		(28,123)	(39,188)
Change in biological assets		(134,047)	(143,173)
Change in agricultural produce		68,962	54,352
Change in prepayments made		(7,342)	(1,060)
Change in other current assets		(3,717)	2,966
Change in taxes recoverable and prepaid		(2,346)	(5,717)
Change in trade accounts receivable		(31,974)	(5,402)
Change in advances received		14,493	(23,146)
Change in other current liabilities		(26,653)	12,409
Change in trade accounts payable		49,078	24,827
Cash generated by operations		119,581	50,629
Interest received		2,409	7,530
Interest paid		(69,697)	(79,853)
Income taxes paid		(3,269)	(2,072)
Net cash flows from/(used in) operating activities		49,024	(23,766)
Investing activities			
Purchases of property, plant and equipment	8	(52,393)	(38,566)
Purchases of other non-current assets		(1,705)	(2,063)
Proceeds from disposals of property, plant and equipment		3,142	1,145
Proceeds from disposals of subsidiary	3	671	2,700
Purchases of non-current biological assets		(963)	(699)
Acquisition of subsidiaries, net of cash acquired	3	(1,569)	-
Prepayments and capitalized initial direct costs under lease contracts		(2,198)	(2,008)
Investments in short-term deposits		(10,792)	(193)
Withdrawals of short-term deposits		450	-
Loans repaid by/(provided to) employees, net		387	(1,288)
Loans provided to related parties	14	(1,044)	(36,047)
Loans repaid by related parties	14	11,000	-
Net cash flows used in investing activities		(55,014)	(77,019)
Financing activities			
Proceeds from bank borrowings		79,000	65,362
Repayment of bank borrowings		(78,771)	(74,663)
Repayment of lease liabilities		(14,227)	(3,828)
Dividends paid	18	(30,000)	(30,000)
Dividends paid by subsidiaries to non-controlling shareholders		(7,819)	(30)
Net cash flows used in financing activities		(51,817)	(43,159)

The accompanying notes on the pages 14 to 30 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*
for the six-month period ended 30 June 2021
(in thousands of US dollars, unless otherwise indicated)

	Notes	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Net decrease in cash and cash equivalents		(57,807)	(143,944)
Net foreign exchange difference on cash and cash equivalents		2,102	(11,525)
Cash and cash equivalents at 1 January		217,579	340,735
Cash and cash equivalents at 30 June		161,874	185,266
Non-cash transactions			
Non-cash repayments of lease liabilities		752	486

On behalf of the Board:

Chief Executive Officer



Yuriy Kosyuk

Chief Financial Officer



Viktoria Kapelyushnaya

The accompanying notes on the pages 14 to 30 form an integral part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

1. Corporate information

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

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

The principal business activities of the Group are poultry and related operations, grain growing, as well as meat processing and other agricultural operations. The Group's poultry and related operations integrate all functions related to the production of chicken, including hatching, fodder manufacturing, raising chickens to marketable age (“grow-out”), processing and marketing of branded chilled products and include the production and sale of chicken products, vegetable oil, mixed fodder. Grain growing comprises the production and sale of grains. Meat processing and other agricultural operations comprise the production and sale of cooked meat, sausages, convenience food products, milk and feed grains. As at 30 June 2021 the Group employed 29,791 people (31 December 2020: 30,471 people).

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent's effective ownership interest as of 30 June 2021 and 31 December 2020 were as follows:

Name	Country of registration	Year established/ acquired	Principal activities	30 June 2021	31 December 2020
Raftan Holding Limited ¹⁾	Cyprus	2006	Sub-holding Company	-	100.0%
Hemiak Investments Limited ¹⁾	Cyprus	2018	Sub-holding Company	-	100.0%
Eledem Investments Limited ¹⁾	Cyprus	2006	Sub-holding Company	-	100.0%
MHP Lux S.A.	Luxembourg	2018	Finance Company	100.0%	100.0%
MHP	Ukraine	1998	Management, marketing and sales	99.9%	99.9%
Myronivsky Plant of Manufacturing Feeds and Groats	Ukraine	1998	Fodder and vegetable oil production	88.5%	88.5%
Vinnytska Ptakhofabryka	Ukraine	2011	Chicken farm	100.0%	100.0%
Peremoga Nova	Ukraine	1999	Breeder farm	99.9%	99.9%
Oril-Leader	Ukraine	2003	Chicken farm	99.9%	99.9%
Myronivska Pticefabrika	Ukraine	2004	Chicken farm	99.9%	99.9%
Starynska Ptakhofabryka	Ukraine	2003	Breeder farm	100.0%	100.0%
Zernoprodukt MHP	Ukraine	2005	Grain cultivation	99.9%	99.9%
Katerinopilskiy Elevator	Ukraine	2005	Fodder production and grain storage, vegetable oil production	99.9%	99.9%
SPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	99.9%
Agrofort	Ukraine	2006	Grain cultivation	99.9%	99.9%
MHP-Urozhayna Krayina	Ukraine	2010	Grain cultivation	99.9%	99.9%
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9%	79.9%
MHP-AgroKryazh	Ukraine	2013	Grain cultivation	51.0%	51.0%
MHP-Agro-S	Ukraine	2013	Grain cultivation	51.0%	51.0%
Zakhid-Agro MHP	Ukraine	2015	Grain cultivation	100.0%	100.0%
Perutnina Ptuj d.d.	Slovenia	2019	Poultry production	100.0%	100.0%
MHP Trading FZE	United Arab Emirates	2018	Trading in vegetable oil and poultry meat	100.0%	100.0%
MHP Food Trading	United Arab Emirates	2016	Trading in vegetable oil and poultry meat	100.0%	100.0%
MHP B.V.	Netherlands	2014	Trading in poultry meat	100.0%	100.0%
MHP Trade B.V.	Netherlands	2018	Trading in poultry meat	100.0%	100.0%

¹⁾ On 19 April 2021 merger of MHP SE with its subsidiaries, namely Raftan Holding Ltd, Hemiak Investments Ltd and Eledem Investments Ltd, took place. All assets and liabilities of merging companies have been transferred to the succeeding company MHP SE. Subsidiary companies were dissolved

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 six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

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

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

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

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 other European companies of the Group is EURO (“EUR”), the functional currency of the United Arab Emirates companies is Dirham (“AED”). Transactions in currencies other than the functional currency of the entities concerned are treated as transactions in foreign currencies. Such transactions are initially recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. All realized and unrealized gains and losses arising on exchange differences are recognized in the consolidated statement of profit or loss and other comprehensive income for the period.

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

2. Basis of preparation and accounting policies (continued)

Functional and presentation currencies (continued)

The following exchange rates were used:

Currency	Closing rate as of 30 June 2021	Average for six months ended 30 June 2021	Average for three months ended 30 June 2021	Closing rate as of 31 December 2020	Average for six months ended 30 June 2020	Average for three months ended 30 June 2020
UAH/USD	27.1763	27.7792	27.5910	28.2746	25.9834	26.9143
UAH/EUR	32.3018	33.4936	33.2332	34.7396	28.6091	29.6028
USD/EUR	1.1886	1.2057	1.2045	1.2287	1.1011	1.0999

Significant accounting policies

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

Seasonality of operations

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

Due to seasonality and implications of IAS 41, results of the Grain growing segment 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 they reflect sales of crops and the effect of revaluation of agricultural produce harvested during the year. Also, the grain growing segment has seasonal requirements to increase working capital from November to May, due to the sowing campaign.

3. Changes in the group structure

Discontinued operation

During the six-month period ended 30 June 2020, the Group disposed of the Snyatynska poultry farm in Ukraine, which carried out goose meat and foie gras operations, and was previously presented within the Meat processing and other agricultural operations segment. Net assets as of the date of disposal were USD 3,303 thousand. The total consideration of USD 2,700 thousand was received in cash during this reporting period.

During the six-month period ended 30 June 2021 the Group disposed of the assets of its subsidiary Dobropilskyi GPP PrJSC, which was located in Ukraine and carried out grain storage operations, and was previously presented within the Poultry and related operations segment. Net assets as of the date of disposal were USD 620 thousand. Before the sale the property plant and equipment included into the net assets disposed were impaired by USD 4,105 thousand. Impairment was recognized as decrease in revaluation reserve related to those property, plant and equipment. The total cash consideration of USD 671 thousand was received during this reporting period.

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.

Acquisitions

On 01 June 2021, the Group acquired a 51% share in Lubnym`yaso LLC, a Ukrainian meat production plant, whose main economic activity is the production and sale of beef under the trade mark Scott Smeat. As of the date of acquisition, net assets of the acquired plant amounted to USD 1,529 thousand. Purchase consideration of USD 1,569 thousand was paid in cash. Goodwill in the amount of USD 788 thousand is attributable to the expectation that this acquisition will support the Group's strategic transformation to a culinary company through launch of additional products.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

4. Segment information

The Group's business is managed on a worldwide basis, but operates manufacturing facilities and sales offices primarily in Ukraine and Europe.

Reportable segments are presented in a manner consistent with the internal reporting to the Group's chief operating decision maker ("CODM").

Segment information is analysed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are as follows:

- | | |
|---|---|
| <i>Poultry and related operations segment:</i> | <ul style="list-style-type: none"> • sales of chicken meat • sales of vegetable oil and related products • other poultry related sales |
| <i>Grain growing operations segment:</i> | <ul style="list-style-type: none"> • sales of grain |
| <i>Meat processing and other agricultural operations segment:</i> | <ul style="list-style-type: none"> • sales of meat processing products and other meat • other agricultural operations (milk, feed grains and other) |
| <i>European operating segment:</i> | <ul style="list-style-type: none"> • sales of meat processing and chicken meat products in Southeast Europe |

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Sales between segments are carried out at market prices. The segment result represents operating profit under IFRS before unallocated corporate expenses and loss on impairment of property, plant and equipment. Unallocated corporate expenses include management remuneration, representative expenses, and expenses incurred in respect of the maintenance of office premises. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

European operating segment primarily includes sales of chicken meat and meat processing products, produced in the facilities of Perutnina Ptuj. The CODM manages this as a single segment, on the basis that each of research, development, manufacture, distribution and selling of chicken meat and meat processing products require single marketing strategies, a centralised budgeting process and centralised management of production operations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the six-month period ended 30 June 2021
(in thousands of US dollars, unless otherwise indicated)

4. Segment information (continued)

The following table presents revenue and profit information regarding the Group's operating segments for the six-month period ended 30 June 2021:

	<i>Poultry and related operations</i>	<i>Grain growing operations</i>	<i>Meat processing and other agricultural operations</i>	<i>European operating segment</i>	<i>Total reportable segments</i>	<i>Eliminations</i>	<i>Consolidated</i>
External sales	707,352	12,489	77,622	191,112	988,575	-	988,575
Sales between business segments	20,045	119,604	148	-	139,797	(139,797)	-
Total revenue	727,397	132,093	77,770	191,112	1,128,372	(139,797)	988,575
Segment results	92,963	142,209	6,964	23,919	266,055	-	266,055
Unallocated corporate expenses							(10,901)
Other expenses, net ¹⁾							(15,029)
Profit before tax from continuing operations							240,125
Other information:							
Depreciation and amortization expense ²⁾	47,162	28,801	3,364	9,083	88,410	-	88,410
Net change in fair value of biological assets and agricultural produce	18,426	102,154	2,982	1,764	125,326	-	125,326

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

²⁾ Depreciation and amortization for the six-month period ended 30 June 2021 does not include unallocated depreciation and amortization in the amount of USD 656 thousand.

The following table presents revenue and profit information regarding the Group's operating segments for the six-month period ended 30 June 2020:

	<i>Poultry and related operations</i>	<i>Grain growing operations</i>	<i>Meat processing and other agricultural operations</i>	<i>European operating segment</i>	<i>Total reportable segments</i>	<i>Eliminations</i>	<i>Consolidated</i>
External sales	608,312	34,594	67,416	157,126	867,448	-	867,448
Sales between business segments	14,919	93,697	166	-	108,782	(108,782)	-
Total revenue	623,231	128,291	67,582	157,126	976,230	(108,782)	867,448
Segment results	71,767	48,836	5,210	18,064	143,877	-	143,877
Unallocated corporate expenses							(5,836)
Other expenses, net ¹⁾							(199,967)
Loss before tax from continuing operations							(61,926)
Other information:							
Depreciation and amortization expense ²⁾	50,519	23,783	3,507	9,448	87,257	-	87,257
Net change in fair value of biological assets and agricultural produce	6,227	37,724	371	2,007	46,329	-	46,329

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

²⁾ Depreciation and amortization for the six-month period ended 30 June 2020 does not include unallocated depreciation and amortization in the amount of USD 481 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the six-month period ended 30 June 2021
(in thousands of US dollars, unless otherwise indicated)

4. Segment information (continued)

The following table presents revenue and profit information regarding the Group's operating segments for the three-month period ended 30 June 2021:

	<i>Poultry and related operations</i>	<i>Grain growing operations</i>	<i>Meat processing and other agricultural operations</i>	<i>European operating segment</i>	<i>Total reportable segments</i>	<i>Eliminations</i>	<i>Consolidated</i>
External sales	392,009	3,553	41,595	104,409	541,566	-	541,566
Sales between business segments	10,451	47,294	75	-	57,820	(57,820)	-
Total revenue	402,460	50,847	41,670	104,409	599,386	(57,820)	541,566
Segment results	84,382	140,679	5,094	15,938	246,093	-	246,093
Unallocated corporate expenses							(6,936)
Other expenses, net ¹⁾							(2,985)
Profit before tax from continuing operations							236,172
Other information:							
Depreciation and amortization expense ²⁾	23,642	11,247	1,864	4,695	41,448	-	41,448
Net change in fair value of biological assets and agricultural produce	17,633	124,570	2,708	1,419	146,330	-	146,330

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

²⁾ Depreciation and amortization for the three-month period ended 30 June 2021 does not include unallocated depreciation and amortization in the amount of USD 119 thousand.

The following table presents revenue and profit information regarding the Group's operating segments for the three-month period ended 30 June 2020:

	<i>Poultry and related operations</i>	<i>Grain growing operations</i>	<i>Meat processing and other agricultural operations</i>	<i>European operating segment</i>	<i>Total reportable segments</i>	<i>Eliminations</i>	<i>Consolidated</i>
External sales	302,011	9,969	33,554	79,202	424,736	-	424,736
Sales between business segments	6,279	23,700	(101)	-	29,878	(29,878)	-
Total revenue	308,290	33,669	33,453	79,202	454,614	(29,878)	424,736
Segment results	28,979	50,310	1,494	11,151	91,934	-	91,934
Unallocated corporate expenses							(904)
Other expenses, net ¹⁾							18,424
Profit before tax from continuing operations							109,454
Other information:							
Depreciation and amortization expense ²⁾	24,754	7,222	1,729	4,407	38,112	-	38,112
Net change in fair value of biological assets and agricultural produce	(5,052)	45,530	933	1,875	43,286	-	43,286

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

²⁾ Depreciation and amortization for the three-month period ended 30 June 2020 does not include unallocated depreciation and amortization in the amount of USD 231 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

4. Segment information (continued)

Non-current assets based on the geographic location of the manufacturing facilities were as follows as of 30 June 2021 and 31 December 2020:

	2021	2020
Ukraine	1,871,668	1,816,045
Europe	254,694	262,912
	<u>2,126,362</u>	<u>2,078,957</u>

¹⁾ Non-current assets excluding deferred tax assets and non-current financial assets.

5. Revenue

Revenue for the six-month and three-month periods ended 30 June 2021 and 2020 was as follows:

	Six-month period ended 30 June		Three-month period ended 30 June	
	2021	2020	2021	2020
Poultry and related operations segment				
Chicken meat	546,467	452,539	314,854	226,509
Vegetable oil and related products	127,284	135,149	59,251	66,030
Other poultry related sales	33,601	20,624	17,904	9,472
	<u>707,352</u>	<u>608,312</u>	<u>392,009</u>	<u>302,011</u>
Grain growing operations segment				
Grain	12,489	34,594	3,553	9,969
	<u>12,489</u>	<u>34,594</u>	<u>3,553</u>	<u>9,969</u>
Meat processing and other agricultural operations segment				
Other meat	61,297	53,332	34,224	26,849
Other agricultural sales	16,325	14,084	7,371	6,705
	<u>77,622</u>	<u>67,416</u>	<u>41,595</u>	<u>33,554</u>
European operating segment				
Chicken meat	119,732	94,391	65,383	47,155
Other meat	56,178	50,448	30,715	25,921
Other agricultural sales	15,202	12,287	8,311	6,126
	<u>191,112</u>	<u>157,126</u>	<u>104,409</u>	<u>79,202</u>
	<u>988,575</u>	<u>867,448</u>	<u>541,566</u>	<u>424,736</u>

The geographic structure of revenue for the six-month and three-month periods ended 30 June 2021 and 2020 was as follows:

	Six-month period ended 30 June		Three-month period ended 30 June	
	2021	2020	2021	2020
Export	501,564	452,721	285,040	215,323
Domestic	487,011	414,727	256,526	209,413
	<u>988,575</u>	<u>867,448</u>	<u>541,566</u>	<u>424,736</u>

6. Profit for the period

The Group's gross profit for the six-month period ended 30 June 2021 increased substantially compared to the six-month period ended 30 June 2020 to USD 358,085 thousand (30 June 2020: USD 219,014 thousand). The increase was driven mainly by higher gain from revaluation of biological assets in the grain growing segment due to increased grain prices.

The Group's operating profit increased mainly as a result of the increase in gross profit partly offset by increased administration, sales and distribution expenses.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

6. Profit for the period (continued)

The Group's profit from continuing operations for the six-month period ended 30 June 2021 increased to a profit of USD 232,306 thousand compared to a loss of USD 60,629 thousand in the six-month period ended 30 June 2020. The improvement was attributable to the growth of operating profit and an unrealized foreign exchange gain of USD 50,503 thousand for the six-month period ended 30 June 2021 compared to a foreign exchange loss of USD 129,472 thousand for the six-month period ended 30 June 2020. Unrealized foreign exchange gains and losses are mostly attributable to the effect of changes in UAH exchange rates on bonds and bank borrowings denominated in US Dollars and Euros.

7. Deferred income

Government grants for compensation of construction and reconstruction of livestock farms and compensation of cost of machinery and equipment are presented in the statement of financial position as deferred income, which is recognised in profit or loss on a systematic basis over the useful life of the related assets. All other compensations received were recognised in the consolidated statement of profit or loss and other comprehensive income. During the six-month period ended 30 June 2021 the Group recognized government compensations of USD 4,099 thousand (2020: USD 2,623 thousand) in the consolidated statement of profit or loss and other comprehensive income.

During the six-month periods ended 30 June 2021 and 30 June 2020, the Group received government compensations in accordance with EU farming subsidies policy and other compensations in accordance with the EU national programs of employment, assigned contributions for employees, and refunds of excise duties in amount of USD 4,199 thousand and USD 3,602 thousand respectively.

8. Property, plant and equipment

During the six-month period ended 30 June 2021, the Group's additions to property, plant and equipment amounted to USD 52,393 thousand (six-month period ended 30 June 2020: USD 38,566 thousand) mainly related to modernization projects, new products development and the maintenance and improvement of Perutnina Ptuj production facilities.

There were no significant disposals of property, plant and equipment during the six-month periods ended 30 June 2021 and 30 June 2020.

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

9. Agricultural produce

A decrease of agricultural produce balances for six-month period ended 30 June 2021 was mainly as a result of internal consumption of corn, sunflower, wheat and soya.

10. Biological assets

The increase in current biological assets as compared to 31 December 2020 is primarily related to crops in fields balance. The increase in crops in fields balance mainly relates to spring crops seeded in the first half of 2021 classified as biological assets as well as due to IAS 41 revaluation adjustment.

11. Share capital

As of 30 June 2021 and 31 December 2020 the authorized, issued and fully paid share capital of MHP SE comprised the following number of shares:

	30 June 2021	31 December 2020
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 30 June 2021 and 31 December 2020 was EUR 221,540 thousand represented by 110,770,000 shares with par value of EUR 2 each.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

12. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 30 June 2021 and 31 December 2020:

		30 June 2021		31 December 2020	
	Currency	WAIR ¹⁾	USD' 000	WAIR ¹⁾	USD' 000
Non-current					
	EUR	EURIBOR ²⁾ + 1.74%	52,505	EURIBOR ²⁾ + 2.62%	63,142
	EUR	2.34%	1,519	2.54%	1,466
			54,024		64,608
Current					
	UAH		-	6.25%	3,537
	USD	LIBOR + 1.92%	35,333	LIBOR + 3.25%	15,000
	EUR		-	2.30%	8,601
Current portion of long-term bank borrowings	EUR	EURIBOR ²⁾ + 1.74%	13,511	EURIBOR ²⁾ + 2.62%	12,650
			48,844		39,788
Total bank borrowings			102,868		104,396

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

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

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

As of 30 June 2021 and 31 December 2020, the Group's bank term loans and credit lines bear floating and fixed interest rates.

Bank borrowings and credit lines outstanding as of 30 June 2021 and 31 December 2020 were repayable as follows:

	30 June 2021	31 December 2020
Within one year	48,844	39,788
In the second year	46,090	17,196
In the third to fifth year inclusive	<u>7,934</u>	<u>47,412</u>
	<u>102,868</u>	<u>104,396</u>

As of 30 June 2021, the Group had available undrawn facilities of USD 210,956 thousand (31 December 2020: USD 304,910 thousand). These undrawn facilities expire during the period from July 2021 until March 2023.

The Group, as well as particular subsidiaries of the Group has to ensure ongoing compliance with the following maintenance covenants imposed by the banks providing the loans: EBITDA to interest expenses ratio, current ratio and liabilities to equity ratio. Separately, when the Groups Net Debt to EBITDA ratio exceeds 3.0 to 1, negative covenants become applicable 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. The Group subsidiaries are also required to obtain approval from lenders regarding property, plant and equipment to be used as collateral. During the six-month period ended 30 June 2021 and year ended 31 December 2020 the Group has complied with all bank covenants. As at 30 June 2021, the Group's leverage ratio improved to 2.83 to 1 from 3.66 to 1 as at 31 December 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

12. Bank borrowings (continued)

The Group's bank borrowings are jointly and severally guaranteed by MHP, Myronivsky Plant of Manufacturing Feeds and Groats, Oril-Leader, Peremoga Nova, Starynska Ptakhofabryka, Zernoproduct MHP, Katerinopilskiy Elevator, Agrofort, SPF Urozhay, MHP SE, Scylla Capital Limited, Myronivska Pticefabrika, Ptakhofabryka Snyatynska Nova, Vinnytska Ptakhofabryka, Zakhid-Agro MHP, MHP-Urozhayna Krayina.

As of 30 June 2021, the Group had borrowings of USD 41,158 thousand that were secured by property, plant and equipment with a carrying amount of USD 71,153 thousand (31 December 2020: USD 45,958 thousand and USD 83,837 thousand respectively).

As of 30 June 2021, the Group did not have any borrowings that were secured by agricultural produce (31 December 2020: borrowings of USD 15,000 thousand were secured by agricultural produce with carrying amount of USD 18,750 thousand).

As of 30 June 2021, the deposit with carrying amount of USD 2,678 thousand (31 December 2020: USD 3,632 thousand) was restricted as collateral to secure bank borrowings.

As of 30 June 2021 and 31 December 2020, interest payable on bank borrowings was USD 598 thousand and USD 730 thousand, respectively.

13. Bonds issued

Bonds issued and outstanding as of 30 June 2021 and 31 December 2020 were as follows:

	Carrying amount		Nominal amount	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
7.75% Senior Notes due in 2024	489,222	487,480	500,000	500,000
6.95% Senior Notes due in 2026	537,269	536,153	550,000	550,000
6.25% Senior Notes due in 2029	347,529	347,366	350,000	350,000
Unamortized debt issuance cost	-	-	(25,980)	(29,001)
Total bonds issued	1,374,020	1,370,999	1,374,020	1,370,999

As of 30 June 2021 and 31 December 2020 amount of interest payable on bonds issued was USD 20,757 thousand and USD 20,757 thousand, respectively.

6.25% Senior Notes

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

All expenses associated with the placement of the 6.25% Senior Notes amounted to USD 2,888 thousand and were capitalized.

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

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 six-month period ended 30 June 2019

(in thousands of US dollars, unless otherwise indicated)

13. Bonds issued (continued)

6.95% Senior Notes

On 3 April 2018, MHP Lux S.A. issued USD 550,000 thousand 6.95% Senior Notes due in 2026 at par value. Out of the total issue amount USD 416,183 thousand were designated for redemption and exchange of the existing 8.25% Senior Notes due in 2020.

The part of expenses, connected with placement of the 6.95% Senior Notes amounted to USD 11,564 thousand were capitalized, including USD 10,413 thousands related to the exchange. All other related expenses in the amount of USD 32,915 thousand were expensed as incurred.

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

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

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

7.75% Senior Notes

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

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

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

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

13. Bonds issued (continued)

Covenants

Certain restrictions under the indebtedness agreements (e.g. incurrence of additional indebtedness, restricted payments, dividends payment) are dependent on the Group's leverage ratio. Once the Net Debt to EBITDA ratio exceeds 3.0 to 1, the Group is not permitted to make certain restricted payments, declare dividends exceeding USD 30 million in any financial year or incur additional debt except where defined as a Permitted Debt. According to the indebtedness agreement, the 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 the indebtedness agreement during the reporting periods ended 30 June 2021 and 31 December 2020.

As at 30 June 2021 the Group's leverage ratio is 2.83 to 1 (31 December 2020: 3.66 to 1), which is below the defined limit 3.0 to 1. Thus, the Group believes that, as at the interim reporting date the leverage ratio met the covenants imposed, the aforementioned restrictions are no longer applicable to the Group as from 9 September 2021, being the date of publication of the reviewed interim condensed consolidated financial statements for the three and six months ended 30 June 2021.

14. 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

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 and in relation to the provision of financing arrangements.

Terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction. The terms of the payables and receivables related to trading activities of the Group do not vary significantly from the terms of similar transactions with third parties.

Transactions with related parties during the six-month periods ended 30 June 2021 and 30 June 2020 were as follows:

	2021	2020
Loans and finance aid provided to related parties	1,044	36,047
Loans and finance aid repaid by related parties	11,000	-
Interest charged on loans and finance aid provided	2,636	1,890
Interest on loans and financial aid repaid	1,121	2,476
Sales of goods	-	72
Purchases from related parties	390	10
Key management personnel of the Group:		
Loans provided	-	1,722
Loans repaid	387	434

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

14. Related parties balances and transactions (continued)

Transactions with related parties (continued)

The balances owed to and due from related parties were as follows as of 30 June 2021 and 31 December 2020:

	30 June 2021	31 December 2020
Loans and finance aid receivable	64,696	73,035
Less: expected credit losses	(4,308)	(4,340)
	<u>60,388</u>	<u>68,695</u>
Loans to key management personnel	4,535	4,698
Less: expected credit losses	(385)	(218)
	<u>4,150</u>	<u>4,480</u>
Trade accounts receivable	113	109
Payables due to related parties	19	17

Loans and finance aid receivable

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

As of 30 June 2021, the Group had advanced loans to WTI in the aggregate amount of USD 57,400 thousand (31 December 2020: USD 67,400 thousand). The loans, with maturities between July 2021 and June 2022, bear interest at a rate of 8.25% to 9.25% and are secured by a personal guarantee of WTI's ultimate beneficial owner. Subsequent to period end, the maturity date of USD 21,000 thousand of these loans was extended to March 2022.

Expected credit losses on these loans amounted to USD 1,761 thousand as at 30 June 2021 (31 December 2020: USD 1,969 thousand).

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 13).

Compensation of key management personnel

Total compensation of the Group's key management personnel that was paid for for the periods ended 30 June 2021 and 2020 amounted to USD 12,143 thousand and USD 4,802 thousand, respectively. Compensation of key management personnel consists of contractual salary and performance bonuses that were paid in different periods year-on-year (second quarter 2021 and third quarter 2020).

15. Contingencies and contractual commitments

Operating environment

Since 2016, the Ukrainian economy, which represents the core operating environment of the Group, has been demonstrating signs of stabilization after the years of political and economic tensions. Until the break-out of the coronavirus (COVID-19) pandemic in the first quarter 2020, real GDP had been steadily growing, however it decreased by around 4.2% for the year ended 31 December 2020. For the six-month period ended 30 June 2021, real GDP increased by around 1.9% year on year compared to a decrease of 4.8% for the six-month period ended 30 June 2020. The annual inflation rate was 10.2% (2020: 2.4%).

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

To further facilitate business activities in Ukraine, the National Bank of Ukraine (the "NBU") has lifted the foreign currency proceeds surrender requirement from 20 June 2019, cancelled all limits on repatriation of dividends from July 2019 and gradually decreased its rate of refinancing, from 18.0% in January 2019 to 8% in September 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

15. Contingencies and contractual commitments *(continued)*

Operating environment *(continued)*

The degree of macroeconomic uncertainty in Ukraine in 2021 still remains high due to a significant amount of public debt scheduled for repayment in 2021, which requires mobilizing substantial domestic and external financing in an increasingly challenging financing environment for the emerging markets. At the same time, the Ukrainian authorities have demonstrated their commitment to introduce reforms in order to boost economic growth, while maintaining macro-fiscal stability and liberalizing economic environment.

Further economic growth depends, to a large extent, upon the success of the Ukrainian government in realization of the planned structural reforms and effective cooperation with the International Monetary Fund (the "IMF") as well as the ability of the government to cope with the macroeconomic challenges posed by the confinement measures introduced to contain the spread of COVID-19.

The responses put in place by many countries, including Ukraine and the EU, to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant impact on global financial markets. While food supply chains proved to be largely resilient during the pandemic and the confinement measures are now being progressively lifted or adapted in Ukraine and other countries, many uncertainties yet remain around the economic recovery, and thus around the evolution of the consumer demand and the supply chain stability. In particular, the forecast magnitude of the recession is such that it is expected to lead to a sharp increase in unemployment in the EU, negatively impacting private consumption and limiting the Group's ability to enjoy benefits from export supplies to the EU and other key markets.

Management has considered all available information about the future, including the impact of the COVID-19 outbreak on customers, suppliers and staff, as well as the actual and projected foreseeable impact from various other factors. Management will continue to monitor the situation closely and will assess the need for additional measures in case the period of disruption is prolonged or escalates further.

The Group reviews its non-financial assets to determine if any external or internal indicators of impairment exists. Based on these reviews, there were no indicators of impairment as of 30 June 2021.

Taxation and legal issues

The Group performs most of its operations in Ukraine and therefore falls within the jurisdiction of the Ukrainian tax authorities. Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other Governmental bodies. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and fines. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and fines, and these amounts could be material. While the Group believes it has complied with local tax legislation, there are new significant changes to the tax legislation that may be introduced in the near future.

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

The Group exports vegetable oil, chicken meat and related products, and performs intercompany transactions, which may potentially be in the scope of the Ukrainian transfer pricing ("TP") regulations. The Group has submitted the controlled transaction report for the years ended 31 December 2018 and 31 December 2019 within the required deadlines.

As of 30 June 2021, the Group's management assessed its possible exposure to tax risks for a total amount of USD 5,680 thousand related to corporate income tax (31 December 2020: USD 5,459 thousand). No provision was recognised relating to such possible tax exposure.

As of 30 June 2021, companies of the Group were engaged in ongoing litigation with tax authorities for the amount of USD 37,594 thousand (31 December 2020: USD 36,616 thousand), including USD 27,326 thousand (31 December 2020: USD 26,153 thousand) of litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. Out of this amount, USD 22,376 thousand as of 30 June 2021 (31 December 2020: USD 289 thousand) relates to cases where court hearings have taken place and where the court in either the first or second instance has already ruled in favour of the Group. In addition, the Group maintains disputes with tax authorities in the amount USD 26,951 thousand, which are not brought to the Court as at 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

15. Contingencies and contractual commitments (continued)

Taxation and legal issues (continued)

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 six-month period ended 30 June 2021, the companies of the Group entered into a number of contracts with foreign suppliers for the purchase of property, plant and equipment for the development of agricultural operations. As of 30 June 2021, purchase commitments on such contracts were primarily related to modernization projects, new products development and the maintenance and improvement of Perutnina Ptuj production facilities and amounted to USD 16,923 thousand (31 December 2020: USD 15,396 thousand).

16. 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 the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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:

	<i>Carrying amount</i>		<i>Fair value</i>	
	<i>30 June 2021</i>	<i>31 December 2020</i>	<i>30 June 2021</i>	<i>31 December 2020</i>
<i>Financial liabilities</i>				
Bank borrowings (Note 12)	103,466	105,126	102,662	103,737
Senior Notes due in 2024, 2026, 2029 (Note 13)	1,394,777	1,391,756	1,482,501	1,515,005

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

The fair value of bank borrowings was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings 2.7% (31 December 2020: 3.4%), and is within Level 2 of the fair value hierarchy.

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

17. Risk management policy

During the six-month period ended 30 June 2021 there were no changes to objectives, policies and processes for credit risk, capital risk, interest rate risk, livestock diseases risk and commodity price and procurement risk managing.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the six-month period ended 30 June 2021

(in thousands of US dollars, unless otherwise indicated)

17. Risk management policy (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows as of 30 June 2021 and 31 December 2020. The amounts in the table may not be equal to the statement of financial position carrying amounts since the table includes all cash outflows on an undiscounted basis.

	Carrying amount	Contractual Amounts	Less than 1 year	From 2nd to 5th year	After 5th year
30 June 2021					
Bank borrowings	103,466	105,631	50,424	55,207	-
Bonds issued	1,394,777	1,893,313	98,850	1,367,900	426,563
Lease liabilities	224,041	452,201	66,670	201,208	184,323
Trade accounts payable	179,027	179,027	179,027	-	-
Other current financial liabilities	66,722	66,722	66,722	-	-
Total	1,968,033	2,696,894	461,693	1,624,315	610,886
31 December 2020					
Bank borrowings	105,126	109,620	42,150	67,470	-
Bonds issued	1,391,756	1,942,738	98,850	837,275	1,006,613
Lease liabilities	198,499	405,127	57,204	184,699	163,224
Trade accounts payable	149,768	149,768	149,768	-	-
Other current financial liabilities	86,638	86,638	86,638	-	-
Total	1,931,787	2,693,891	434,610	1,089,444	1,169,837

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 30 June 2021 and 31 December 2020 were as follows:

	30 June 2021		31 December 2020	
	USD	EUR	USD	EUR
Total assets	178,250	55,329	209,298	31,412
Total liabilities	1,436,734	43,328	1,416,722	59,904

The table below details the Group's sensitivity to strengthening/(weakening) of the UAH 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
2021		
Increase in USD exchange rate	15%	(188,773)
Increase in EUR exchange rate	15%	1,800
Decrease in USD exchange rate	15%	188,773
Decrease in EUR exchange rate	15%	(1,800)
2020		
Increase in USD exchange rate	15%	(181,114)
Increase in EUR exchange rate	15%	(4,274)
Decrease in USD exchange rate	15%	181,114
Decrease in EUR exchange rate	15%	4,274

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the six-month period ended 30 June 2021***(in thousands of US dollars, unless otherwise indicated)***17. Risk management policy** *(continued)***Currency risk** *(continued)*

During the six-month period ended 30 June 2021, the Ukrainian Hryvnia appreciated against the EUR by 7.5% and against the USD by 4.0% (six-month period ended 30 June 2020: depreciated against the EUR and USD by 11.8% and 11.3% respectively). As a result, during the six-month period ended 30 June 2021 the Group recognised net foreign exchange gain of USD 50,503 thousand (six-month period ended 30 June 2020: foreign exchange loss in the amount of USD 129,472 thousand) in the interim condensed consolidated statement of profit or loss and other comprehensive income.

18. Dividends

At the extraordinary general meeting, which was held on 28 April 2021, the Shareholders of MHP SE approved payment of an annual dividend of USD 0.2803 per share, equivalent to USD 30,000 thousand to shareholders on the register as of 7 May 2021. As at 30 June 2021 dividends were fully paid to shareholders.

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. As at 31 December 2020 dividends were fully paid to shareholders.

19. Subsequent events

There are no subsequent events to mention.

20. 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 8 September 2021.