'21

MHP IS WORKING FOR UKRAINE, SUPPORTING FOOD SECURITY OF THE WORLD

A LEADING INTERNATIONAL AGRO-INDUSTRIAL COMPANY

ANNUAL REPORT
AND ACCOUNTS 2021

CONTENTS

STRATEGIC REPORT

WAR IN UKRAINE

The military invasion of Ukraine by Russian forces began at 5 am on 24 February, marking the beginning of a full-scale war across Ukraine. Russian invaders have shown utter disregard for civilian lives and directed lethal firepower on cities, towns and villages; production facilities, hospitals, houses, cars and bystanders on the streets; elderly people and families with children who were seeking shelter from the fighting. Many human lives have tragically been lost. At the time of publication of this report, the war in Ukraine continues at extended scale, inflicting destruction to the country's infrastructure and the Ukrainian population.

As reported by MHP earlier, since the beginning of the war the Company has been facing significant logistical and infrastructure challenges in Ukraine. While MHP continued commercial sales in Ukraine since the war began, export sales have ceased as a result of ports being closed, while export delivery by truck remained practically impossible. During March and April, MHP team has been developing alternative logistic routes for exports, so that insignificant volumes have been delivered outside of Ukraine. Driven by restricted sales both inside and outside of the country, MHP had to decrease poultry capacity utilization to 80-85%.

Due to shelling by the occupying forces on March 12, in the village of Kvitneve (Kyiv region), a fire broke out in a warehouse (rented by the Company, two buildings) where frozen MHP chicken meat products were stored. As a result of the fire, over 3,000 tonnes of poultry products were lost. The facility was one of the largest warehouses for storage of frozen products in Ukraine and was predominantly used by large local retail chains.

As hostilities in the Donetsk region intensified, in April, MHP decided to temporarily suspend operations of the "Ukrainian Bacon" (meat-processing operations, c.34,000 tonnes annual capacity, Kramatorsk district, Donetsk region).

As of the date of the report release, the facility has not been damaged and is under MHP control.

Currently, MHP has a key responsibility in the food security of Ukraine and it has continued its operations despite significant difficulties and disruptions. MHP fully understands how important poultry production is for Ukraine and its population at this difficult time. All MHP employees are fully committed to every effort to ensure that Ukrainians have access to food now and at any time in the future. The Company continues providing humanitarian aid (mainly through food supply) to the population of Ukraine since the beginning of the war and working hard to manage logistical challenges across all regions of Ukraine. Since the war began, the Company has provided around 11,000 tonnes of free-of-charge poultry products, other food, equipment, cars, diesel and different materials as part of its humanitarian mission.

SINCE THE WAR BEGAN, THE COMPANY HAS PROVIDED AROUND

11,000

TONNES OF FREE-OF-CHARGE POULTRY PRODUCTS

MHP AT A GLANCE

IN A HIGHLY UNCERTAIN OPERATING ENVIRONMENT, MHP IS UNDERTAKING ALL NECESSARY EFFORTS TO MAINTAIN ITS PRODUCTION AND DISTRIBUTION FACILITIES AND INFRASTRUCTURE NOT DAMAGED BY MILITARY ACTION IN ANTICIPATION OF RETURNING TO FULL-SCALE PRODUCTION AS SOON AS IS PRACTICALLY POSSIBLE. IN THIS STRATEGIC REPORT WE PROVIDE AN OVERVIEW OF THE GROUP'S OPERATIONS AND STRATEGY AS AT THE END OF 2021.
MHP IS THE INTERNATIONAL FOOD AND AGROTECH COMPANY THAT CARES ABOUT ITS PEOPLE, THE ENVIRONMENT AND COMMUNITIES, AND IS TRANSFORMING INTO A CULINARY COMPANY.

[1] The Group's operations in the Netherlands also include a cutting plant.

[2] For more information on our strategy please see the Management Report on page 84.

OUR VISION

TO BE A WORLD-LEADING SUSTAINABLE FOOD PRODUCER

OUR MISSION

TO PROVIDE OUR CUSTOMERS WITH HIGH QUALITY, SUSTAINABLE FOOD PRODUCTS AND CULINARY SOLUTIONS THAT ARE SAFE AND RESPONSIBLY PRODUCED, AT THE SAME TIME AS ANTICIPATING AND MEETING OUR CUSTOMERS' EVOLVING PRIORITIES AND REQUIREMENTS

WHERE WE OPERATE

WE ARE HEADQUARTERED IN UKRAINE WITH OPERATIONS IN UKRAINE AND IN THE BALKANS, AND WITH DISTRIBUTION CENTRES IN THE UAE, SAUDI ARABIA, THE NETHERLANDS[2] AND THE UK. WE EXPORT TO OVER 80 COUNTRIES, PRIMARILY IN MENA, THE EU, CIS AND AFRICA. EXPORT REVENUE CONSTITUTES 53% OF GROUP REVENUE

OUR MEDIUM- TO LONG-TERM STRATEGIC PRIORITIES[2]

- DEVELOP THE CULINARY CATEGORIES IN OUR PORTFOLIO
- TRANSFORM INTO A CUSTOMER-CENTRIC COMPANY
- INCREASE THE EFFICIENCY OF OUR BUSINESS PROCESSES
- DEVELOP OUR FIVE-YEAR STRATEGY, MISSION AND VALUES OF MHP
- BECOME THE UNDISPUTED LEADER IN THE AGRICULTURAL MARKET OF UKRAINE

PERFORMANCE HIGHLIGHTS

OPERATIONAL & STRATEGIC HIGHLIGHTS

TRANSFORMATION TO A CULINARY COMPANY

7
FOLD INCREASE
YEAR-ON-YEAR IN SALES OF VALUE-ADDED[1] PRODUCTS

ESTABLISHMENT OF STATE-OF-THE-ART CULINARY RESEARCH AND INNOVATION CENTRE IN KYIV

LAUNCH OF PILOT PROJECTS TO CONTINUE DEVELOPMENT OF MORE CUSTOMER-CENTRIC PRODUCTS AND ROUTES TO MARKET

180
MEATMARKET STORES
180 MEATMARKET CONVIENIENCE STORES AND 49 DÖNERMARKET POINTS-OF-SALE IN OPERATION BY YEAR END

2.0
"FOOD EXPERIENCE" CONCEPT
EVOLUTION OF MEATMARKET CONVENIENCE STORE TO LAUNCH 2.0 "FOOD EXPERIENCE" CONCEPT

89
SHOPS ARE IN CITIES

91
SHOPS ARE IN TOWNS AND VILLAGES

23
REGIONS

[1] Value-added products include ready-to-cook and ready-to-eat products and marinated products

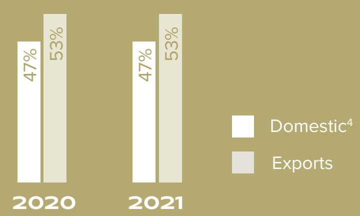
GROUP OVERVIEW

MHP IS THE LEADING PRODUCER OF POULTRY AND CULINARY PRODUCTS IN UKRAINE[1] AND ONE OF THE LEADERS IN POULTRY PRODUCTION AND MEAT PROCESSING IN THE BALKANS THROUGH ITS PERUTNINA PTUJ ("PP") OPERATIONS. MHP HAS THE HIGHEST MARKET SHARE AND DOMESTIC BRAND RECOGNITION FOR ITS PRODUCTS[2].

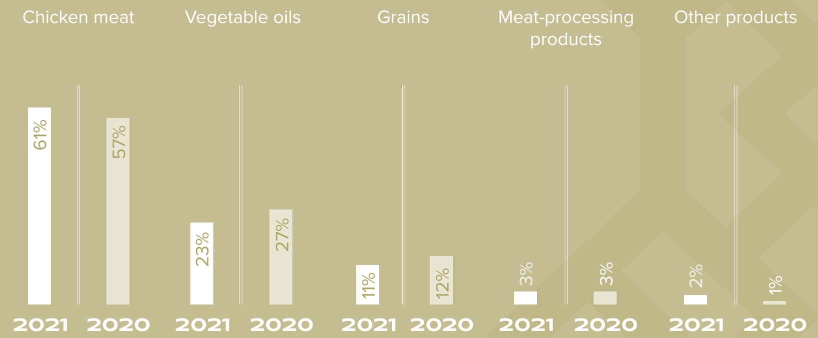
IT IS ALSO ONE OF THE LARGEST GRAIN PRODUCERS IN UKRAINE[3] A LEADING PROCESSED-MEAT PRODUCER IN UKRAINE[1] AND THE LEADING BIOGAS PRODUCER IN UKRAINE[1].

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

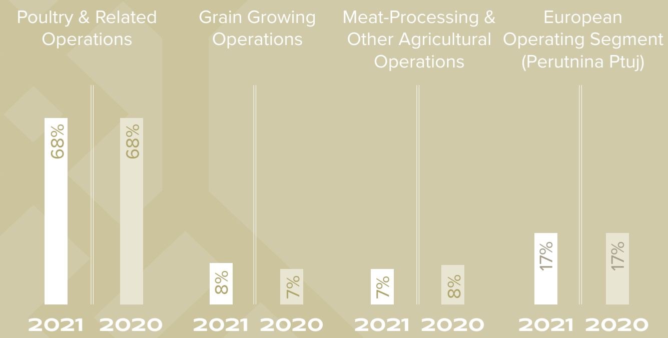
GROUP REVENUE, %



GROUP EXPORT REVENUE BY PRODUCT TYPE, %



CONTRIBUTION TO GROUP REVENUE BY BUSINESS[5], %

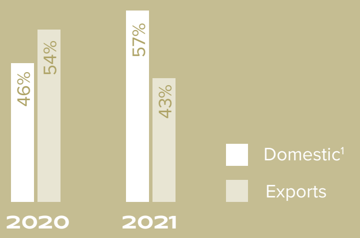


OUR BUSINESS SEGMENTS

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

More information on the operational and financial results of each of the business segments can be found in this Group Overview and in the Financial and Operational Review section on pages 7 and 31. A snapshot of the operations and strategy of each business segment is set out below.

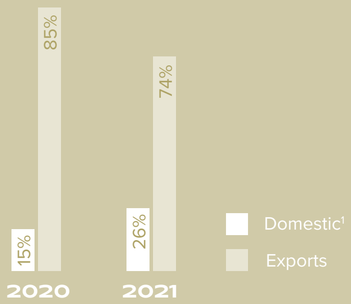
POULTRY & RELATED OPERATIONS



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

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

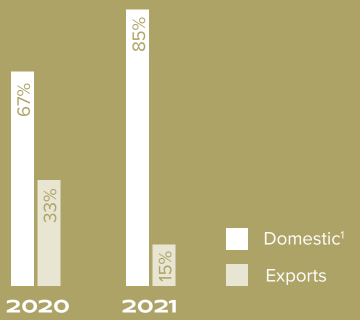
GRAIN GROWING OPERATIONS



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

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

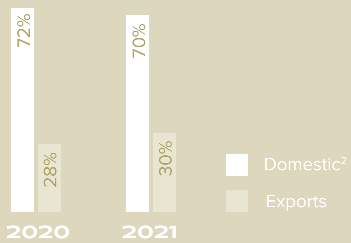
MEAT-PROCESSING & OTHER AGRICULTURAL OPERATIONS



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

Strategy
Focus on more value-added products and market penetration.

EUROPEAN OPERATING SEGMENT (PERUTNINA PTUJ)

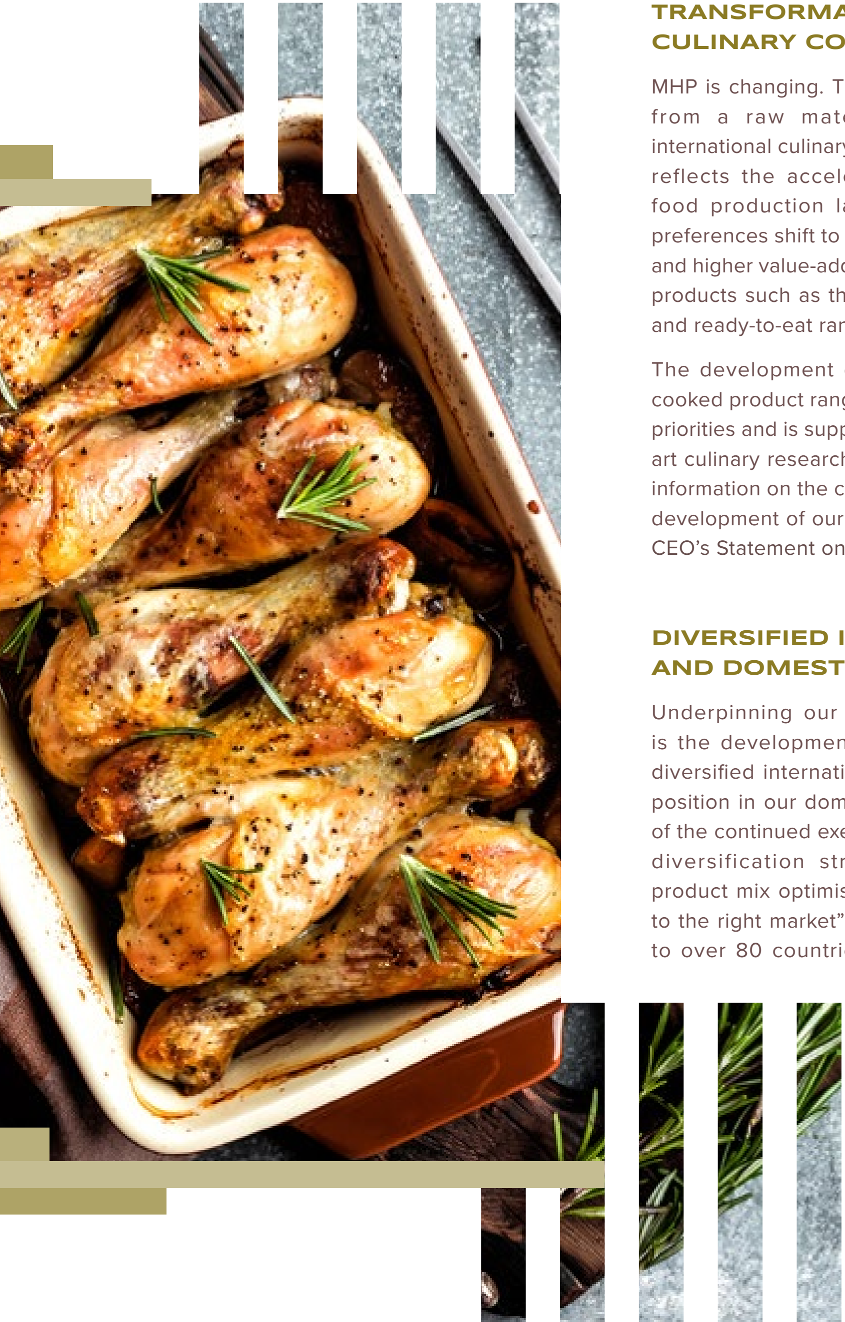


A poultry meat and meat-processing company headquartered in Slovenia and with production assets in Slovenia, Croatia, Serbia, Bosnia and Herzegovina.

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

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

[2] Domestic revenue comprises revenue generated from sales by Perutnina Ptuj in the Balkans.



TRANSFORMATION TO A CULINARY COMPANY

MHP is changing. The Group is transforming from a raw materials provider to an international culinary company. This evolution reflects the accelerating changes in the food production landscape as consumer preferences shift to sustainable food choices, and higher value-added and further processed products such as those in our ready-to-cook and ready-to-eat ranges.

The development of our value-added and cooked product ranges is one of our strategic priorities and is supported by our state-of-the-art culinary research centre in Kyiv. For more information on the culinary centre; and on the development of our routes to market see the CEO's Statement on page 23.

DIVERSIFIED INTERNATIONAL AND DOMESTIC STRATEGY

Underpinning our culinary transformation is the development and expansion of our diversified international markets and strong position in our domestic market. As a result of the continued execution of our geographic diversification strategy, combined with product mix optimisation (the "right product to the right market"), the Group now exports to over 80 countries, with export revenue constituting 53% of total revenue in 2021 (2020: 53%). MENA, EU, CIS and Africa are the primary export markets and are now supported by four distribution centres in the UAE, the Netherlands, Saudi Arabia and the UK following the opening of the two Saudi Arabia and UK centres during the year.

The Group's organic growth in both its domestic and international markets will be supplemented by acquisitions and we continue to monitor global developments and potential opportunities to accelerate and expand our culinary transformation, particularly in the UK, EU and MENA.

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

Both MHP Ukraine and PP operate vertically-integrated business models, owning and operating modern facilities at each of the key stages of the chicken meat production process: grain and fodder production; egg production and incubation; hatching; breeding; slaughtering; value-added or processed food production; sales, marketing and distribution. A graphical overview of the business models at both MHP Ukraine and PP can be found in the Business Model section on pages 16 and 17.

The Group's vertically-integrated business models ensure a highly competitive cost-base versus industry peers; enhanced quality control and higher biosecurity of the poultry flock and poultry production; significantly reduce the Group's dependence on suppliers and farmers; and reduce its exposure to raw material price volatility.

Importantly, our business models also support the circular economy[1] and the elimination of waste in the poultry production process. At each stage of production, the waste and by-products are taken and converted into products that are either used by the Group directly or sold to third parties: manure is used to produce biogas, electricity and organic fertiliser; and granulated husks to produce clean energy, used at production sites to replace gas, and fresh bedding for chicken rearing.

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

OUR BUSINESS SEGMENTS

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

[1] The circular economy is a systemic approach to economic development designed to benefit businesses, society, and the environment. In contrast to the 'take-make-waste' linear model, a circular economy is regenerative by design and aims to gradually decouple growth from the consumption of finite resources. (source: The Ellen MacArthur Foundation)

POULTRY & RELATED OPERATIONS

POULTRY & RELATED OPERATIONS

68%

OF GROUP REVENUE IN 2021

OPERATIONS

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

MHP is the leading poultry producer in Ukraine. MHP supplies chilled and frozen chicken, culinary and other meat products to a number of nationwide supermarket chains, including Fozzy, Metro Cash & Carry, ECO, Novus and Auchan. MHP also produces and sells vegetable oils (sunflower and soybean oils) as a by-product of its fodder production, mainly to international traders. This is an important source of hard currency revenue.

Ukraine focussed

EXPORT
Export product

BRANDS

NASHA RIABA
- Chilled products
- Available whole and in parts

APETYTNA
- Chilled marinated and formed products
- Available whole and in parts

BASCHINSKY
- Frozen convenience food
- Ready-to-eat and chilled processed meat products including sausages and smoked chicken

VINNYTSKI KURCHATA
- Chilled products
- Available in parts and by-products

UKRAINIAN CHICKEN
- Chilled and frozen products
- Available whole and in parts

KURATOR
- Sales to HoReCa
- Chilled and frozen products

CHEF'S SECRETS
- Frozen and chilled ready-to-eat products

HOME STYLE CHICKEN
- Culinary products
- Chilled products

LEHKO!
- Frozen products
- Ready-to-eat products

SYTNI
- Frozen products
- Ready-to-eat products

EXPORT
QUALIKO
- Chilled and frozen, marinated and semi-finished products

EXPORT
SULTANAH
- Frozen products
- Available whole and in parts

EXPORT
ASSILAH
- Chilled and frozen products

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

STRATEGY

The Segment continues to execute upon its strategy in both export and domestic markets as part of the Group's transformation to a culinary company, supported by our culinary research centre in Kyiv.

In export markets, the strategy remains one of international diversification and product optimisation (targeting the "right products to the right markets"), combined with the development of both our routes to market and our value-added product ranges.

Further information on recent developments in our routes to market can be found in the CEO's Statement on page 23.

In domestic markets, the focus is on the development and production of more value-added and further processed primary and cooked products and on the evolution of our routes to market through retail, HoReCa, modern trade and franchises.

These include the continued development and roll-out of our Nasha Riaba brand (packed and unpacked poultry products, predominantly parts); our network of DönerMarket stores selling doner and shawarma; and the continued roll-out of our MeatMarket retail and convenience food stores, including our new 2.0 MeatMarket "food experience" store concept.

EXPORTS

A number of outbreaks of Avian Influenza in Ukraine during Q1 2021 caused temporary cessation of exports from Ukraine to the EU (reopened at the end of March 2021 following zoning agreement between Ukraine and the EU). In order to mitigate an adverse impact on MHP's operations and profitability, the management of the Company decided to increase production of small chicken (thinning) and exports to the MENA market. This trend has been in place through the first half of 2021. Since Q3 2021 MHP has been focusing more on sales of poultry cuts across all markets and was gradually decreasing share of thinning (from 57% in Q1 2021 to 43% in Q4 2021) increasing its sales in the EU mainly. Through 2021, all Company's poultry production facilities continued to operate at full capacity (based on number of heads reared and slaughtered).

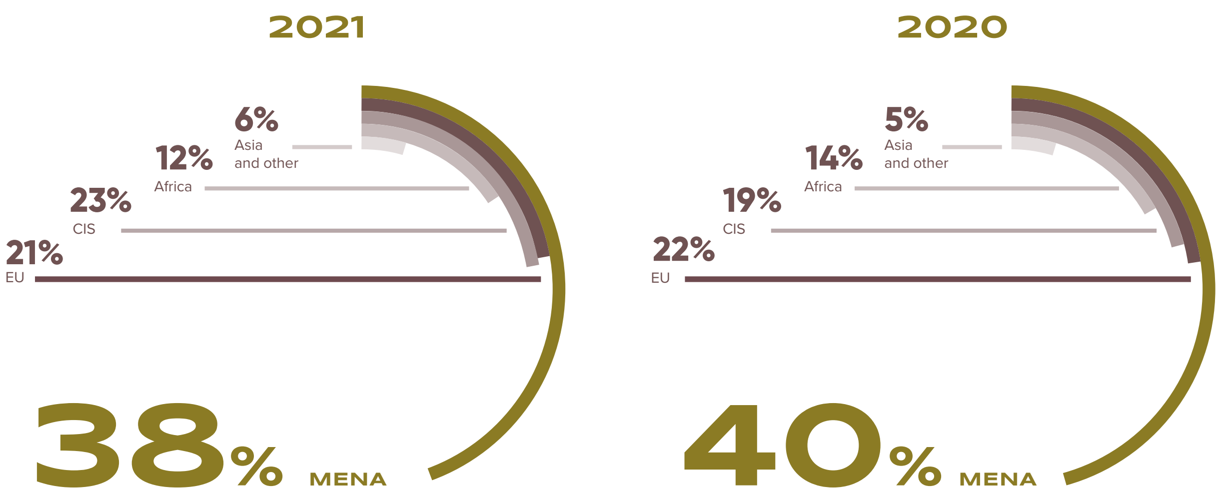
Poultry export sales geography and breakdown year-on-year remained relatively stable and rather unchanged, please see diagrammes below. The MENA and the EU markets represented the biggest markets for MHP's exports, 38% and 21%, respectively.

For a detailed explanation of these trends please see the Financial and Operational Review on pages 31 to 39.

The Group's response to these challenges highlights the resilience and agility of its operations and business model.

Furthermore, the recent achievement of the Avian Influenza regionalisation recognition between Ukraine and the EU will reduce the risk of trade interruptions going forward.

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



[1] Only MHP Ukraine, excluding Perutnina Ptuj.

POULTRY & RELATED OPERATIONS PRODUCTION FIGURES

PRODUCT	2021	2020
Chicken meat produced, tonnes	754,387	731,279
Hatching eggs, million	563	559
Sunflower oil, tonnes	212,425	329,552
Soybean oil, tonnes	47,493	40,850
Mixed fodder, tonnes	1,920,607	1,894,284
Biogas, MW	17	17

The Segment's operational and financial performance is disclosed in the Segment Performance section of the Financial and Operational Review on page 28.

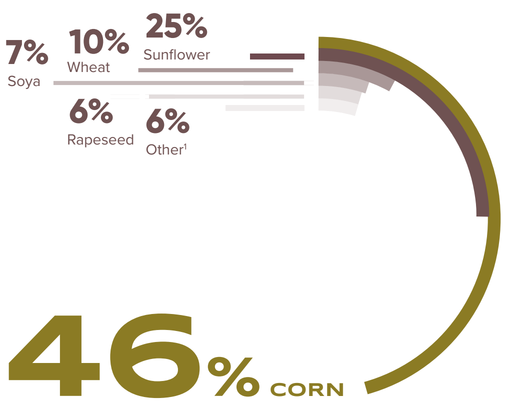
GRAIN GROWING OPERATIONS

2021 HARVEST INCREASED BY

52%

YEAR-ON-YEAR

CROPPED AREA, HECTARES, %



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

OPERATIONS

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

MHP leases agricultural land located primarily in the highly fertile black soil regions of Ukraine. In 2021 MHP's total landbank constituted approximately 361,000 hectares ("ha") of land, representing one of the largest land portfolios in Ukraine. A breakdown of the Segment's cropped area in 2021 is shown below. In 2021, MHP harvested 351,440 ha of land, yielding 2,596,855 tonnes of grain, an increase of 52% year-on-year, mainly due to a combination of modern technology and machinery applied during the cultivation of land and favourable weather conditions. Grain storage facilities totalled 2,551,171 m^3 with a capacity of 1,084,800 tonnes (in plastic bags).

LAND REFORM IN PRACTICE

The Group leases land from landowners on a long-term basis. The abolition of the moratorium on the sale of agricultural land to private individuals, which has applied since July 2021, has had no significant impact on MHP's land portfolio or business model as MHP continues to cultivate land through land leasing.

Moreover, the moratorium on the sale for legal entities registered or domiciled in Ukraine only, which will come into effect in January 2024, is not expected to have any significant impact.

STRATEGY

The Group aims to become the undisputed leader in the agricultural market in Ukraine and a pioneer in sustainable agriculture. Central to the achievement of these goals is increasing the Segment's profitability by ensuring high efficiency crop production (through higher yields and optimisation of cost control), as well as improving resource management strategies and ensuring the stability of our landbank. This will be achieved through innovation, the upgrading of agricultural machinery and the use of technology including Artificial Intelligence ("AI") and machine-learning algorithms for real-time analysis, forecasting and facilitation of decision making.

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

MEAT-PROCESSING & OTHER AGRICULTURAL OPERATIONS

MEAT-PROCESSING & OTHER AGRICULTURAL OPERATIONS

7%

OF GROUP REVENUE IN 2021

OPERATIONS

The Meat-Processing & Other Agricultural Operations Segment produces and sells sausage, salami, convenience foods and produce from cattle and dairy operations. It incorporates two facilities for the production of prepared meat products, a number of cattle farms and and a beef processing facility (Scott Smeat, acquired in 2021). The meat-processing operations are the Segment's core business and an important driver of the Segment's profitability. MHP is a leader in the highly fragmented meat-processing market in Ukraine, accounting for approximately 14% of all sausage and cooked meat produced in Ukraine in 2021, with some non-branded processed-meat products exported. The Segment sold 33,954 tonnes of meat-processing products and 18,857 tonnes of convenience foods in 2021.

During the year, the Group acquired a 51% share in Lubnym`yaso LLC, a Ukrainian producer of beef products operating manufacturing facilities and sales offices, primarily in Ukraine and Europe. Its products are sold under the "Skott Smeat" brand and range from frozen and chilled cuts of beef to value-added beef products and are supplied to, amongst others, the Group's MeatMarket convenience stores and DönerMarket fast-food stores.

STRATEGY

The Segment will continue to focus upon its core meat-processing operations and the evolution of its route-to-market strategy through retail, HoReCa, modern trade and franchises. The Segment's operational and financial performance is disclosed in the Segment Performance section of the Financial and Operational Review on page 35.

BRANDS

THE COMPANY'S CONVENIENCE FOOD, PROCESSED FOOD AND BEEF BRANDS FOR THE UKRAINIAN AND EXPORT MARKETS INCLUDE

BASHCHINSKY
- Sausages, chilled convenience products, smoked chicken

LEHKO!
- Frozen convenience food

SYTNI
- Frozen convenience food

EXPORT
QUALIKO
- Frozen convenience food and poultry meat products

EXPORT
SKOTT SMEAT
- Frozen and chilled beef meat and meat products

Ukraine focussed

EXPORT Export product

EUROPEAN OPERATING SEGMENT

EUROPEAN OPERATING SEGMENT (PP)

17%

OF GROUP REVENUE IN 2021

OPERATIONS

The European Operating Segment comprises 100% of Perutnina Ptuj ("PP"), a leading poultry and processed-meat producer in the Balkans with production assets in Slovenia, Croatia, Serbia, Bosnia and Herzegovina, and distribution companies in Austria, North Macedonia and Romania. PP supplies products to 18 European countries.

In 2021, 70% of the Segment's revenue was generated from domestic markets which proved resilient during the Pandemic, in particular retail markets. The remaining 30% was generated from exports, mainly from HoReCa and B2B sales. A large and growing part of PP's production is governed by a rigid animal welfare breeding standard thus allowing the Company to sell products under the PP Natur Premium Brand.

BRANDS

An overview of Perutnia Ptuj's brand portfolio is shown on the following page. The most important and well-established brand names are PP and Poli. The PP brand is a best seller. Yet the most recognisable brand name in the south-eastern Europe region based on the brand power in individual categories, is Poli, the synonym for special chicken sausage.

STRATEGY

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

EUROPEAN OPERATING SEGMENT PRODUCTION FIGURES

PRODUCT	2021	2020
Chicken meat produced, tonnes	111,973	102,157
Meat-processing products, tonnes	41,411	39,026
Hatching eggs, millions	75.4	67.0
Mixed fodder, tonnes	229,600	227,065
Biogas, MW	1	1

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

Group 1905

MEAT

MEAT PRODUCTS

FEED

SERVICES

Perutnina Ptuj

MEAT

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

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

Piknik
Cut and pre-seasoned fresh poultry products

MEAT PRODUCTS

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

Slim & Fit
Low-fat poultry products

poli

CLASIC

Poli Classic

Poli Cheese

Poli Light

Poli Kids

Chiken Breast

Poli Vegetables

HAM

Poli Hammy

Poli Kids

PATÉ

Poli Paté

Poli Pate Kids

FRANKS

Poli Dog

Poli Kids

OUR BUSINESS MODEL

HOW WE GENERATE REVENUE

POULTRY & RELATED OPERATIONS SEGMENT

WE PRODUCE AND SELL CHICKEN MEAT (FRESH AND FROZEN); CULINARY PRODUCTS; VEGETABLE OILS (SUNFLOWER AND SOYBEAN); AND MIXED FODDER.

US$ **1,607** MILLION REVENUE

754,387 TONNES OF POULTRY PRODUCED

GRAIN GROWING SEGMENT

WE GROW CROPS FOR FODDER PRODUCTION AND FOR SALE TO THIRD PARTIES.

US$ **188** MILLION REVENUE

2.6[1] MILLION TONNES OF CROPS PRODUCED

MEAT-PROCESSING & OTHER AGRICULTURAL SEGMENT

WE PRODUCE AND SELL SAUSAGES; PROCESSED AND COOKED MEAT; CONVENIENCE FOODS; AND PRODUCE FROM CATTLE AND DAIRY OPERATIONS.

US$ **176** MILLION REVENUE

55,913 TONNES OF MEAT PRODUCTS PRODUCED

EUROPEAN OPERATING SEGMENT

WE PRODUCE AND SELL CHICKEN MEAT AND PROCESSED POULTRY MEAT PRODUCTS.

US$ **401** MILLION REVENUE

111,973 TONNES OF POULTRY PRODUCED

[1] Mainly consumed by MHP for fodder production as well as for third party sales.

HOW WE CREATE VALUE

01 TRANSFORMATION TO A CULINARY COMPANY

THE TRANSFORMATION FROM A RAW MATERIALS PROVIDER TO AN INTERNATIONAL CULINARY COMPANY ENABLES THE GROUP TO GROW ITS MARKET AS IT RESPONDS TO CUSTOMER DEMAND FOR VALUE-ADDED PRODUCTS.

02 RESPONSIBLE BUSINESS

MHP HAS A GROUP-WIDE SUSTAINABLE DEVELOPMENT PLAN TO 2030E THAT MOVES THE GROUP TOWARDS A RESPONSIBLE BUSINESS MODEL.

03 SUSTAINED INVESTMENT IN INNOVATION, BUSINESS EFFICIENCY AND R&D

SUSTAINED CAPEX AND R&D PROGRAMMES HAVE ENABLED CONSISTENT EFFICIENCY IMPROVEMENTS AND COST CONTROLS, DEVELOPED AND MAINTAINED PRODUCT QUALITY, AND ENSURED HIGH STANDARDS OF PRODUCT SAFETY. THE COMPANY CONTINUES TO LOOK FOR DYNAMIC AND INNOVATIVE WAYS TO DEVELOP ITS PRODUCTION AND AGRICULTURAL PROCESSES TO IMPROVE EFFICIENCY, DRIVE DOWN COSTS AND REDUCE ITS ENVIRONMENTAL IMPACTS.

04 INTERNATIONAL MARKETPLACE

MHP IS ALWAYS LOOKING AT NEW INITIATIVES ON PRODUCT DEVELOPMENT AND FOR NEW MARKETS FOR ITS PRODUCTS, AND NOW SELLS TO OVER 80 COUNTRIES.

05 SUSTAINABLE FINANCIAL HEALTH

OUR BUSINESSES HAVE A CONSISTENT TRACK RECORD OF REVENUE AND CASH GENERATION PROVIDING A SOLID PLATFORM FOR VALUE CREATION.

OUR ASSETS

OUR PEOPLE

WE HAVE A HIGHLY SKILLED AND KNOWLEDGEABLE WORKFORCE[1], AN EXPERIENCED, STRONG AND INNOVATIVE MANAGEMENT TEAM AND WE ARE COMMITTED TO CONTINUOUSLY INVESTING IN TRAINING AND DEVELOPMENT.

BUSINESS CULTURE

WE STRIVE TO CREATE A BUSINESS CULTURE IN WHICH OUR EMPLOYEES FEEL EMPOWERED TO MAKE QUICK DECISIONS TO CAPITALISE ON MARKET OPPORTUNITIES AND GAIN COMPETITIVE ADVANTAGE.

VERTICALLY-INTEGRATED STRUCTURE

OUR STRUCTURE DIFFERENTIATES US FROM OUR PEERS AND ENABLES US TO REDUCE OUR DEPENDENCE ON THIRD-PARTY SUPPLIERS AND OUR EXPOSURE TO RAW MATERIAL PRICE VOLATILITY. IT ALSO ENSURES THE MAINTENANCE OF STRICT BIOSECURITY AND QUALITY STANDARDS THROUGHOUT THE PRODUCTION PROCESS.

MODERN AND EFFICIENT PRODUCTION ASSETS

EXTENSIVE INVESTMENT HAS ENABLED US TO EMPLOY MODERN, STATE-OF-THE-ART PRODUCTION ASSETS. THE COMPANY BELIEVES THAT ITS CHICKEN COMPLEXES ARE AMONGST THE MOST EFFICIENT IN THE WORLD.

STRONG BRANDS

OUR BRANDS HAVE HIGH DOMESTIC RECOGNITION WITH A REPUTATION FOR QUALITY, ENABLING PRODUCTS TO BE SOLD AT PREMIUM PRICES.

OWN RETAIL IN UKRAINE AND AT PP

MHP AND PP HAVE BEEN AND CONTINUE TO CAPITALISE ON THE CONTINUED GROWTH AND DEVELOPMENT OF ITS RETAIL BOTH IN UKRAINE AND IN THE BALKANS/EU.

[1] As of 31 December 2021 MHP Group employed 29,280 people

OUR BUSINESS MODEL AT MHP

361,000 HECTARES[3]

LAND

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

212,425 TONNES OF SUNFLOWER OIL

SUNFLOWER AND SOYBEAN PROTEIN PRODUCTION

47,493 tonnes of soybean oil

1.9 MILLION TONNES PRODUCED IN 2021

FODDER PRODUCTION

3 production facilities

100% IN-HOUSE PRODUCTION

BREEDING

2 breeding complexes with 563 million hatching eggs produced in 2021.

8.5 MILLION PER WEEK

POULTRY PRODUCTION

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

55,913 TONNES IN 2021

MEAT-PROCESSING[1]

2 production facilities

Skott Smeat

7,200 TONNES

1 production facility

388 VEHICLES

DISTRIBUTION

10 distribution centers in Ukraine

1,888 FRANCHISE OUTLETS

RETAIL

17 MW

BIOGAS

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

[1] Including 34,329 tonnes of processed meat products and 21,584 tonnes of convenience food

[2] Biogas complexes at Oril-Leader (5 MW) and at Vinnytsia (12 MW)

[3] MHP total landbank

OUR BUSINESS MODEL AT PERUTNINA PTUJ

3,800 HECTARES

LAND

84% IN-HOUSE PRODUCTION

FODDER PRODUCTION

5 facilities (3 in Slovenia, 1 in Croatia, 1 in Serbia)

99% IN-HOUSE PRODUCTION

BREEDING

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

86% IN-HOUSE PRODUCTION

HATCHING

Hatchery of day old chicken: 4 locations (Slovenia, Croatia, Bosnia & Herzegovina and Serbia)

8% IN-HOUSE PRODUCTION

POULTRY PRODUCTION

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

100% IN-HOUSE

SLAUGHTERHOUSES

5 facilities (2 in Slovenia, 1 in Croatia, 1 in Bosnia & Herzegovina, 1 in Serbia)

41,181 TONNES IN 2021

MEAT-PROCESSING[1]

6 production facilities (3 in Slovenia, 1 in Croatia, 1 in Serbia, 1 in Bosnia & Herzegovina)

124 VEHICLES

DISTRIBUTION

16 distribution centres in Ukraine

1 MW

BIOGAS

1 project

CHAIRMAN'S STATEMENT

JOHN RICH
EXECUTIVE CHAIRMAN

Dear Shareholder,

At the time of writing, the Russian war with Ukraine has progressed into its 71st day with devastating consequences on Ukrainian cities, infrastructure and people. Over 35% of Ukrainian residents are displaced and over five million women, children and the vulnerable have fled predominantly to the EU.

Since 24th February, MHP has continued to balance its model between export and the domestic market, which traditionally supplied 50% of its poultry produce to 80 countries of the world. During the first two months of the war, MHP has been strongly supporting the local population providing humanitarian aid to preserve food security to the Ukrainian people. During this time, up to 15% of total production was being supplied free-of-charge to civilians in desperate need of food and shelter as well as to Ukraine's defenders. Our key focus has been to protect employees and their families, while maintaining the Company's production and distribution activities and all infrastructure which has not been directly affected by military action.

From the beginning of the invasion, all export operations ceased as Ukrainian sea ports became inaccessible. Since then, the Group has investigated other options and has recently started trialling poultry exports to the EU via road transport. Other potential export channels to the EU, including rail, are being actively explored. The Company is also working to resume exports to Saudi Arabia and the United Arab Emirates via sea ports located in friendly countries.

MHP's grain growing operations are relatively unaffected, with the spring sowing campaign having commenced at the beginning of April on the 90% of our land that remained accessible.

To maintain business continuity in a highly uncertain operating environment, MHP has taken positive action to preserve liquidity after a highly successful 2021. To allow the Company to fund its upcoming sowing campaign and to fund poultry operations, holders of our three series of outstanding Eurobonds were asked for their consent to postpone for 270 days the semi-annual interest payments that were due between March and May 2022. We were pleased that the consent solicitation received approval from a substantial majority of holders of each series of Eurobonds ahead of schedule. To treat all creditors fairly and equitably, the Company also agreed with its bank lenders a general postponement of debt servicing pari passu with the bond holders. We are grateful for the overwhelming support that has been received from the financial community and their backing of MHP during this extremely challenging time.

The infrastructure damage and population displacement which has occurred as a result of the conflict has significantly affected the market for the Company's products within Ukraine. This will continue until the situation stabilises and for a period afterwards that we are as yet unable to quantify.

Looking forward, and subject to events, during 2022 MHP is hopeful of harvesting grain crops on its 90% of available land, recommencing oil seed crushing and exports of vegetable oils, and expanding trials of poultry exports towards normal commercial production levels. In conclusion, the heroic efforts of our Ukrainian employees, volunteers and senior management, combined with MHP's vertically-integrated business model, have allowed the Company to survive what can probably be described as the greatest challenge in Europe since World War 2. There are no words that can accurately describe the sacrifices that have been made by all responsible MHP's stakeholders. I would like to thank them all from the bottom of my heart for their global support.

2021 PERFORMANCE

2021 was a year of evolution and expansion as we continued to make further progress in the development and execution of our transformation to a culinary company. A combination of positive external factors and strong operational performance resulted in the Group delivering record financial results for the year. Operational highlights are set out in the CEO's Statement on page 23.

CORPORATE GOVERNANCE

The Company continues to recognise the importance of strong corporate governance in line with good international practice and aims to comply with the requirements of the UK Corporate Governance Code 2018 (the "UK Code") to the extent practicable.

Following shareholder consultation, the EGM held in December 2021 voted to approve a new Directors' Remuneration Policy. This is a central part of a Group-wide move towards a more performance-oriented approach to remuneration based on broader indicators reflecting the wider objectives of the Group.

This Policy is intended to enable MHP to attract and retain the right calibre of executive and non-executive directors. It will also ensure that remuneration and incentives adhere to principles of good corporate governance and risk management practice, at the same time as promoting the Company's responsible business performance.

More information on our Directors' Remuneration Policy can be found in the Nominations and Remuneration Committee Report on page 79.

I highlight here the following Board developments:

- As noted in the 2020 Annual report, Roger Wills and Roberto Banfi resigned from the Board in February 2021;
- In September 2021, Philip J Wilkinson OBE was appointed Chair of the Nominations and Remuneration Committee;
- In November 2021, Yuriy Melnyk resigned from the Board;
- In December 2021, Andriy Bulakh joined the Board;

The appointment of an additional independent non-executive director which, following a thorough search process, was imminent in February 2022, has been deferred until the situation in Ukraine stabilises.

Following these developments, as at the date of this Report the Board comprises three Independent Non-Executive Directors and four Executive Directors, including the Executive Chairman. As an organisation following strong corporate governance guidelines, the Board believes that it has fulfilled as far as possible its responsibilities to all its stakeholders, with a strong focus since the Russian invasion on meeting the humanitarian crisis in Ukraine. MHP is the largest food producer still operating in Ukraine, where a number of regions continue to be under constant military attack by Russian forces. The Board is united in its focus on meeting the needs of the Ukrainian people and our customers in the face of a humanitarian catastrophe whilst taking every practicable action to ensure the Company is positioned to emerge successfully when these war-time conditions are behind us.

John Rich
Executive Chairman
05 May 2022

CEO’S STATEMENT

The situation in Ukraine is grave and continues to evolve on a daily basis. Since 24 February, MHP has experienced a number of significant disruptions and operational issues and the Chairman’s Statement sets out how the Group is responding.

We are currently experiencing the most difficult of times. The management team and the whole workforce are united in working to the maximum extent of our capabilities, despite all the difficulties we face. We do this responsibly, placing the highest value on people, caring about our workforce and our consumers. And responsibly, because we know that Ukraine’s food security depends on our work, making this important task our number one priority. MHP’s business model gives us an advantage – in plain terms, we convert grain into chicken and logistically that “simplifies” the work of the business. Exporting is very much our second priority. Our team is charged with achieving results across the board.

Given the uncertainties, I report here primarily on our performance in 2021. Whilst it is impossible to predict the development of the war, the Company is undertaking all necessary efforts to return to full-scale production (since the beginning of war, and as of today, MHP’s poultry production facilities have been working at 85% capacity utilization) as soon as practically possible.

YURIY KOSYUK
CEO AND FOUNDER OF MHP

2021 PERFORMANCE

The Group delivered an exceptional performance in 2021 driven by a combination of excellent weather conditions, which resulted in a record harvest, and strong prices for grains and poultry products.

Group revenue was US$ 2,372 million, up 24% year-on-year driven mainly by an increase in the price of chicken meat in both local and international markets. Group Adjusted EBITDA (net of IFRS 16) increased by 91% year-on-year to a record US$ 648 million, driven mainly by an increase in the Grain Growing Segment as a result of a very rich harvest and strong grain prices internationally, secured by actions taken to lock in forward sales. The Group Adjusted EBITDA margin (net of IFRS 16) was 27%.

Perutnina Pjuj (“PP”)’s performance was strong, delivering US$ 63 million EBITDA (net of IFRS 16), 19% higher than in 2020 in line with our long-term CAPEX program designed to increase sales volumes and operational efficiencies, stronger performance in grain growing business due to significant increase in grain prices, as well as stronger EUR against USD.

KEY DEVELOPMENTS IN 2021

I summarise here the key developments during 2021.

Transformation to a Culinary Company

We made significant progress towards our strategic transformation goal both in product development and routes to market.

In the domestic market, we invested around US$ 6 million to establish a state-of-the-art culinary centre in Kyiv, which opened in summer 2021. This covers 1,000m2, with facilities for new product development, testing of ingredients and products, sensory analysis and production of ready-to-eat and ready-to-heat products. This is an important platform for MHP's future B2B, Ukrainian HoReCa and B2C development and transformation of the Company in line with our culinary strategy.

The rollout of our "Myasomarket", or "MeatMarket", convenience stores continued. The focus on changing consumer preferences and on the sale of value-added food (including ready-to-eat and ready-to-heat products), sold from stores close to the consumer, is a new concept for the Ukrainian market, which the MHP team has largely been developing during 2021. By the end of 2021, 180 outlets were in operation. In July 2021, following collaboration with customers, we launched the "MeatMarket 2.0" concept, creating a "food experience" for consumers. We also increased the number of "DonerMarket" gyro fast food stores selling doner and shawarma, with 49 stores open by the end of 2021.

Export Markets

During the year, export sales increased by 8%, predominantly driven by MENA and European markets.

In MENA, we opened two direct sales branches in Saudi Arabia, which will provide the Company with a deeper market penetration. We continue to look for further opportunities to expand, predominantly through joint ventures and new sales branches opening in the region. Further significant developments were made in the supply of poultry into Saudi Arabia, enabling us to maintain "security stock" to reduce the risk of supply interruptions.

In Europe (including the UK), we continued to deepen our market penetration with an increase in sales of value-added products, including a significant increase in cooked products. We continued to target new customers and the sale of higher-margin products; during 2021, 20% of direct sales were to new customers. We acquired an importer and distributor of meat and poultry in the UK that expanded our activity in the region, beginning operations as MHP Food UK in July 2021.

Client Business Development ("CBD") programmes are now in place for our sales teams as we evolve from a provider of 'raw materials' to one of 'culinary solutions'. Our CBD transformation has been bolstered by the recruitment of skilled personnel to develop our sales teams, and by our ongoing digitisation. Export and direct sales managers can now use a CRM (client relationship management) system, with an increasing number of clients having access to an online portal.

Perutnina Pjuj (European Operating Segment)

2021 saw continued integration and expansion at PP. Following the modernisation and expansion of facilities in Croatia and Serbia, poultry volumes increased by around 10% year-on-year across the EU, mainly driven by increased sales in Bosnia-Herzegovina, Serbia, Austria and Montenegro.

Our success at integrating and improving the performance of operations at PP demonstrates our ability to manage and integrate acquisitions. In due course, we will continue to explore strategic opportunities to further expand PP's operations into Eastern and Southern Europe.

I will update the market when it becomes possible to provide greater clarity on strategic implications.

THE CONTRIBUTION OF MHP PEOPLE FOLLOWING THE RUSSIAN INVASION

Following the Russian invasion on 24 February, MHP and its employees have prioritised the care and well-being of the people of Ukraine. Everyone recognized that MHP has a key responsibility in the food security of the country and it was vital that we continued to operate despite the substantial difficulties caused by the conflict to the supply chain, logistics and the damage to infrastructure.

Our workforce is fully committed to undertake every effort to ensure that Ukrainians have access to food now and at any time in the future. MHP's senior management team is proud of the patriotic, brave and outstanding effort that everyone has made so far to achieve this objective through the continuation of food production and food deliveries, sowing of crops, provision of humanitarian aid and supporting the defenders of the country.

Yuriy Kosyuk
CEO and Founder of MHP
05 May 2022

BUSINESS REVIEW

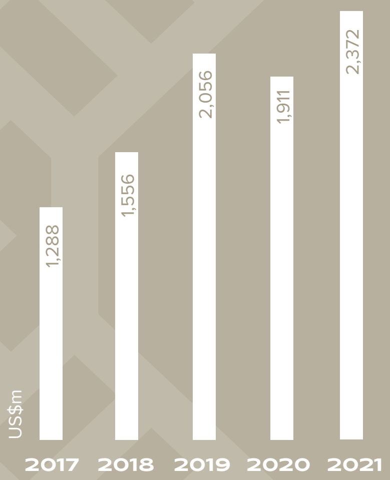
KEY PERFORMANCE INDICATORS

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

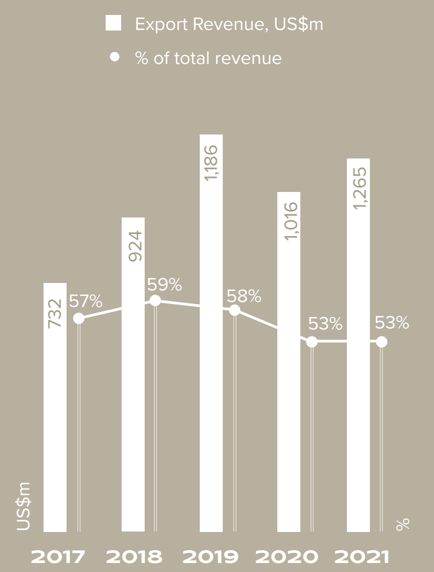
EACH KPI PROVIDES A WAY OF MEASURING ELEMENTS OF OUR STRATEGY. OUR STRATEGY IS FOCUSSED UPON THE MEDIUM TO LONG TERM AND THEREFORE WE CONSIDER HOW WE HAVE PERFORMED OVER A NUMBER OF YEARS, SHOWING THE KPIS FOR THE LAST FIVE YEARS.

[1] Adjusted EBITDA (net of IFRS 16) and Adjusted EBITDA margin (net of IFRS 16) since 2019
[2] Adjusted EBITDA margin for the Grain Growing segment was calculated based on revenue that includes ICO sales

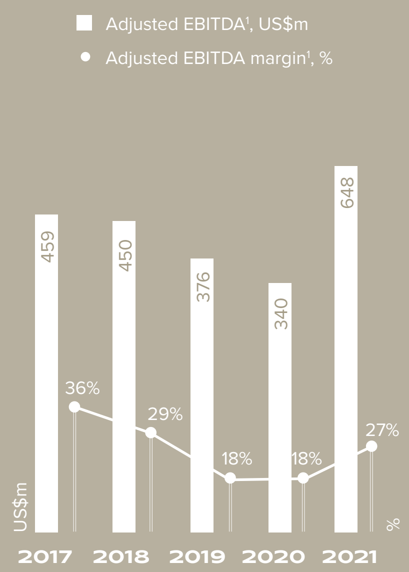
GROUP REVENUE, US$M



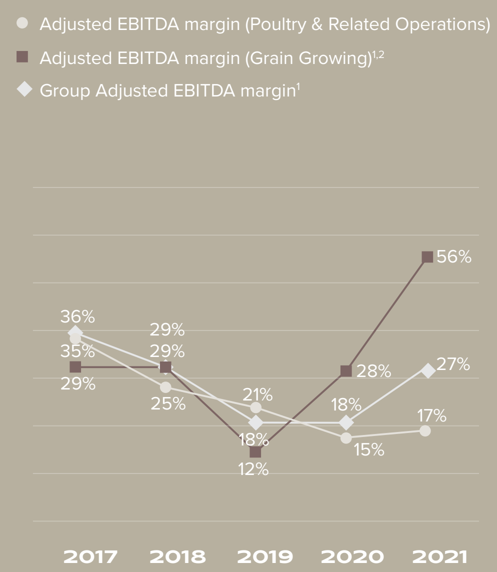
GROUP EXPORT REVENUE, US$M



GROUP ADJUSTED EBITDA[1]



ADJUSTED EBITDA MARGIN[2], %



KEY PERFORMANCE INDICATORS

REVENUE, US$m	EXPORT REVENUE, US$m	ADJUSTED EBITDA, US$m
HOW WE CALCULATE IT		
As reported.	Revenue to destinations outside of country of production.	Adjusted EBITDA is defined as profit before tax, net finance costs, depreciation and amortisation, net after-tax exceptional and non-recurring items, net foreign exchange loss, and net other expenses.
WHY WE MEASURE IT		
To ensure we are successful in growing the business.	To ensure we are delivering on our strategy of international expansion in turn leading to additional hard currency revenue. Export revenue provides MHP with a natural hedge against local currency volatility.	To track the underlying performance of the business.
2021 PROGRESS		
Revenue was up 24% y/y mainly driven by an increase in sales of chicken meat.	Export revenue was up 25% y/y mainly driven by an increase in poultry export sales volumes and prices.	Adjusted EBITDA (net of IFRS 16) was up by 91% y/y mainly due to strong results in grain growing operations - high a grain prices as well as stronger harvest in 2021 compared to 2020.
LINK TO STRATEGY		
Execution of our diversified sales strategy – both for exports and domestic sales.	Export growth through sales diversification and market targeting.	Production efficiency and a focus on more value-added and further processed products as we transform to a culinary company.
CHANGE TO KPI		
KPI unchanged y/y.	KPI unchanged y/y.	KPI unchanged y/y.

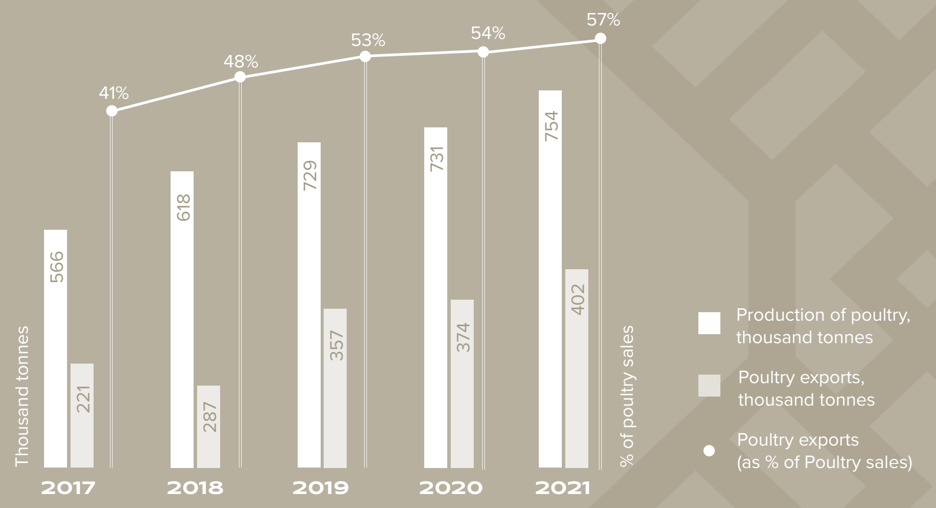
KEY PERFORMANCE INDICATORS BY SEGMENT

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

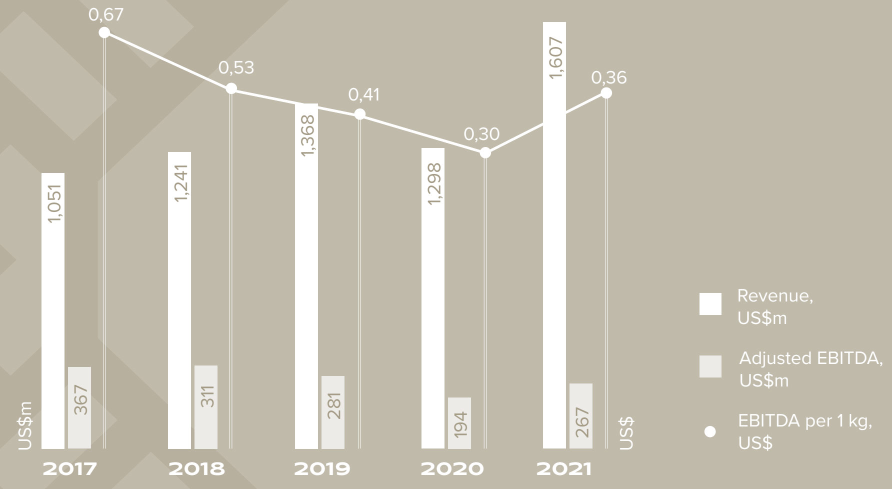
POULTRY AND RELATED OPERATIONS

[1] Adjusted EBITDA (net of IFRS 16)

PRODUCTION AND EXPORT SALES



REVENUE AND ADJUSTED EBITDA[1]

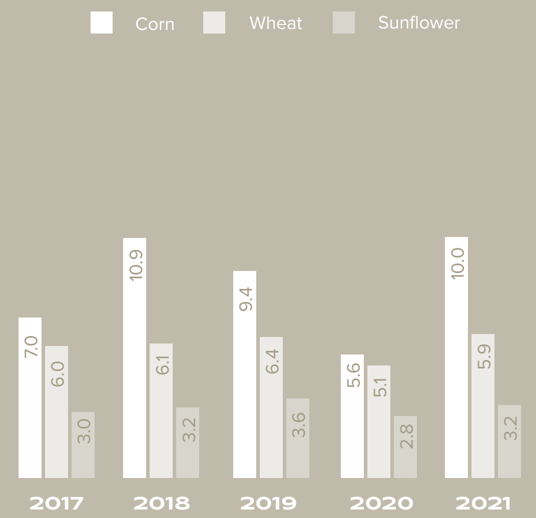


GRAIN GROWING OPERATIONS

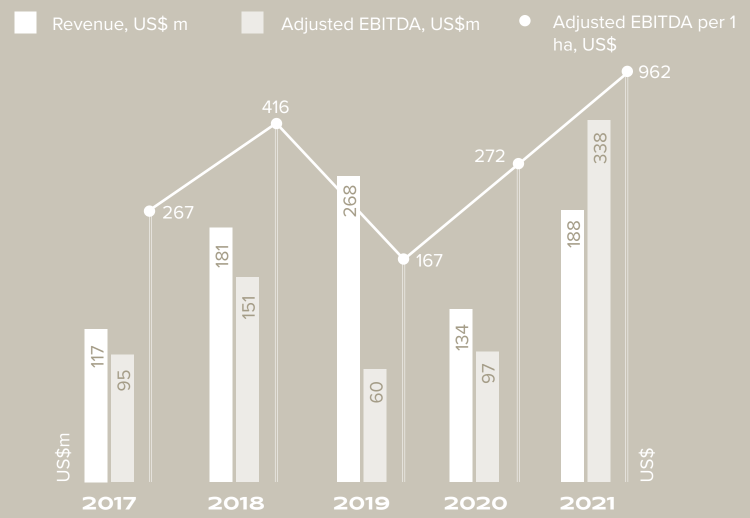
[1] Adjusted EBITDA (net of IFRS 16)

PRODUCTION OF GRAINS, THOUSAND TONNES

YIELDS, TONNES PER HECTARE (HA)



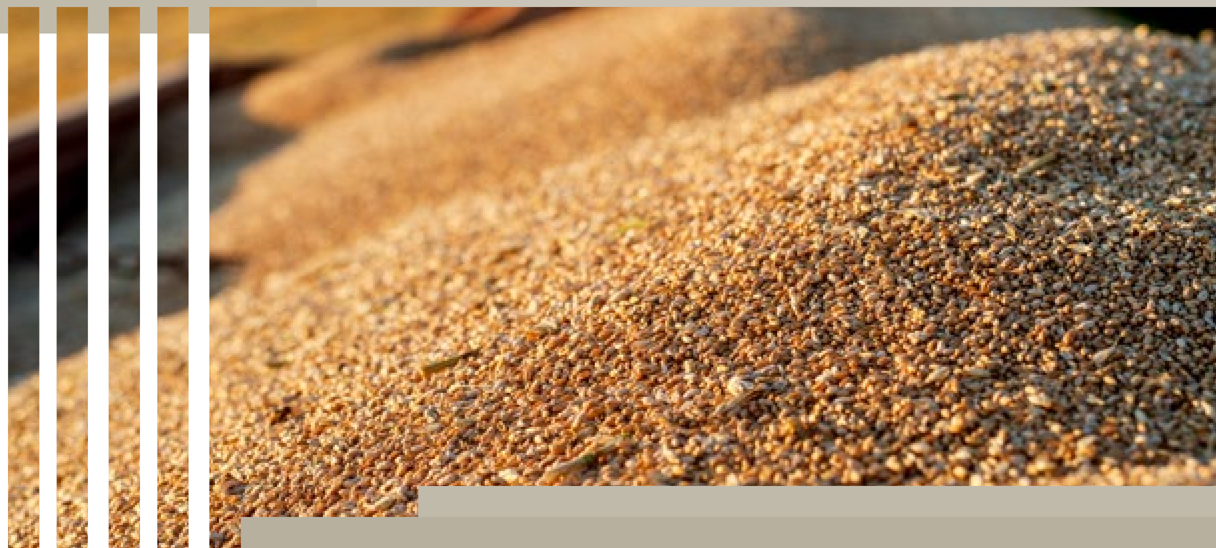
REVENUE AND ADJUSTED EBITDA[1]



ADJUSTED EBITDA PER HECTARE

US$962

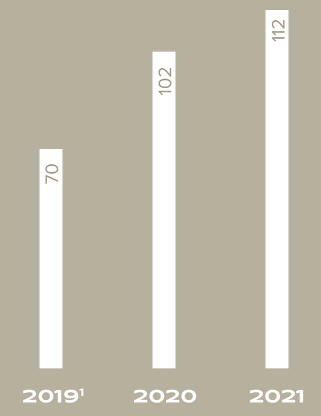
IN 2021



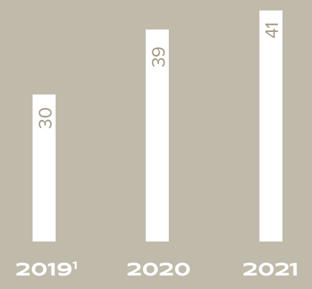
EUROPEAN OPERATING SEGMENT (PP)

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

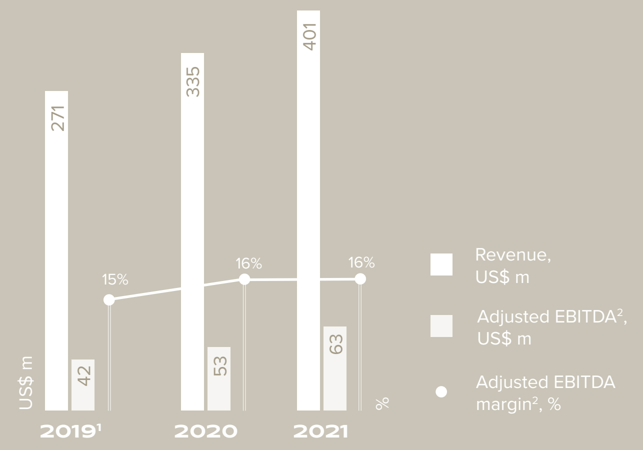
PRODUCTION OF POULTRY, THOUSAND TONNES



PRODUCTION OF MEAT-PROCESSING PRODUCTS, THOUSAND TONNES



REVENUE AND ADJUSTED EBITDA²



ADJUSTED EBITDA MARGIN²

16%

IN 2021

FINANCIAL AND OPERATIONAL REVIEW

OPERATIONAL HIGHLIGHTS

[1] Production volume of chicken meat only without by-products

POULTRY PRODUCTION VOLUMES INCREASED BY 3% YEAR-ON-YEAR TO

754,387[1]
TONNES
(2020: 731,279 TONNES)

POULTRY PRODUCTION VOLUMES AT THE EUROPEAN OPERATING SEGMENT INCREASED 10% TO 111,973 TONNES IN 2021 (2020: 102,157 TONNES).

THE AVERAGE CHICKEN MEAT PRICE INCREASED BY 25% YEAR-ON-YEAR TO

US$1.67
PER KG
(2020: US$ 1.34 PER KG)
(EXCLUDING VAT)

THE AVERAGE PRICE OF CHICKEN MEAT PRODUCED BY PP DURING 2021 INCREASED BY 3% YEAR-ON-YEAR TO EUR 2.59 PER KG (2020: EUR 2.52 PER KG).

CHICKEN MEAT EXPORTS FROM UKRAINE INCREASED BY 8% YEAR-ON-YEAR TO

402,388
TONNES
(2020: 373,734 TONNES)

(EXCLUDING PP'S 33,446 TONNES (2020: 17,001 TONNES)).

FINANCIAL HIGHLIGHTS

REVENUE OF

US$ 2,372 MILLION

an increase of 24% year-on-year (2020: US$ 1,911 million) mainly driven by an increase in the sale of meat.

EXPORT REVENUE OF

US$ 1,265 MILLION

53% of total revenue (2020: US$ 1,016 million, 53% of total revenue), up 25% year-on-year.

OPERATING PROFIT OF

US$ 506 MILLION

up 152% year-on-year from US$ 201 million; operating margin increased from 11% to 21%.

ADJUSTED EBITDA[2] OF

US$ 648 MILLION

up 91% year-on-year from US$ 340 million driven mainly by strong result in the Grain Growing Segment.

NET PROFIT OF

US$ 393 MILLION

(2020: US$ 133 million of net loss)

ADJUSTED EBITDA[2] MARGIN GREW TO

27%

(2020: 18%)

FINANCIAL OVERVIEW

(IN MLN. US$, UNLESS INDICATED OTHERWISE)	2021	2020	% CHANGE[1]
REVENUE	**2,372**	**1,911**	**24%**
IAS 41 standard gains/(losses)	185	31	497%
GROSS PROFIT	**745**	**398**	**87%**
Gross profit margin	31%	21%	10 pps
OPERATING PROFIT/(LOSS)	**506**	**201**	**152%**
Operating profit margin	21%	11%	10 pps
ADJUSTED EBITDA	**709**	**395**	**79%**
Adjusted EBITDA margin	30%	21%	9 pps
ADJUSTED EBITDA (net of IFRS 16)	**648**	**340**	91%
Adjusted EBITDA margin (net of IFRS 16)	27%	18%	9 pps
Net profit/(loss) before foreign exchange differences	**353**	**71**	**397%**
Net profit/(loss) margin before forex gain/(loss)	15%	4%	11 pps
Foreign exchange gain/(loss)	40	(204)	120%
Net profit/(loss)	**393**	**-133**	**395%**
Net profit/(loss) margin	17%	-7%	24 pps

[1] pps – percentage points
[2] Adjusted EBITDA (net of IFRS 16)
Average official FX rate for 12 months: UAH/US$ 27.2835 in 2021 and UAH/US$ 26.9639 in 2020.

SEGMENT PERFORMANCE

POULTRY AND RELATED OPERATIONS SEGMENT

	2021	2020	% CHANGE
POULTRY			
Sales volume, third parties tonnes	704,010	699,926	1%
Domestic sales volume, third parties tonnes	288,831	324,285	-11%
Export sales volume, third parties tonnes	402,388	373,734	8%
Price per 1 kg net of VAT, USD	1.67	1.34	25%
Average price per 1 kg net of VAT, UAH (Ukraine)	45.37	34.54	31%
Average price per 1 kg net of VAT, USD (Ukraine)	1.66	1.28	30%
Average price per 1 kg net of VAT, US$ (export)	1.67	1.40	19%
Culinary products sales, tonnes	12,791	1,909	570%
SUNFLOWER OIL			
Sales volume, third parties tonnes	207,240	330,823	-37%
SOYBEAN OIL			
Sales volume, third parties tonnes	45,209	40,904	11%

CHICKEN MEAT

The aggregate volume of chicken meat sold to third parties remained relatively stable during 2021.

Through 2021 the average export chicken meat price increased by 19% to US$ 1.67 compared to 2020, mainly driven by strong prices on breast and fillet in Europe, and quarters and small chicken in the MENA region.

The average poultry price on the domestic market increased by 30% year-on-year, mainly driven by a substantial poultry production cost increase since Q4 2020 and a substantial utilities (mainly gas) price increases since the end of Q3 2021 as well as strong and upward price trends for all proteins during the period in the country. An additional factor in the increase in price was the low poultry price through 2020 as a result of impact of the COVID-19.

VEGETABLE OIL

During 2021 MHP's sales of sunflower oil decreased by 37% compared to 2020 to 207,240 tonnes, mainly driven by reduced production of oil as a result of a decreased share of sunflower cake in fodder (due to a change in recipe).

Sales of soybean oil increased by 11% during 2021 to 45,209 tonnes, mainly as a result of an increased share of soya cake in the fodder recipe (in partial substitution for sunflower cake), which also resulted in decreased sales of soybean cake to third parties.

POULTRY AND RELATED OPERATIONS SEGMENT

FINANCIAL RESULTS AND TRENDS

(IN MLN. US$, UNLESS INDICATED OTHERWISE)	2021	2020	% CHANGE[1]
REVENUE	**1,607**	**1,298**	**24%**
Poultry and other	1,224	1,022	20%
Vegetable oil	383	276	39%
IAS 41 standard gains/(losses)	**14**	**(17)**	**182%**
GROSS PROFIT	**285**	**191**	**49%**
Gross margin	18%	15%	3 pps
ADJUSTED EBITDA	**267**	**194**	**38%**
Adjusted EBITDA margin	17%	15%	2 pps
Adjusted EBITDA per 1 kg (net of IAS 41)	0.36	0.30	20%

DURING 2021 THE SEGMENT'S REVENUE INCREASED BY

24%

YEAR-ON-YEAR

During 2021 the segment's revenue increased by 24% year-on-year driven mostly by an increased price of chicken meat.

The IAS 41 standard gain/(loss) reflects the net change in fair value of biological assets and agricultural produce. The IAS 41 standard gain during 2021 amounted to US$ 14 million mainly as a result of an increased in the poultry prices.

The gross profit of the segment for 2021 increased by 49% year-on-year driven mainly by higher prices of chicken meat. During 2021, adjusted EBITDA increased by 38% in line with the increase in gross profit.

[1] pps – percentage points

GRAIN GROWING SEGMENT

In 2021 MHP harvested 351,440 hectares of land in Ukraine and gathered around 2.60 million tonnes of crops, 52% more than in 2020 mainly due to favourable weather conditions together with the positive effects of modern technology and machinery applied during the cultivation of land. MHP's average yields for all crops remain well above the average for Ukraine due to operational efficiency and the employment of best practice.

HARVEST RESULTS

	2021		2020	
	PRODUCTION VOLUME in tonnes	CROPPED LAND in hectares	PRODUCTION VOLUME in tonnes	CROPPED LAND in hectares
Corn	1,624,173	163,295	864,537	155,094
Wheat	216,007	36,773	208,143	40,827
Sunflower	279,822	88,256	261,886	93,713
Rapeseed	71,055	21,522	80,708	30,857
Soya	57,208	22,879	43,192	19,118
Other[1]	348,590	18,715	248,476	16,437
TOTAL	**2,596,855**	**351,440**	**1,706,942**	**356,046**

	2021		2020	
	MHP'S AVERAGE[2]	UKRAINE'S AVERAGE[3]	MHP'S AVERAGE[2]	UKRAINE'S AVERAGE[3]
	Tonnes per hectare		Tonnes per hectare	
Corn	10.0	8.0	5.6	5.4
Wheat	5.9	4.6	5.1	3.7
Sunflower	3.2	2.5	2.8	2.0
Rapeseed	3.3	3.0	2.6	2.2
Soya	2.5	2.7	2.3	2.0

FINANCIAL RESULTS AND TRENDS

(IN MLN. US$, UNLESS INDICATED OTHERWISE)	2021	2020	% CHANGE
REVENUE	**188**	**134**	**40%**
IAS 41 standard gains/(losses)	169	46	267%
GROSS PROFIT	**336**	**94**	**257%**
Adjusted EBITDA	397	150	165%
Adjusted EBITDA (net of IFRS 16)	338	97	248%
Adjusted EBITDA (net of IFRS 16) per 1 hectare	962	272	254%

Grain Growing Segment's revenue for 2021 amounted to US$ 188 million compared to US$ 134 million in 2020. The increase was mainly attributable to the higher volumes of crops sold in 2021 as a result of the stronger harvest in 2021 compared to 2020 together with an increase in grain prices.

The IAS 41 standard gain for 2021 amounted to US$ 169 million. The gain was primarily driven by higher amount of crops in stock designated for sale as of 31 December 2021, compared to 31 December 2020, mainly as a result of the higher yields in 2021.

Adjusted EBITDA (net of IFRS 16) of the Segment in 2021 increased by 248% year-on-year, reflecting the increase in grain prices as well as the stronger harvest in 2021 compared to 2020.

[1] Including barley, rye, sugar beet, sorghum and other and excluding land left fallow as part of crop rotation.
[2] Only land of the Grain Growing Segment.
[3] MHP yields are net weight, Ukraine yields are bunker weight.

MEAT PROCESSING AND OTHER AGRICULTURAL SEGMENT

OPERATIONAL RESULTS

MEAT PROCESSING PRODUCTS	2021	2020	% CHANGE
Sales volume, third parties (tonnes)	33,954	32,626	4%
Price per 1 kg net of VAT, UAH	82.20	70.78	16%

In 2021 sales of processed meat products increased by 4% to 33,954 tonnes. The average price of processed meat increased by 16% year-on-year to UAH 82.20 per kg in 2021, driven mainly by an increase in raw material prices (poultry meat).

CONVENIENCE FOOD	2021	2020	% CHANGE
Sales volume, third parties (tonnes)	18,857	19,905	-5%
Price per 1 kg net of VAT, UAH	48.62	39.94	22%

Sales volumes of convenience food in 2021 decreased by 5% to 18,857 tonnes. The average price in 2021 increased by 22% to 48.62 UAH per kg (excluding VAT).

FINANCIAL RESULTS AND TRENDS

(IN MLN. US$, UNLESS INDICATED OTHERWISE)	2021	2020	% CHANGE[1]
REVENUE	**176**	**144**	**22%**
Meat processing	143	114	25%
Other*	33	30	10%
IAS 41 standard loss	**(1)**	**-**	**100%**
GROSS PROFIT	**17**	**19**	**-11%**
Gross margin	10%	13%	-3 pps
ADJUSTED EBITDA	**11**	**20**	**-45%**
Adjusted EBITDA margin	6%	14%	-8 pps

Segment revenue in 2021 increased by 22% year-on-year to US$ 176 million, mainly due to a decrease in the volume of meat processing products as well as an increase in price.

The IAS 41 standard loss was mainly driven by milk operations due to increased costs.

The Segment's Adjusted EBITDA in 2021 decreased to US$ 11 million driven mainly by an increase in cost.

[1] pps – percentage points

EUROPEAN OPERATING SEGMENT (PP)

OPERATIONAL RESULTS

	2021	2020	% CHANGE
POULTRY			
Sales volume, third parties, tonnes	72,841	63,007	16%
Price per 1 kg net of VAT, EUR	2.59	2.52	3%

In 2021 sales increased by 16% to 72,841 tonnes with the average price up 3% to EUR 2.59.

	2021	2020	% CHANGE
MEAT PROCESSING PRODUCTS[1]			
Sales volume, third parties, tonnes	40,366	38,771	4%
Price per 1 kg net of VAT, EUR	2.78	2.72	2%

In 2021 sales increased by 4% to 40,366 tonnes with the average price up 2% to EUR 2.78.

FINANCIAL RESULTS AND TRENDS

(IN MLN. US$, UNLESS INDICATED OTHERWISE)	2021	2020	% CHANGE[2]
REVENUE	**401**	**335**	**20%**
IAS 41 standard gains/(losses)	**3**	**1**	**200%**
GROSS PROFIT	**106**	**93**	**14%**
Gross margin	26%	28%	-2 pps
ADJUSTED EBITDA	**66**	**55**	**20%**
Adjusted EBITDA margin	16%	16%	0 pps
ADJUSTED EBITDA (net of IFRS 16)	**63**	**53**	**19%**
Adjusted EBITDA margin (net of IFRS 16)	16%	16%	0 pps

The European Operating Segment's revenue in 2021 increased by 20% to US$ 401 million, mainly as a result of increased poultry sales volume and prices. Adjusted EBITDA (net of IFRS 16) increased by 19% to US$ 63 million, mainly due to higher operational efficiencies, which allowed to offset growing cost of raw materials, positive impact from appreciation of the EUR against US Dollar as well as one-off effects related to insurance and some change in accounting treatment from past events. Adjusted EBITDA margin (net of IFRS 16) was unchanged at 16% in 2021.

[1] includes sausages and convenience foods
[2] pps – percentage points

CURRENT GROUP FINANCIAL POSITION AND CASH FLOW

(IN MLN. US$, UNLESS INDICATED OTHERWISE)	2021	2020
Cash from operations	**370**	**225**
Change in working capital	(245)	(154)
Net cash from operating activities	**125**	**71**
Cash used in investing activities	**(100)**	**(129)**
Net cash outflow on acquisition of subsidiaries	(2)	-
CAPEX [1]	**(143)**	**(79)**
Cash used in financing activities	106	(21)
Dividends	(71)	(31)
TOTAL FINANCIAL ACTIVITIES	**35**	**(52)**
TOTAL CHANGE IN CASH [2]	**60**	**(110)**

Cash flow from operations before changes in working capital in 2021 increased to US$ 370 million (2020: US$ 225 million).

The increase in working capital during 2021 compared to 2020 is mostly related to higher investments in the stock of corn designated for internal use, mainly following higher yields in 2021 as well as higher investment in sunflower seeds and increased grain prices.

During 2021 total CAPEX amounted to US$ 143 million, mainly related to expansion of Perutnina Ptuj production facilities and modernization and cost optimisation projects as well as the development of new culinary products.

DEBT STRUCTURE AND LIQUIDITY

(IN MLN. US$, UNLESS INDICATED OTHERWISE)	31 DECEMBER 2021	31 SEPTEMBER 2021	31 DECEMBER 2020
TOTAL DEBT [3]	**1,505**	**1,451**	**1,462**
LT Debt [3]	1,489	1,431	1,453
ST Debt [3]	126	20	36
Trade credit facilities [4]	(110)	-	(27)
Cash and cash equivalents	(275)	(287)	(218)
NET DEBT [3]	**1,229**	**1,164**	**1,244**
LTM ADJUSTED EBITDA [3]	**648**	**558**	**340**
Net Debt / LTM Adjusted EBITDA[3]	1.90	2.09	3.66

As of 31 December 2021, the share of long-term debt in total outstanding debt is 99%. The weighted average interest rate was below 7%.

As of 31 December 2021, MHP's cash and cash equivalents amounted to US$ 275 million.

Net debt decreased to US$ 1,229 million, compared to US$ 1,244 million as of 31 December 2020.

The Net Debt / LTM Adjusted EBITDA (net of IFRS 16) ratio declined from 3.66 at 31 December 2020 to 1.90 as of 31 December 2021, well below the defined limit of 3.0 to 1. As a hedge for currency risks, revenue from the exports of grain, sunflower and soybean oil, sunflower husks, and chicken meat which are denominated in US Dollars and Euros, are more than sufficient to cover debt service requirements. Export revenue for 2021 amounted to US$ 1,265 million or 53% of total revenue (US$ 1,016 million or 53% of total revenue for 2020).

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

[2] Calculated as Net Cash from operating activities plus Cash used in investing activities plus Total financial activities.

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

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

DIVIDENDS

Taking into account the current uncertainties following the Russian invasion of Ukraine, and the resulting need to preserve liquidity to support the Company's ongoing business operations and to help sustain national food security, the Board of MHP SE has decided that no final dividend will be paid.

SUBSEQUENT EVENTS

On 21 March 2022, MHP issued a Consent Solicitation Memorandum seeking the consent of bondholders to defer by 270 days payment of the coupons of its three outstanding Eurobonds (2024, 2026 and 2029) which were due to be paid in March-May 2022. On 31 March 2022, the Company announced the results Consent Solicitation which was completed ahead of schedule following receipt of approval from a substantional majority of holders of each of its Eurobonds.

OUTLOOK

Until the Russian invasion commenced on the 24th February, 2022 had started well for MHP, with production going to plan and strong global prices for poultry and agricultural commodities.

Since 24 February, MHP and its entire Ukrainian workforce have responded to the dramatic changes in circumstances with alacrity and considerable success to date in maintaining production and sales, albeit at reduced levels.

In spite of considerable ongoing logistics challenges, poultry production has already recovered to about 85% of normal capacity and in the second half of the year, we hope to harvest grain crops from the 90% of our land where sowing is now in progress, with excellent early growing conditions. We expect shortly to recommence production and export of vegetable oils and if current logistics trials are successful, to at least partially restore poultry exports.

Due to global shortages, which are expected to continue into 2023, prices of both poultry and grain are expected to remain at high levels at least for the rest of 2022, although for MHP the positive effect of higher prices will be partly offset by strong cost inflation, for example in utilities, energy and essential commodities, in addition to more costly logistics solutions.

With the recent strong support of holders of our Eurobonds and our bankers, the Group is currently adequately funded to maintain operations and business continuity.

There remains extreme uncertainty about how the war in Ukraine will progress and the effects this could have on MHP's operations over the coming months. As a result and in spite of the Group's success in maintaining operations thus far, at this stage it is not possible to provide guidance as to how the year may turn out.

MEASURES OF FINANCIAL PERFORMANCE

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

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

The introduction of IFRS 16 on Leases from January 2019 has caused adjustments to the financial statements. MHP has chosen to present Adjusted EBITDA for 2020 and 2021 both before and after adjustment for IFRS 16.

LTM Adjusted EBITDA (net of IFRS 16) is defined as Adjusted EBITDA (net of IFRS 16) for the prior 12 consecutive months ending on such date of measurement; LTM Adjusted EBITDA is calculated as if acquisitions of subsidiaries had occurred on the first day of the prior 12 consecutive months ending on such date of measurement.

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

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

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

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

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

RECONCILIATION OF ADJUSTED EBITDA

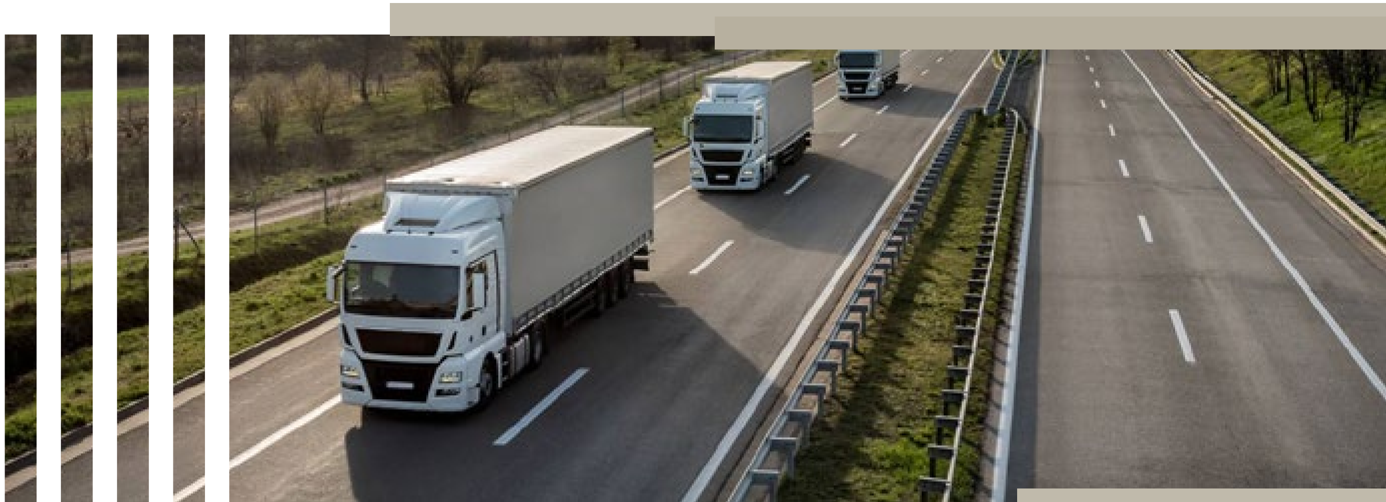
US$ THOUSAND	2021	2020
Profit for the year from continuing operations	396,795	-131,575
Income tax	6,914	-5,132
Finance cost	150,424	144,257
Finance income	-10,531	-13,584
Depreciation and amortizattion expense	192,858	192,103
EBITDA	**736,460**	**186,069**
Loss on impairment of property, plant and equipment	10,607	1,730
Other expenses	2,867	3,491
Forex exchange gain	-40,466	203,664
ADJUSTED EBITDA	**709,468**	**394,954**
ADJUSTED EBITDA (net of IFRS 16)	**647,814**	**340,282**

RECONCILIATION OF NET DEBT

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

As of 31 December 2021 and 2020, net debt was as follows:

US$ THOUSAND	2021	2020
Bank borrowings	225,062	104,396
Bonds issued	1,376,820	1,370,999
Lease obligations	281,250	198,499
Total debt	1,883,132	1,673,894
Cash and cash equivalents	-275,237	-217,579
Net debt	1,607,895	1,456,315
Effect of IFRS 16	-268,919	-184,795
Trade credit facilities	-110,086	-27,138
Net debt (net of IFRS 16)	1,228,890	1,244,382



SEGMENT PERFORMANCE

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

	YEAR ENDED 31 DECEMBER 2021					
US$ THOUSAND	POULTRY & RELATED OPERATIONS SEGMENT	GRAIN GROWING SEGMENT	MEAT-PROCESSING & OTHER AGRICULTURAL OPERATIONS SEGMENT	EUROPEAN OPERATING SEGMENT	ELIMINATIONS	CONSOLIDATED
External sales	1,607,067	188,344	176,264	400,587	-	2,372,262
Sales between business segments	67,752	312,277	522	-	-380,551	-
Total revenue	1,674,819	500,621	176,786	400,587	-380,551	2,372,262
SEGMENT RESULTS	**170,424**	**325,812**	**4,339**	**48,136**	**-**	**548,711**
Depreciation and amortisation	96,482	71 377	6,245	17,436	-	191,540
Segment adjusted EBITDA before unallocated expenses	266,906	397,189	10,584	65,572	-	740,251
Unallocated expenses	-	-	-	-	-	-32,101
Unallocated depreciation and amortisation	-	-	-	-	-	1,318
ADJUSTED EBITDA	**-**	**-**	**-**	**-**	**-**	**709,468**

PRINCIPAL RISKS AND UNCERTAINTIES

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

RISK OVERSIGHT

The Audit & Risk Committee monitors the effectiveness of the Company's risk management and control systems through regular updates from Management, reviews of the key findings of the external and internal auditors, and an annual review of the risk management process and risk matrix. Results are reported regularly to the Board, which has overall responsibility for risk management. The Internal Audit function provides objective assurance to the Management team and to the Audit & Risk Committee on the effectiveness of risk management and helps Management to continuously improve its risk management framework and processes. The Company's approach to the identification and assessment of risks, and the response to risks, is based on best business practices and international COSO Enterprise Risk Management standards.

ENCOURAGING THE IDENTIFICATION OF RISKS

MANAGERS ENCOURAGE OPEN COMMUNICATION AND PROMOTE AND SUPPORT DISCLOSURE AND RISK MANAGEMENT DISCUSSIONS

EMBEDDING RISK MANAGEMENT WITHIN EVERY ROLE AND FUNCTION

EVERY EMPLOYEE SHARES THE RESPONSIBILITY FOR MANAGING RISK

CONTINUOUS IDENTIFICATION AND ASSESSMENT OF RISKS

PROCESS OWNERS REGULARLY LOOK FOR NEW OPERATIONAL RISKS, REASSESS THE STATUS OF KNOWN RISKS, AND RE-EVALUATE OR UPDATE PLANS TO PREVENT OR RESPOND TO PROBLEMS ASSOCIATED WITH THESE RISKS

RISK MANAGEMENT FRAMEWORK

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

1. IDENTIFY RISK
2. MEASURE POTENTIAL IMPACT
3. MANAGE RISK
4. MONITOR RISK
5. COMMUNICATION AND REPORTING

THESE FIVE STEPS ENABLE CONTINUOUS ASSESSMENT AND IMPROVEMENT OF THE RISK MANAGEMENT FRAMEWORK

THE PRINCIPAL RISKS AND UNCERTAINTIES THE GROUP IS FACING ARE SET OUT IN THE TABLE BELOW[1]

PRINCIPAL RISK	HOW WE MANAGE THE RISK
WAR RISKS	
Since the Russian invasion on 24 February 2022 and subsequent large-scale war in Ukraine, MHP has been facing significant uncertainties including the risk of further military action. Specific risk factors include: • Destruction of fixed assets • Loss of access to leased land, offices and production facilities in the occupied territories • Loss of storage facilities and stocks of produced goods and inventories • Absence or loss of employees resulting in disruption of business processes • Disruption of logistics routes in Ukraine • Inability to conduct export activities • Potential cyber attack, loss of data and disruption of business processes • Temporary unavailability of banking services (processing of payment transactions) • Inability to attract new loans • A large combination of the above factors could impair the Group's ability to service its debt	Most of those threats cannot be be influenced by MHP. However, we have designed response plans for minimising, where feasible, the potential impact of such risks. In particular: • we have ensured that there is no concentration of critical employees in one location, with back-up of critical functions organised • employees trained on how they should behave and protect themselves in the war period • employee motivation schemes changed to recognise and reward employees who ensure continuity of production and logistics • our premises are equipped with fire alarm and security systems • detailed contingency plans designed to respond to cyber attack and unavailability of IT systems • supply chains adapted to the new constraints and actions taken to ensure adequate stocks of all critical resources • sufficient credit lines were in place before the invasion to cover liquidity risks • exports are being relaunched through Europe following the blockage of Ukrainian ports since the beginning of the war • actions taken to preserve liquidity so that the Group can continue to meet its obligations are described in Note 4

[1] As of the date of the 2021 Annual Results release, 05 May 2022

PRINCIPAL RISK	HOW WE MANAGE THE RISK
BUSINESS RISKS	
Fluctuations in prices for grains and related products required for production input	`MHP drives cost efficiency across all its businesses, supported by its vertically-integrated business model. MHP's grain growing operations produce internally 100% of the corn required for poultry feed production. The Company adopts innovative approaches for improving feed recipes and the structure of feed so as to optimise cost and increase the conversion ratio at the same time.
Fluctuations in demand for and market prices of chicken meat	Demand for chicken in Ukraine is expected to remain strong and to have further growth potential as beef and pork are mostly produced by households and small farms and are far more expensive to produce and purchase than chicken. Chicken meat is the most affordable kind of meat from both a price and diet perspective. MHP products are available for purchase through different sales channels at all times and the Company offers competitive trade terms to its customers. MHP's domestic strategy and in particular its focus on higher value-add products are drivers for increasing the Company's profitability from chicken meat sales in Ukraine. As far as possible, in international markets, MHP continues to execute upon its strategy of geographic diversification of exports combined with product mix optimisation and a focus on customised products for new potential markets.
Failure to implement growth strategy and expansion into export markets	MHP has in place a long-term strategy for the Group's expansion into diversified export markets. Although there are varying levels of uncertainty regarding MHP's export markets, MHP's share of its key poultry markets remains relatively low (less than 10%) allowing MHP to redistribute volumes between markets without disruption and to grow its presence gradually; this will be partly through growth in population and consumption per capita and partly through offering better service and quality to our customers. To reduce the impact of any disruptions to trade flows in future, MHP intends to continue to execute its strategy of geographic diversification.
Outbreaks of Avian Influenza and other livestock diseases	To ensure the well-being of livestock at MHP's facilities, the Company has implemented high biosecurity standards and systems supplemented by a set of preventive veterinary-sanitary and hygiene measures, including: Ongoing monitoring of Avian Influenza cases worldwide followed by rigorous assessment of MHP's existing biosecurity systems based on identifying the causes of those cases; Geographic separation of poultry-rearing facilities with a significant distance between each facility; Where any infected areas are identified, immediate actions are taken to limit the access of all visitors to MHP facilities; Constant monitoring of poultry conditions, including analysis of indicators of poultry well-being and health and investigation of the quality of raw materials (litter, food, water) and products (poultry carcasses); and Monitoring compliance with biosafety rules. MHP is also assisting all other poultry producers (mainly egg layers) in the Vinnytsia region to strengthen their own biosecurity.
Moratorium on the sale of agricultural land in Ukraine	MHP supports the opening of the land market and free competition in this area. The Group estimates the risk level to be stable, due to MHP's long-term land lease agreements, and continuous monitoring of the situation in the regions in which the Group operates. It is expected to have no significant impact on its land portfolio or business model.

PRINCIPAL RISK	HOW WE MANAGE THE RISK
Occurrence of a significant health and safety incident	MHP maintains robust environmental and health and safety policies, management systems and procedures in line with best practice and legal requirements. These are regularly reviewed and updated, and employees participate in frequent training and development activities.
Occurrence of a material product quality or product safety incident	MHP prioritises product safety and quality in line with international best practice and applicable regulations. It maintains robust quality and safety management systems and has an excellent track record in this area.
Fluctuations in commodity prices such as gas, fuel and energy	MHP tightly monitors and controls its gas, fuel and energy costs. Energy price risks are mitigated by a priority focus on developing renewable sources of energy and a continued increase in the use of co-generation and alternative energy technology. The processing of sunflowers results in the production of large volumes of husks that are burned to generate steam heat for fodder complexes.
Unfavourable weather conditions	MHP's management team constantly uses modern technology and implements improvements year-on-year to minimize the impact of extreme weather change.
Lack of highly-qualified staff at strategic level and production enterprises	MHP works to maintain positive relationships with employees and strives to build upon its reputation as a high-quality, responsible employer of choice. As part of this, MHP provides a number of programmes designed to enrich its employees and the broader community including: • education and professional programmes for the younger generation; • "Personnel Reserve" and "New Horizon" training programmes for prospective and high-performing employees respectively; • a strategic action plan to build and support schools in regions where its facilities operate; and • development of a digitalisation strategy that is in the process of implementation and focusses on automating business processes and decision making (including artificial intelligence).
Outdated equipment and technology	A digital transformation strategy, including the implementation of ERP, is in place across all entities within the Group focussing on the upgrades, optimisation and automation of key business processes. Experienced and competent internal project managers and subcontractors are in place to direct the successful implementation of the digitalisation strategy. MHP has consistently invested in technology for the automation of business processes and improvement in productivity.
Inefficient procurement and an increase in production costs	MHP strives to continually improve its procurement procedures and production processes. The procurement of strategic items is centralised with a high level of regulation and control. KPIs are set and are closely monitored with a view to decreasing the costs of production.

PRINCIPAL RISK	HOW WE MANAGE THE RISK
ENVIRONMENTAL RISKS	
Global climate change	MHP aims to conduct all of its activities in an environmentally-responsible manner and to meet the global challenge presented to everyone by climate change. MHP achieves this by: • reducing its the total energy consumption year-on-year; • planting tree saplings together with communities; • replacing fossil fuels with renewable energy (biogas, solar energy, straw, sunflower husk); • growing rapeseed and maize for biofuel production, which are exported under ISCC contracts https://www.iscc-system.org after the relevant Certification Audits; • calculating greenhouse gas emissions annually. A key tenet of the Company's Sustainable Environmental Policy is to become carbon neutral by 2030. In 2021, MHP began partnering with independent third party Alltech ECO2 which will audit ongoing greenhouse gas emissions and advise on potential opportunities to reduce greenhouse gas emissions further. There is also a target to achieve carbon accreditation with the Carbon Trust.
Irrational water use	To ensure rational water consumption: • all water wells and shafts are certified and equipped with water meters, which are regularly checked; • the first zone of the Sanitary Protection zone for each underground water supply source is calculated in accordance with the legislation and enclosed by a fence; • for each enterprise of the Group the calculation of normative water consumption with definition of monthly limits of water consumption is made; • for each enterprise of the Group a register of wells and mine wells for water is created, which is updated annually; • for each of the sources of water intake, the limits set by the state are strictly observed. To prevent pollution of surface waters and groundwater aquifers, there is the following list of measures: • laboratory quality control of wastewater treatment at biological treatment facilities is performed at each stage, according to the Sampling Schedules developed at the enterprises; • places of storage of waste and oil products are equipped in such a way as to exclude pollution of ground waters; • waterproofing of all places for temporary storage of sewage is executed; and • due to the reduction of water consumption per bird, the amount of wastewater itself decreases. MHP plans to replace those meters that have been in use far more than 10 years.
Deforestation and conversion of high-carbon lands into agricultural land, including drainage of peat bogs	MHP guarantees the absence of deforestation and the conversion of high-carbon lands to agricultural land through the following: • the MHP land bank consists exclusively of lands on which there has been no conversion or deforestation; • each field has its own agrochemical passport, which allows you to trace its history; • each field was tested for deforestation and land conversion using the online tool Global Risk Assessment Services gras-system.org • MHP Group companies undergo annual field inspections for deforestation and land conversion during the International Sustainability and Carbon Certification Certification Audit www.iscc-system.org • MHP does not import soybeans, which guarantees that no deforestation has been carried out for its cultivation. • In 2021, MHP stipulated in any soybean procurement contracts a separate clause requiring the supplier to report the region of origin of soybeans and to confirm that they have been grown on land that has not been deforested or converted.

PRINCIPAL RISK	HOW WE MANAGE THE RISK
Deforestation and conversion of high-carbon lands into agricultural land, including drainage of peat bogs (continued)	MHP's Corporate Sustainable Environmental Policy sets a number of objectives to contribute to sustainable development of the country at all locations, where the Company has got its operations, such as: • contribute to the overall fight against climate change, including striving to become a carbon neutral company by 2030; • integrate sustainability considerations into all business decisions; • ensure sustainability in procurement of goods and services with an emphasis on supplier diversity and environmental attributes; and • comply with applicable environmental legislation and sustainability commitments and others.
FINANCE RISKS	
Fluctuations in foreign exchange rates	The majority of MHP's borrowings are denominated in US$. The resulting exposure is effectively hedged by the generation of around 53% of total revenue in US$ in 2021 from the export of sunflower and soybean oils, chicken meat and grain. The hard currency revenue generated is more than sufficient for MHP to continue to service all dollar-denominated loans and payments.
Fluctuations in interest rates	MHP monitors its interest rate exposure and analyses the potential impact of interest rate movements on its net interest expenses. The majority of MHP's debt portfolio is at fixed interest rates. MHP's debt portfolio has an 99% / 1% share of fixed/floating interest rates. The majority of the Company's debt is in the form of Eurobonds issued at fixed interest rates. Bank borrowings are mostly from foreign banks or Ukrainian subsidiaries of international banks at rates lower than those available from Ukrainian banks.
Credit risk	MHP has a diversified pool of customers. The amount of credit allowed to any one customer or group of customers is strictly controlled. Credit offered to major groups of customers, including supermarkets and franchisees is, on average, between 5 and 21 days. To hedge this risk, MHP procedures require verification of counterparties' solvency prior to the signing of an agreement. Policies and operating guidelines include limits in respect of counterparties to ensure that there is no significant concentration of credit risk. Credit risks are managed by security provisions included in agreements with customers. At foreign subsidiaries of MHP, an insurance company is involved to approve the credit limit and to insure against risk of non-payment.
Liquidity risk	MHP maintains efficient budgeting and cash management processes to ensure that adequate funds are available to meet its business requirements. MHP adopts a flexible CAPEX programme enabling capital projects to be deferred if necessary. MHP holds cash balances in hard currency on correspondent accounts and maintains an adequate level of undrawn credit lines.
Inefficient investments	MHP has developed and implemented procedures to ensure due process in this area. The Evaluation of Investment Projects procedure requires that the Investment Committee approves investment projects. All of the Company's investment projects are documented with a formal investment appraisal report and financial model which are jointly approved by the Investment Committee. All major investment decisions require approval by the Board.

PRINCIPAL RISK	HOW WE MANAGE THE RISK
STAKEHOLDER RELATIONS RISKS	
Local communities and NGOs	MHP is in regular dialogue with its local communities and other stakeholders in the regions in which it operates. The Company aims to conduct these relationships sensitively and with mutual respect. It also prioritises the human rights of its local communities. MHP has designed and implemented stakeholder relations programmes in line with good international practice. This activity includes regular meetings with local community representatives, roadshows to enable local people to meet the Company and the design and maintenance of a variety of communication channels. MHP also supports, designs and conducts a number of projects in conjunction with local authorities and local communities that aim to improve local standards of living and infrastructure. MHP continued to develop its local stakeholder relations in 2021 following the successful implementation of a range of Corporate Responsibility projects including: • The roll-out of educational programmes at all levels, from kindergarten to adult-learning; • The development and encouragement of local entrepreneurship through new projects and programmes. Entrepreneurship is important for the development of regions and local communities; it creates new jobs, develops infrastructure, and encourages innovation and the rational use of resources. MHP works in partnership with entrepreneurs to develop and improve local communities; and • The development of infrastructure and safety, which includes environmental safety, healthcare, product quality and safety, safety of buildings, structures and other infrastructure.
Investor and other stakeholder relations	MHP maintains an experienced and well-resourced communications and investor relations team that is supported by a national and international network of professional advisors. The team is tasked with ensuring that MHP's investor and wider communications activities are conducted in line with international good practice. The team also ensures that information about the Company is distributed in a timely manner, is accurate and up-to-date. MHP also monitors external commentary about its activities to ensure that any inaccuracies are addressed promptly. A qualitative measurement of the Company's image is performed on a regular basis and monitored by its senior management team and the Board.
COMPLIANCE RISKS	
Legal and regulatory risk	MHP's management team actively monitors regulatory developments in the countries in which the Group operates. MHP's financial control framework has adopted tax and treasury approaches fully in compliance with relevant local laws in the jurisdictions in which the business is registered. MHP pays its taxes in full in all jurisdictions in which it operates. Moreover, MHP is consistently developing and integrating into its business practices standards such as the Market Abuse Regulation and sustainability reporting.
Bribery and corruption	MHP maintains robust anti-bribery and corruption policies and procedures which are regularly reviewed and monitored by the Audit Committee. These include a Code of Ethical Conduct and investigation procedures which all employees are required to adhere to, and address matters such as bribery, gifts, supplier and customer relations, conflicts of interest and other areas of potentially corrupt activity. MHP operates a whistle blower hotline for the reporting of suspected bribery and corruption

PRINCIPAL RISK	HOW WE MANAGE THE RISK
COMPLIANCE RISKS	
Failure to comply with the covenants under loan agreements	MHP has developed and follows control procedures to monitor compliance with the covenants. In 2019, the Company implemented a “Procedure for consolidated leverage ratio more than 3.0x“, which contains a roles and responsibility matrix, communication rules and a modelling tool, which is used before approval and actioning of transactions which have limitations if the consolidated leverage ratio exceeds 3.0x.
BUSINESS CONTINUITY RISK	
Failure of IT systems could materially affect MHP’s business	A number of measures have been implemented across the Company to reduce the risk of IT system failure. These include: the implementation of additional business continuity measures; the organisation of reserved data channels; moving services to the Cloud; and the establishment of an incident management process providing continuous support for the business. In addition, the Information Security (“IS”) team performs regular audits of critical IT services in order to determine any IS weakness and to perform penetration testing of Company vulnerabilities. It also increases employee awareness of IS risks and focusses on developing proper behaviours.
COVID-19	The Management team implemented a range of measures for preventing sickness and the spread of infection within the Company (remote working, additional medical screenings, corporate transfers and protective masks etc.). At production facilities work is organised in shifts of small numbers of people that allows limited contact and minimises the potential spread of infection. To assist employees who became infected, the Company provided paid-for medical support, both screenings and treatment. MHP has developed and implemented flexible production and sales plans that redirect sales from closed channels to other markets and channels as required. This is a continuous activity that is embedded into planning processes across the Group.

S172 STATEMENT & STAKEHOLDER ENGAGEMENT

"WE ARE COMMITTED TO CONTINUING TO DELIVER VALUE TO SHAREHOLDERS AND TO GROWING VALUE FOR STAKEHOLDERS AND THE BROADER COMMUNITIES WHO DEPEND ON AND SUPPORT MHP."

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

In this way, Section 172 requires a Director to have regard, among other matters, to the:

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

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

Further details of the Board's activities can be found in the Governance section of this Report on pages 62 to 87. This includes how the Board reaches its decisions; the matters discussed and debated during the year; the stakeholder considerations that were central to those discussions; and how the Board fosters MHP's relationships with customers, suppliers and other stakeholders. Other relevant information can be found at MHP's main corporate website at www.mhp.ua.

STAKEHOLDER ENGAGEMENT

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

MHP regularly reviews its understanding of each stakeholder group, their areas of interest and its ongoing communications, reporting and dialogue activities. MHP employs experienced and qualified employee teams to conduct these activities. They include members of the Board, senior management, investor relations staff, human resources personnel and local stakeholder representatives. These are supported when required by experienced, professionally-qualified external advisors and services.

OUR STAKEHOLDERS	WHAT MATTERS TO THEM	HOW WE ENGAGE WITH THEM	2021 HIGHLIGHTS
WORKFORCE MHP's dedicated and experienced workforce is the driving force behind the achievement of MHP's aims and objectives and taking care of our people is our top priority	• A shared vision for MHP's long-term success; • Learning and development opportunities; • Occupational health, safety and wellbeing, including access to healthcare and support; • A conducive workplace featuring diversity, inclusion, flexibility, responsible business practice and clear communication; and • Fair and transparent employment terms and conditions.	• Regular two-way communication; • Clear communication of Company and management goals; • Training, education and mentoring; • Programmes for the development of innovative thinking; • Corporate volunteering; • Grievance mechanism; and • Regular surveys.	**COVID-19 support:** • Day-to-day communication and support, including the provision of COVID-19-related care for employees and their close relatives and the coverage of costs in the event of hospitalisation; • Mass vaccination programme support: as at the end of February 2022 75% of MHP's workforce had been vaccinated against COVID-19. **Health & safety:** • Launch of our comprehensive health programme whereby employees have access to a medical examination, tests and advice free of charge. During 2021, 19,693 employees took part; • Conduct of a series of workshops and training sessions, including "Leadership in production safety and anxiety management" and "Leadership in Security". To date [480] employees and [887] managers, including the CEO and other senior management, and other specialists] have taken part in these programmes respectively. **Communication:** • Annual online 'town hall' meeting with employees led by the CEO and other members of the senior management team at which employees can ask questions and provide feedback; • Quarterly video blog with CEO and employees. **Training and development:** • Launch of "Leaders Hub 2.0" Programme for 30 high-potential employees who we see as champions of change as the business transforms.
COMMUNITIES AND NGOs MHP's reputation and business continuity are supported by its aim to be a proactive and supportive member of its local communities and a good neighbour	• Transparency, clear and regular communication and opportunities to engage; • Mutual cooperation to reach social targets; • Development and support of local infrastructure and services; • A responsible and open approach to environmental, health and safety issues; and • Local employment opportunities.	• Stakeholder Engagement Plan; • Grievance mechanism; • Regional recruiting programme; • Medical assistance in the village programme; • Regular public hearings; and • Regular investment in public infra-structure in partnership with local stakeholders.	**COVID-19 support:** Support and education to local communities about the effects of the Pandemic and the ongoing nationwide vaccination programme in Ukraine, in particular in rural areas where vaccination rates remain lower. **Medical support:** • Transfer of medicines to healthcare facilities in partnership with LLC Pharma Start, a local pharmaceutical manufacturer in Ukraine. **Partnership with local communities, including through the following programmes:** • "Village. Steps to development" (supporting entrepreneurship in local businesses); • "Time to Act Ukraine!" (online training in 13 regions of Ukraine in which MHP enterprises are present); and • "JointFund Partnership Project" (helping communities solve their social, environmental and economic problems). **Stakeholder engagement:** • Regular participation in local community meetings to understand local needs and requirements; • Completion of EBRD / IFC mediation process and commencement of the audit process.

OUR STAKEHOLDERS	WHAT MATTERS TO THEM	HOW WE ENGAGE WITH THEM	2021 HIGHLIGHTS
CUSTOMERS, BUSINESS PARTNERS AND SUPPLIERS MHP's ongoing and uninterrupted business continuity relies on the strength and maintenance of its relationships with its customers, suppliers and business advisors	• Fair business conduct, terms and conditions; • MHP's approach and performance relating to biosecurity, product quality, environmental, health and safety matters; and • Transparency, clear communication channels and opportunities to engage.	• Interaction via tender platform; • Dedicated staff teams to interact with customers, suppliers and business advisors; • Provision of questionnaire facilities; and • Participation in regular customer due diligence processes.	**Customer development:** • Establishment of culinary centre in Kiev enabling collaboration with customers to develop culinary products and solutions. **Business conduct:** • Signature of statement of partnership with 40 major suppliers focussed on price and quality and on helping Ukrainian suppliers to grow; • Engagement with business partners via our Code of Business Partners Conduct & Integrity Declaration process, including know your customer (KYC) and customer due diligence (CDD) standards; • Worked closely with suppliers to ensure compliance with MHP's business partner code addressing matters such as environmental and social standards.
SHAREHOLDERS, FINANCIERS AND THE INVESTMENT COMMUNITY MHP's ongoing access to capital and liquidity depends on maintaining strong and lasting relationships with investors, debt providers, financiers and financial analysts	• Financial and share / bond price performance; • Credit rating; • Strategy; • Risk management; • Environmental, social and governance ("ESG") approach and performance; • Transparency, regular and proactive communication and reporting; • Sustainalytics rating; and • Regular communication from and engagement with senior management and the Board.	• Regular provision of conference calls for the investment community; • Quarterly results announcements; • One-to-one meetings (both in-person and 'virtually') with investors and financiers conducted by the Head of Investor Relations and / or with senior management and Board members; • Annual general meeting; • Dedicated IR section on the Company's website; • Annual financial and non-financial reports; and • Investor surveys.	**Communication:** • Regular information on events, including the Pandemic, Avian Influenza outbreaks, and the dynamic geopolitical situation; • Virtual roadshows and virtual conference participation to maintain investor communication during the Pandemic. **Responsible business strategy communication:** • Conduct of ESG virtual roadshows by the Head of Investor Relations and the Executive Chairman; • Regular communication with specialist ESG agencies e.g. Sustainalytics. **Investor perception study:** • Regular conduct of investor perception studies (in September 2021), the results and feedback from which are reported to the Board and factored into decision making.
GOVERNMENTS AND REGULATORS MHP's licence to operate is dependent on its relations with governments and regulators and operating within the applicable laws and regulations	• Adherence to applicable laws and regulations; • Support and cooperation with local (Ukraine and also within those countries in the EU, UK and MENA) economic development agencies; • Investment into infrastructure, education and medical facilities; and • Transparency, clear communication channels and opportunities to engage.	• Regular meetings with local governments; • Participation in local infrastructure, health and education projects; and • Close cooperation with local regulators over matters such as maintenance of strict bio-security, health and safety and environmental matters.	**COVID-19 support:** • Regular dialogue to support local and national efforts to address the Pandemic and Avian Influenza outbreaks; **Support of Ukrainian responsible business strategy:** • Participation with and support of Ukrainian Business & Trade Association and government departments at COP 26 event examining how Ukraine aims to meet the sustainability goals and the country's role in supporting the drive to net zero across the whole of Europe by 2050.
MEDIA An important element of all of MHP's key stakeholder relations is that the media reports timely and accurate information about its activities	• Receipt of timely, complete and up-to-date news and information about MHP's activities; • Contact information for the media; and • Transparency, clear communication channels and opportunities to engage.	• Company websites; • Regular distribution of Company news and information; • Availability of senior management for media interviews and briefings; and • Site-visits for the media.	**Social media** • Regular communications to support local and national efforts;

CORPORATE RESPONSIBILITY

THIS SECTION OF THE ANNUAL REPORT IS PROVIDED TO GIVE CURRENT AND PROSPECTIVE SHAREHOLDERS AND OTHER STAKEHOLDERS AN OUTLINE UNDERSTANDING OF MHP'S APPROACH TO CORPORATE RESPONSIBILITY MATTERS. IT REPORTS HOW THIS ASPECT OF THE BUSINESS IS INTEGRATED INTO ITS OVERALL STRATEGY AND POLICY INFORMATION. IT ALSO INCLUDES A SUMMARY OF MANAGEMENT STRUCTURES, GREENHOUSE GAS EMISSIONS INFORMATION AND COMMUNITY CASE STUDY INFORMATION. AS IN PREVIOUS YEARS, THE FORTHCOMING NON-FINANCIAL REPORT WILL CONTAIN FURTHER INFORMATION ABOUT THIS ASPECT OF MHP'S BUSINESS AND WILL BE PUBLISHED LATER IN 2022. THIS WILL APPLY THE LATEST APPLICATE GLOBAL REPORTING INITIATIVE (GRI) FRAMEWORK.

KEY FOCUS AREAS

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

STAKEHOLDER ENGAGEMENT

1. Commitment to transparency
2. Workforce dialogue and communications
3. Investment and financial community engagement
4. Provision of resources for the media

BUSINESS CONDUCT

1. Anti-bribery and corruption
2. Regulatory and legal compliance
3. Supplier and customer relationships
4. Product labelling and pricing
5. Data protection and information security

OUR PEOPLE

1. Workplace diversity
2. Equal opportunities
3. Training and development
4. Fair working conditions
5. Approach to organised labour

EMPLOYEE HEALTH AND SAFETY

1. Occupational health
2. Accident prevention
3. Provision of healthy workplaces
4. Employee health and well being
5. Addressing COVID-19

KEY FOCUS AREAS (CONTINUED)

PRODUCT QUALITY AND SAFETY

1. Maintenance of biological safety standards
2. Product hygiene
3. Product quality
4. Scientific analysis
5. Quality of raw materials

PLANET

1. Greenhouse gas and atmospheric emissions
2. Biodiversity management
3. Water use and discharges to water
4. Reuse, recycling and waste management
5. Energy use

PROSPERITY AND COMMUNITIES

1. Community partnerships
2. Management of effects of business activity
3. Local infrastructure investment
4. Supporting local economic development
5. Being a good neighbour

ANIMAL WELFARE

1. Antibiotic free programme
2. Maintenance of appropriate living conditions
3. Constant access to balanced food and fresh water
4. Veterinary supervision
5. High-quality bedding materials

POLICY FRAMEWORK

MHP's corporate responsibility framework is regularly reviewed by the Board and will be developed over time supervised by the recently formed International Government Relations and Public Affairs Board Committee on behalf of the Board.

MHP's related policies form part of the Corporate Governance Charter which is available for download from the holding company website (mhp.com.cy). They comprise the following policy statements and address all of the key focus areas in the table on page 66. MHP's policies also align the organisation with the appropriate industry, regulatory and international standards and guidelines.

- Share dealing code
- Inside information disclosure policy
- Health and safety policy
- Environmental and sustainability policy
- Corporate social responsibility policy
- Charitable donations policy
- Anti-bribery and corruption policy
- Related party transaction policy
- Risk management policy
- Internal audit policy
- Whistleblowing policy
- Human resources policy

MANAGEMENT SYSTEMS

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

STAKEHOLDER ENGAGEMENT

MHP employs experienced fully-resourced workforce teams and retains knowledgeable specialist advisors to conduct its communications and dialogue with its stakeholders including investors, workforce, the media, local communities, governments and regulators.

BUSINESS CONDUCT

MHP's Ethics and Compliance programme is closely monitored by the Board and the internal Compliance Committee. It is managed by a qualified workforce team that comprise MHP's Compliance Office. The team works closely with senior management to ensure that MHP's policies and codes and adhered to.

OUR PEOPLE

MHP's HR function and management systems are aligned with the requirements set by the Ukrainian legislation and international best practices to the extent practical regarding strategic workforce planning, efficient human resources management, talent acquisition management focus on and personal development.

EMPLOYEE HEALTH & SAFETY

MHP Group companies implement risk based approaches to continuously develop the health care management system and occupational safety in accordance with the requirements of international occupational health safety standards. In-house occupational health and safety audits are regularly conducted at MHP's enterprises in accordance with the in-house procedure which was developed and approved in 2017.

PRODUCT QUALITY & SAFETY

This aspect of the business is of paramount importance to MHP and it is proud of its exemplary record in this area. The Company's management systems use the latest technologies and are certified for compliance with key internationally recognised standards of food safety including BRC Food Safety DSTU ISO 22000, Global GAP, basic principles of Good Manufacturing Practice (GMP), and requirements of the HACCP system (Hazard Analysis and Critical Control Points).

PLANET

MHP's management approach is focused on improving operational efficiency, encouraging accountability and remaining compliant with all applicable environmental regulations. Every MHP facility has a full-time environmental officer who oversees the environmental performance and reports to the Director. The Chief Environmental Officer oversees the environmental performance of MHP's facilities. In 2022 MHP will begin the process of obtaining ISO 50001 certification at its production sites.

PROSPERITY AND COMMUNITIES

In the course of 2020 MHP refined its community development approach by centralising its activities. MHP works in partnership with other large businesses, international donors, as well as national Ukrainian charities in the development of its community projects and to share and develop expertise. MHP's approach is framed by its Charitable Aid Policy, a Community Engagement procedure and a Stakeholder interaction plan.

EMPLOYEE HEALTH & SAFETY

Key elements of MHP's animal welfare approach include; an antibiotic reduction strategy (antibiotics can be part of the therapy under the stewardship of the state veterinarians only); floor rearing with no use of caged systems; preventing the use of equipment and inventory that may injure animals when handling them; stocking densities in line with EU animal welfare standards; provision of veterinary care only by persons with the relevant professional qualifications; a ban on use of anaesthetics and analgesics and prohibition of all surgical interventions; prohibiting the use of antimicrobial agents recognised by the WHO as critical to human medicine; prohibiting the use of any growth promoters; use of state-of-the-art technologies with the ability to monitor animal conditions and fostering humane treatment of animals among employees, partners, customers and other stakeholders.

GREENHOUSE GAS EMISSIONS

MHP's greenhouse gas emissions data encompasses all of its operations that are under MHP's financial control. The calculation applied the following methodologies.

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

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

EMISSION TYPE	2021 (TONNES CO2E)	2020 (TONNES CO2E)	% CHANGE
Scope 1 Ukraine (non-biogas)	373,673	321,428	Increased by 16.25%
SCOPE 2 Ukraine (location based)	237,776	232,301	Increased by 2.36%

SUSTAINABLE AGRICULTURAL PRACTICES

MHP's sunflower, soya, maize and wheat production activities prioritise environmental best practice, responsible management of biodiversity, carbon footprint reduction and the increase of yields.

As part of these commitments the Company has been developing its systems over time through the use of innovation, best practice industry technology and ensuring that its team is staffed by knowledgeable professionals with the required experience and expertise.

Examples of MHP's approach in 2021 and beyond include:

- Regular monitoring and testing of ground soil to improve the environmental results of its activities, support biodiversity, increase environment protection and production efficiency;
- Maximum observance of optimal sowing dates, reduction of sowing rates and selection of maize hybrids that protect soil moisture levels;
- Annual increase of areas under Strip-Till technology (over 4000 hectares in 2021) to improve soil management practices;
- Changing the direction of tillage to increase soil loosening in more than half of the cultivated areas;
- Testing of technologies to reduce the carbon footprint of agricultural activities in conjunction with Syngenta (about 12,000 hectares);
- Successful pilot implementation of the use of drones in plant monitoring and protection activities to increase efficiency and reduce carbon footprint. This project will be significantly upscaled from 2022; and
- A commitment to increase the use of technology and innovation in MHP's farm management systems including the use of advanced algorithms, machine learning and artificial intelligence capabilities to enable efficiency, reduce emissions and protect the environment.

COMMUNITY DEVELOPMENT, LOCAL ENVIRONMENTAL, CULTURAL AND DIALOGUE ACTIVITIES IN 2021

MHP's community development, environmental, cultural and dialogue activities delivered in partnership with a number of government and business partners resulted in the delivery of a wide variety of projects during the year. Some prominent examples are recorded below.

Partnership forum events

MHP held five partnership forum events in 2021 which were attended by a variety of stakeholders.

The aim was to facilitate working arrangements with the Ukrainian authorities for community development projects involving the local community, business and government. They were attended by around 400 people.

Local stakeholder co-operation agreements

99 co-operation agreements were signed with local self-government bodies in the areas of Ukraine where MHP operates. These will benefit communities located in more than 700 settlements in 13 regions and address matters such as local healthcare, education and infrastructure.

Meeting individual local residents

The aims of these meetings are to encourage dialogue and to address any concerns and suggestions that members of the local community may have concerning MHP's activities. In 2021 3,693 people engaged in dialogue with MHP using its local dialogue mechanisms.

Microgrants Competition for Community Developments

The aim is to motivate members of the local community to address economic, environmental and social issues in and around the town of Ladyzhyn in south-west Ukraine. MHP's competition which focused on project management training, financial management and community involvement selected 12 winners that were awarded a grant of up to UAH 50,000. 9 projects were been implemented by the end of 2021.

Waste management events

130 local waste removal events were held in April and May with members of the local community. They were attended by more than 7,500 residents of the communities that reside in nine different regions of Ukraine.

They included 720 employees of the MHP group, who volunteered to participate in the clean-up activities.

Additionally MHP organised 13 EcoFestival events within different Ukraine loca communities to promote issues such as responsible household waste management in partnership with local authorities.

Open air cinema events

MHP partnered with other businesses and local authorities to deliver a national tour of Ukrainian cinema for areas in the country that are deprived of cultural facilities. It showcased 38 Ukrainian films at 122 screening,

The tour started in June and ended in August. It visited 10 regions and 350 settlements, was staffed by 500 volunteers (316 from MHP) and attended by approximately 50,000 people.

Cleaning the Rosava river bed

This project aims to improve the hydrological condition of river Rosava in Ukraine and was initiated by the local community. MHP supported the purchase of a dredger to enable it to take place. The total cost of the project is UAH 3.27 million.

OCCUPATIONAL HEALTH AND SAFETY DEVELOPMENTS IN 2021

A clear priority for the occupational health and safety team in 2021 was continuing to address the COVID-19 pandemic. MHP continued to support employees and their families with compensation and access to treatment for those affected.

MHP also conducted a mass vaccination programme in which 75% of employees in Ukraine have participated. Additionally the health and safety team dealt with around 11,000 communications from the workforce about the Pandemic.

A new occupational health programme, "Corporate Health of MHP employees" was introduced in 2021. This included a "Health Month" project where personal health examinations for 19,693 employees were delivered and advice was provided by specialists free of charge.

Occupational safety is a natural priority. Particular attention is paid to workforce protection and the maintenance and development of an MHP-wide safety culture. Features in 2021 included a series of management training events called "Leadership in Security". These were attended by the company's CEO Yuriy Kosyuk and the entire top management of MHP. In total 887 managers and health and safety specialists participated during the year.

Safety audits were conducted at each of MHP's enterprises. These identified and addressed over 2,300 improvements which led to a reduction in the risk of injuries and accidents at work to preserve employee health. 46 internal investigations of various types of health and safety incidents were also conducted. These identified the root causes of each incident to ensure that they were not repeated.

Over 15,000 employees were involved in safety training of employees directly at the workplace. This training was conducted in a new format called "Safety Stop Hour", aimed at raising workforce awareness of the importance of assessing risks before starting work.

PROVISION OF HUMANITARIAN AID

Following the Russian invasion on 24 February 2022, the management and workforce recognised that, as one of the country's major food producers, it was essential that we prioritised our role in supporting the wellbeing of the Ukrainian people.

Our efforts have focussed on the people who are located in those regions where hostilities have taken place or are still taking place.

In particular we aim to support:
- Defenders and rescuers;
- People living in communities that have been isolated by the conflict;
- People being cared for in hospitals and other medical facilities and the staff that work there;
- Organisations that support the welfare of children and older people; and
- People who have lost their homes and livelihoods due to the conflict.

MHP has been providing humanitarian aid (mainly through food supply) despite the obvious logistical challenges across all regions of Ukraine. Up to 11 April this included the provision up to 11,000 tonnes of free-of-charge poultry products. The total value of this and further aid (other food, equipment, cars, diesel and different materials) provided up to this date was approximately UAH 575 million.

Many of our employees have been providing this support despite the significant difficulties and disruptions caused by the conflict and often at considerable personal risk. The management team is proud of and humbled by the contribution that everyone has made.

MHP will continue to provide humanitarian aid activities for as long as the conflict continues. The Company is therefore working closely with the national government and local authorities to ensure, as far as possible, food security for everyone in Ukraine.

NON-FINANCIAL INFORMATION STATEMENT

MHP'S COMMITMENT TO TRANSPARENCY

MHP IS COMMITTED TO TRANSPARENT REPORTING AND DISCLOSURE OF ITS FINANCIAL AND NON-FINANCIAL PERFORMANCE, RISKS AND OPPORTUNITIES WHERE THIS INFORMATION IS RELEVANT TO SHAREHOLDERS AND OTHER KEY STAKEHOLDERS.

MHP IS PROVIDING THIS INFORMATION TO ALIGN THE INFORMATION WITHIN THIS REPORT WITH THE REPORTING REQUIREMENTS CONTAINED IN SECTIONS 414CA AND 414CB OF THE COMPANIES ACT 2006.

THIS INFORMATION IS PROVIDED TO ASSIST READERS OF THIS REPORT TO UNDERSTAND MHP'S APPROACH, POLICIES AND PERFORMANCE IN CONNECTION WITH NON-FINANCIAL MATTERS. IT ALSO AIMS TO HIGHLIGHT WHERE FURTHER RELEVANT INFORMATION, OTHER THAN THAT DISCLOSED WITHIN THIS REPORT, CAN BE ACCESSED.

OTHER REPORTING REQUIREMENTS	POLICIES AND STATEMENTS OF APPROACH, DUE DILIGENCE AND OUTCOMES	RISKS, RISK MANAGEMENT AND ADDITIONAL INFORMATION	NON-FINANCIAL PERFORMANCE INFORMATION
Environmental matters	• Sustainable environmental policy • Sustainability Strategy is under development • Action Plan Is under development	• Global climate change • Irrational water use • Deforestation and conversion of high-carbon lands into agricultural land, including drainage of peat bogs	• Direct greenhouse gas emissions (Scope 1) • Indirect greenhouse gas emissions (Scope 2) • Resource efficiency • Energy management • Energy consumption • Water management • Waste management
Employees	• Personnel policy • Corporate occupational health and safety policy	• Occurrence of a significant health and safety incident • Lack of highly-qualified staff at strategic level and production enterprises • COVID-19 and other pandemics	• Human rights • Male/female ratio • Development programmes • MHP Innovation Lab • Health of employees • Training and education • Personnel assessment
Other social matters	• Code of Ethical Conduct • Procedure of engagement with nongovernmental organizations • Corporate philanthropy & charity policy • MHP Community Relations Procedure • Land use policy • Stakeholders engagement plan	• A deterioration in local community relationships may lead to disruption in day-to-day business activities, adverse perceptions about MHP’s approach to human rights, the environment and negative reputational effects	• Grievance mechanism • Community projects realized • Work of MHP’s Hromada Foundation • The main projects of the Foundation • Complaints and suggestions
Business conduct	• Code of Ethics • Code of Business Partner Conduct • Integrity Statement • Ethics HelpLine • KYC/CDD Procedure • Conflict of Interest Management • Antitrust & Fair Competition	• Bribery and corruption • Legal and regulatory risk	• Compliance with legislation, business practice requirements • Interest in feedback from employees • Transparent and mutually beneficial cooperation with partners • Zero tolerance to corruption • Zero conflict of interest • Adherence to highest standards of moral and ethical principles

GOVERNANCE

CORPORATE GOVERNANCE REPORT

ABOUT MHP

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

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

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

This new Memorandum and Articles of Association can be found on the Group websites (mhp.com.cy, mhp.ua).

The Company's corporate governance structures, processes and procedures are outlined in its Code of Corporate Governance which can also be viewed on the Group websites. The Company upholds and practises the highest standards of corporate governance with its shareholders, the Board of Directors, personnel, business community and other stakeholders including government and regulatory agencies.

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018

The Company has been steadily developing its corporate governance processes and procedures over recent years and aspires to the achievement of best practice in line with international standards. It regards the UK Corporate Governance Code 2018 (available from the Financial Reporting Council at (frc.org.uk) as the appropriate international benchmark for its approach. MHP also complies with the requirements of Cypriot law.

During 2021, MHP undertook further steps in order to comply as far as practicable with the UK Corporate Governance Code 2018. The Company received approval by over 97% of its shareholders for a new Directors' Remuneration Policy on 28 December 2021.

It is the opinion of the Board that during 2021 the Company complied with the principles and requirements of the UK Corporate Governance Code except in relation to the matters noted below.

97%

OF SHAREHOLDERS VOTED IN FAVOR OF THE NEW DIRECTORS' REMUNERATION POLICY

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018 (continued)

PROVISION NUMBER	PROVISION REQUIREMENT	EXPLANATION
4	When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. An update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next shareholder meeting, on what impact the feedback has had on the decisions the board has taken and any actions or resolutions now proposed.	At the AGM held on 28 April 2021 over 20% of the Company's shareholders voted against the reappointment of John Grant, Non-Executive Director, and the ratification and approval of director remuneration and payments to directors. Subsequently the Board engaged in regular dialogue with its shareholders to understand their concerns with a view to shaping the Company's subsequent actions to ensure that they are appropriately addressed. A new Directors' Remuneration Policy was presented at the EGM on 28 December 2021 and was approved by over 97% of the Company's shareholders. The Company is also continuing its search to strengthen the levels of independence and diversity on the Board.
9	The Chair should be independent on appointment under the criteria outlined in Provision 10.	On his appointment in 2017, the Chairman had served on the Board as a Non-Executive Director since 2006. At the time of his appointment he was also employed by the International Finance Corporation as a Senior Regional Consulting Agribusiness Industry Specialist. This role ended over three years ago. After considering the Chairman's credentials, experience, expertise and independence of thought, it was the Board's view that the Chairman was independent at the time of his appointment. In 2018, at the request of the Board, the Chairman agreed to support the Chief Executive Officer with certain specific strategic projects where his extensive knowledge and expertise could be particularly helpful. Subsequently, in March 2019 his role was designated as Executive Chairman and no longer independent. The Board is satisfied that these arrangements are in the best interests of the Company, its shareholders and other stakeholders.
10	The Board should identify in the annual report each Non-Executive Director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a Non-Executive Director's independence include whether a Director has served on the Board for more than nine years from the date of their first appointment. A clear explanation should be provided if the Board nonetheless considers the Non-Executive Director to be independent.	John Grant has served as a Non-Executive Director of the Company since 2006 and is the Senior Independent Director. The Board values his business perspective in view of his extensive experience as a director of a wide range of major public companies in a variety of business sectors and is satisfied that he possesses the necessary independence of thought to be regarded as independent.
11	At least half the Board, excluding the Chair, should be Non-Executive Directors whom the Board considers to be independent.	This requirement was not met for a short period following the resignations of Roger Wills and Roberto Banfi at the start of 2021 (see Changes to the Board in 2021 below). The Board continues its search to strengthen its independence and diversity.
19	The Chair should not remain in post beyond nine years from the date of their first appointment to the Board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the Chair was an existing Non-Executive Director on appointment.	The Chairman became a Non-Executive Director in 2006 and was appointed Chairman in 2017 at which time the Board was satisfied of his independence of thought and viewed the appointment as in the best interests of the Company, its shareholders and other stakeholders. His subsequent adoption of executive responsibilities was also, and continues to be, viewed as being in the best interests of these parties.

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018 (CONTINUED)

PROVISION NUMBER	PROVISION REQUIREMENT	EXPLANATION
32	The board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. In addition, the Chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as Chair of the remuneration committee, the appointee should have served on the remuneration committee for at least 12 months.	The Nominations and Remuneration Committee currently comprises Philip Wilkinson and John Grant, Independent Non-Executive Directors, and John Rich, Executive Chairman. John Rich chaired this Committee between 19 January 2021 and 8 September 2021 following the resignation of Roger Wills from the Board. This was an interim measure, viewed by the Board as being in the best interests of the Company and its material stakeholders. On 8 September 2021, Philip Wilkinson, Independent Non-Executive Director, became Committee Chair and John Rich stepped down from chairing the Committee and became a member.
36	Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.	At the EGM on 28 December 2021, MHP's shareholders approved a new Directors' Remuneration Policy which better aligned the interests of the Executive Directors with those of shareholders. This document defers the setting of Company policy in relation to long-term incentives, including share awards, until a later date (not later than the end of 2023).
38	Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.	Directors' pensionable salaries are calculated on the basis of salary plus performance related bonuses in line with local legislation and are in line with general workforce arrangements, The Company plans to update the Directors' Remuneration Policy to specifically address this area not later than the end of 2023.
40	When determining executive director remuneration policy and practices, the remuneration committee should address the following: • clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce; • simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand; • risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated; • predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy; • proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and • alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.	At the EGM on 28 December 2021, the Company's shareholders approved (over 97% in favour) a new Directors' Remuneration Policy which had been formulated with the assistance of Deloitte, MHP's remuneration consultant. In common with many companies from the region, MHP does not currently disclose individual executive director remuneration data. This policy is regularly reviewed and discussed with MHP's shareholders.

BOARD OF DIRECTORS

DETAILS OF THE DIRECTORS THAT WERE MEMBERS OF THE BOARD AT 31 DECEMBER 2021 ARE RECORDED BELOW.

DR JOHN C RICH
EXECUTIVE CHAIRMAN

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

Nationality: Australian

Joined the Board: 2006

Position: Member of the Nominations and Remuneration Committee and member of the IGR & PA Committee

Career and prior experience highlights:
- Member of the Australian College of Veterinary Science and a registered financial member of the Australian College of Veterinary Surgeons;
- 1990-2003: Executive Director, Austasia Pty Ltd (agribusiness conglomerate SE Asia);
- 1995-2002: Director AN-OSI Pty Ltd (supply chain management for feedlot beef, poultry and dairy operations SE Asia/China);
- 2006-2019 Senior Consulting Agribusiness Industry Specialist IFC and Agribusiness consultant to IFC invested clients until 2020;
- 2017-2021 Financial Board Advisor to ADM Capital and Independent Non-Executive Director at three other poultry-related companies;

Current roles:
- Managing Director of Australian Agricultural Nutrition and Consulting Pty Ltd (AANC);
- Recently appointed to the Food and Agribusiness Advisory Council of the London based Commonwealth Development Corporation (CDC).

JOHN GRANT
SENIOR INDEPENDENT DIRECTOR

John Grant has extensive, board-level business management, finance, strategy and operational experience in a wide range of international businesses.

Nationality: British

Joined the Board: 2006

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

Career and prior experience highlights:
- Senior Independent Director, Augean plc, Melrose plc, Pace plc and Wolfson Microelectronics plc;
- Non-Executive Director, National Grid plc, Corac Group plc and the Royal Automobile Club Limited;
- Audit Committee Chairman: Augean plc, Melrose plc, National Grid plc, Pace plc;
- Remuneration Committee Chairman: Augean plc, National Grid plc
- 1992-1996: Finance Director, Lucas Industries plc, LucasVarity plc;
- 1990-1992: Executive Deputy Chairman, Jaguar Cars;
- 1989: Director of Corporate Strategy, Ford Motor Company.

Current roles:
- Current roles: Chairman, British Racing Drivers' Club Ltd

PHILIP J WILKINSON OBE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Philip Wilkinson has considerable experience in international poultry industries.

Nationality: British

Joined the Board: 2020

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

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

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

CHRISTAKIS TAOUSHANIS
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Nationality: Cypriot

Joined the Board: 2018

Position: Member of the Audit & Risk Committee

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

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

YURIY KOSYUK
CHIEF EXECUTIVE OFFICER

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

Nationality: Ukrainian

Joined the Board: 2006 (joined MHP in 1998)

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

ANDRIY BULAKH
DEPUTY CHIEF EXECUTIVE OFFICER – PEOPLE

Andriy Bulakh is an experienced manager, auditor and consultant.

Nationality: Ukrainian

Joined the Board: 2021 (joined MHP in 2020)

Career and prior experience highlights:
- Managing Partner and Head of Consulting (Deloitte Ukraine);
- Master's Degree in International Economic Relations, Taras Shevchenko National University of Kyiv;
- Member of the Association of Chartered Certified Accountants (ACCA).

VIKTORIA KAPELYUSHNAYA
CHIEF FINANCIAL OFFICER

Viktoria Kapelyushnaya has considerable senior financial and business management experience.

Nationality: Ukrainian

Joined the Board: 2006 (joined MHP in 1998)

Career and prior experience highlights:
- Diplomas in Processing Engineering (1992) and Financial Auditing (1998) from the Kyiv institute of the Food Industry:
- Deputy and Chief Accountant at the Ukraine Business Centre for the Food Industry (BCFI).

DIRECTORS WHO SERVED DURING 2021

The directors who served during the year were:

- Dr John Rich
- John Grant
- Roger Wills (resigned 19 January 2021)
- Roberto Banfi (resigned 9 February 2021)
- Christakis Taoushanis
- Philip J Wilkinson OBE
- Yuriy Kosyuk
- Yuriy Melnyk (resigned 16 November 2021)
- Andriy Bulakh (appointed 28 December 2021)
- Viktoria Kapelyushnaya

CHANGES TO THE BOARD IN 2021 AND PLANNED DEVELOPMENTS

At 31 December 2021 the Board comprised the Executive Chairman, Chief Executive Officer, Deputy Chief Executive Officer - People, Chief Financial Officer and three Independent Non-Executive Directors. Details of the Board's composition are set out on pages 66 to 67 which contain biographical details of the Directors. Changes to the Board during the year are recorded below.

- On 19 January 2021 Roger Wills resigned from the Board. John Rich was appointed as Interim Chairman of the Nominations and Remuneration Committee pending the appointment of a new Committee Chair.
- On 9 February 2021 Roberto Banfi retired from the Board. He continues to advise the Company on a consultancy basis and is retained as an advisor to the Board and its committees.
- On 8 September 2021 Philip J Wilkinson OBE was appointed to chair the Nominations and Remuneration Committee. John Rich stepped down simultaneously as Interim Chairman of the Nominations and Remuneration Committee and continues to serve as a member of the Committee.
- On 16 November 2021 Yuriy Melnyk resigned from the Board. He continues to serve MHP as Deputy CEO.
- On 28 December 2021 the shareholders approved the appointment of Andriy Bulakh, as an executive director to the Board.

More information about the Board and changes during the year can be found within this section of the Annual Report and in the Chairman's Statement on pages 21 to 22.

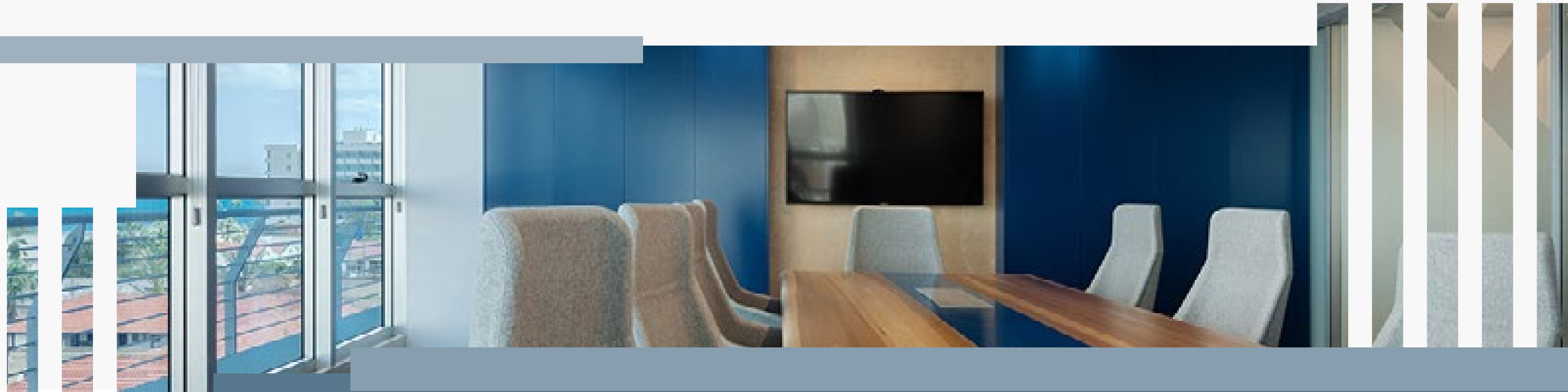
In order to continue to satisfy the independence requirements of the UK Corporate Governance Code in relation to overall Board independence, further develop Board and Board Committee independence, diversity and to develop the Board's breadth of experience and skills, a search for a new Independent Non-Executive Director is being conducted using the services of an experienced executive search firm. This process is being led by the Senior Independent Director. Although, following a thorough search process, an appointment was imminent in February 2022, this has been deferred until the situation in Ukraine stabilises.

BOARD MEETING ATTENDANCE

The Board conducted nine meetings during 2021. All the Non-Executive Directors and the Chairman attended these meetings. The Chief Executive Officer attended three of the meetings where the most material and strategic decisions were discussed.

As a result of COVID-19 restrictions and in common with many listed multinational companies, the majority of Board meetings during 2021 were conducted using conference call facilities. The Board of Directors also approved certain decisions through 13 circular resolutions.

DIRECTOR	JOHN RICH	JOHN GRANT	PHILIP WILKINSON	CHRISTAKIS TAOUSHANIS	YURIY KOSYUK	VIKTORIA KAPELYUSHNAYA	YURIY MELNYK (resigned 16 November 2021)	ANDRIY BULAKH (appointed 28 December 2021)	ROGER WILLS (resigned January 2021)	ROBERTO BANFI (resigned February 2021)
MEETINGS ATTENDED/ MEETINGS INVITED	9/9	9/9	9/9	9/9	3/9	8/9	4/6	1/1	1/1	3/3



PRINCIPAL RESPONSIBILITIES OF THE BOARD

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

The Company has a unitary governance structure and the Board is the ultimate decision-making body, except for the powers reserved for the Shareholders' Meeting by law or as specified in the Articles of Association (see also Board of Directors on pages 66 to 67).

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

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

ROLE OF THE CHAIRMAN

The Board elects the Chairman from members that meet the Board's criteria following the preparation of a job specification by the Nominations and Remuneration Committee.

The Company's Corporate Governance Charter excludes the CEO from becoming Chairman.

The Chairman, John Rich, is responsible for the proper and efficient functioning of the Board. The Chairman determines the calendar of Board meetings and the agenda of the Board's meetings after consultation with the CEO. Prior to each meeting, the Chairman prepares a report and ensures that Directors receive complete and accurate information and, to the extent appropriate, a copy of any presentation to be made at the Board meeting.

The Chairman will also make sure that there is sufficient time and debate for making decisions.

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

The Chairman serves as the interface between the Board and major shareholders of the Company on matters of corporate governance.

RELATIONSHIP BETWEEN THE CHAIRMAN AND THE CEO

A clear division of responsibilities is maintained between the Chairman and the CEO. The CEO may not carry out the duties of the Chairman and vice versa except in extraordinary circumstances limited to no more than 12 months.

The Chairman is required to maintain close relations with the CEO by giving him support and advice while respecting the executive responsibilities of the CEO. The CEO provides the Chairman with all the information required to carry out the role.

ROLE OF THE CEO

The CEO, Yuriy Kosyuk, reports direct to the Board. The CEO is entrusted by the Board with the day-to-day management of the Company within the strategic parameters established by the Board.

The CEO oversees the organisation and efficient day-to-day management of subsidiaries, affiliates and joint ventures.

The CEO is responsible for the execution and management of the outcome of all Board decisions. The CEO is delegated powers that are not exclusively reserved to the Board or to the Shareholders' Meetings. The CEO can delegate authority for daily management to subordinate executives but will retain ultimate accountability to the Board for the actions which are conducted during the performance of the role and the actions of delegates.

ROLE OF THE SENIOR INDEPENDENT DIRECTOR

John Grant has been designated as the Board's Senior Independent Director since 2014. The Senior Independent Director acts as an advisor to the Chairman, is responsible for coordinating the annual evaluation of the Chairman and acts as an intermediary for the other Directors and shareholders when required. He provides an alternative point of contact for shareholders on matters where the usual channels of communication are deemed inappropriate.

In 2021, the Senior Independent Director did not receive any requests directly from shareholders/stakeholders but participated in a number of meetings organised by the Company or investment banks. Many of these meetings concerned the proposed new Directors' Remuneration Policy which was passed by shareholders (over 97% voted in favour) at the EGM on 28 December 2021.

ROLE OF THE NON-EXECUTIVE DIRECTORS

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

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

NON-EXECUTIVE INDEPENDENCE

The independence of each of the Non-Executive Directors is considered on appointment.

Each year, the Nominations and Remuneration Committee ("NRC") and the Board consider the facts and circumstances relating to Director independence (and throughout the year, as appropriate). This process includes an assessment of whether each Non-Executive Director is independent of Management and any business or other relationships that could materially interfere with his or her exercise of objective, unfettered and independent judgement or his or her ability to act in the best interests of the shareholders. In making its decision, the Board considers relationships with Management, major shareholders, associated companies and other parties with whom the Company conducts business.

At 31 December 2021, the Board had seven directors, three of whom are classified by the Board as independent.

John Grant has served as a Non-Executive Director of the Company since 2006 and has been Senior Independent Director since 2014. He has therefore served on the Board for more than nine years from the date of his first appointment.

He has had extensive experience over many years as an independent non-executive director of a wide range of public and private companies covering a variety of business sectors. He has been Senior Independent Director, and has chaired the Audit and/or Remuneration Committees of several major public companies. The Board values his broad business perspective and experience and continues to be satisfied that he possesses the necessary independence of character and judgement to be regarded as independent.

Christakis Taoushanis and Philip Wilkinson were also viewed as Independent Non-Executive Directors. John Rich was viewed by the Board as independent on appointment as Chairman in 2017 but is now not viewed as independent and designated as Executive Chairman because of his subsequent performance of certain executive management functions. Accordingly, in March 2019, he resigned from the Audit Committee.

His interim appointment during the year as Chairman of the Nominations and Remuneration Committee ended in September 2021.

ROLE OF THE COMPANY SECRETARY

The Company Secretary ensures that the Board receives appropriate and timely information and provides advice and support to the Chairman, the Board, Board Committees and senior management on regulatory and governance matters. All Directors have direct access to the advice and services of the Company Secretary. Directors may also obtain independent advice as required at the Company's expense.

APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

There is a formal and rigorous procedure for the appointment of new Directors. The shareholders shall have power at any time, and from time to time, to appoint any person to be a Member of the Board, to fill a casual vacancy through EGM. Any Member of the Board so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election.

The process for new appointments is led by the Nominations and Remuneration Committee which makes a recommendation to the Board.

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

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

DIVERSITY AND INCLUSION

MHP values its distinctive culture and, in particular, its proactive approach to creating senior management and development opportunities for women. MHP believes that diversity and inclusion support innovation, continuous improvement and increase efficiency. The Board is also mindful of the recommendations contained within the FTSE Women Leaders Review (diversity) and Parker (gender) Reviews.

The FTSE Women Leaders Review is an independent, business-led framework supported by the UK Government, which sets recommendations for companies to improve the representation of Women on Boards and in Leadership positions. The Review builds on the Hampton-Alexander and Davies Reviews.

The Board and the Nominations and Remuneration Committee considered diversity and inclusion matters as part of the regular assessment of Board effectiveness and the appointments process (see also the NRC report on pages 79 to 80). The Board has determined that it will not set specific targets with respect to Board diversity but recognises the benefits that this brings to its effectiveness. It is committed to promoting diversity throughout the business.

MHP is also committed to ensuring that equality is preserved within its remuneration arrangements for all its workforce throughout the business. More details will be included in the forthcoming Non-Financial Report.

BOARD EFFECTIVENESS

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

DIRECTORS AND OFFICERS LITIGATION STATEMENT

No member of the Board of Directors or of MHP's senior Management has, for at least five years:

- Any convictions relating to fraudulent offences;
- Been a senior manager or a member of the administrative or supervisory bodies of any company at the time of, or preceding, any bankruptcy, receivership or liquidation; or
- Been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company, or from acting in the management or conduct of the affairs of a company.

DIRECTORS' INTERESTS

The interests of Directors in MHP's GDRs at 31 December 2021 are shown in the table below.

DIRECTOR	JOHN RICH	JOHN GRANT
NUMBER OF GDRS HELD	25,000	17,000

RELATED PARTY TRANSACTIONS

In July 2020 the Board approved a Related Party Transactions Policy, which tightened controls over all related party transactions.

Full information on loans made to and repaid by WTI Trading Limited is disclosed in the Management Report on pages 84 to 87 and in Note 32 to the Consolidated Financial Statements on page 97.

Loans to WTI Trading Limited were repaid in full in December 2021.

CONFLICTS OF INTEREST

The Board has formal procedures in place to manage conflicts of interest. Each Director is required to inform the Board of any other directorship, office or responsibility, including executive positions that are taken up outside the Company during the term of office.

If, in the opinion of the Board, a conflict of interest exists, the relevant Director does not participate in discussions and will abstain from a Board vote on the affected matter. The Company's Conflict of Interest Policy covers any transactions involving conflicts of interest (whether actual or potential) of MHP's Management team members, including Directors of subsidiaries and branches ("key management"):

- MHP's line managers who have authority to authorise transactions on behalf of MHP ("line managers"); and
- Other MHP employees who are authorised to internally approve any decisions as significant transactions based on internal policies and instructions ("responsible employees") or who have power to influence such decisions.

INFORMATION AND PROFESSIONAL DEVELOPMENT

The Board ensures that Directors, especially Non-Executive Directors, have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors. Board Committees are also provided with sufficient resources to undertake their duties.

OTHER PROFESSIONAL COMMITMENTS

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

CONFIDENTIAL INFORMATION

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

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

The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information. The Company's Executive Management team is obliged to provide such information and Directors may seek clarification or amplification where necessary. The Chairman ensures that Directors continually update their skills, knowledge and understanding of the Company's activities in order to fulfil their role effectively both on the Board and on Board Committees.

INTERNAL CONTROL AND RISK MANAGEMENT

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

The summary of key risks is regularly discussed with MHP's Management team and reported at least annually to the Board through the Audit & Risk Committee. The Company has an independent risk and process management department whose activities are overseen by the CFO and reported to the Audit & Risk Committee.

The Directors, Management and employees follow principles of responsible business that are in line with the Company's approved Conflict of Interest Policy.

A summary of the Company's framework for managing risks, and the Company's key business risks together with the risk related to war can be found on pages 43 to 50 of this Report.

ENGAGEMENT WITH STAKEHOLDERS

The Board recognises the importance of regular, effective and constructive communications with its shareholders and maintains a dedicated investor relations department to facilitate this.

The principal opportunity for shareholders to engage with the Board is at the Annual General Meeting. MHP announces its financial results on a quarterly basis. This information is released through the appropriate regulatory news services and recorded on the Company's website.

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

During the year the Board and investor relations team regularly engaged with shareholders and financial analysts to discuss matters relating to MHP's strategy and financial performance (a Board member participated in 20% of meetings with stakeholders).

The Company also conducted a survey of investor opinion which enabled shareholders and bondholders to confidentially report their opinions about matters such as MHP's financial and non-financial performance, strategy, information disclosure, investor relations and quality of management. Further information can be found in the S172 Statement & Stakeholder Engagement on pages 51 to 53.

The Company also initiated and conducted a series of meetings between shareholders and the Senior Independent Director during the second half of 2021 to discuss the proposed new Directors' Remuneration Policy prior to the EGM which was conducted on 28 December 2021. This policy was passed by over 97% of MHP's shareholders at the EGM.

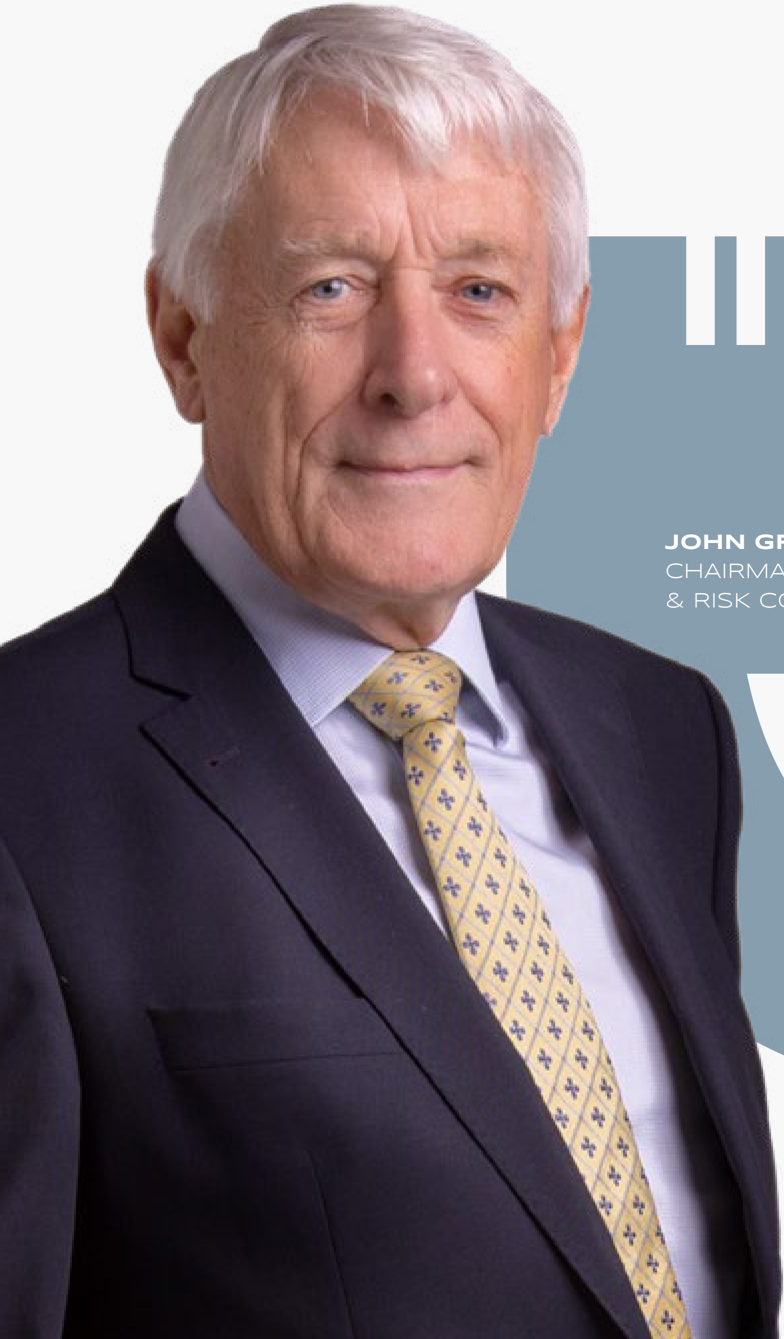
> MHP ANNOUNCES ITS FINANCIAL RESULTS ON A QUARTERLY BASIS. THIS INFORMATION IS RELEASED THROUGH THE APPROPRIATE REGULATORY NEWS SERVICES AND RECORDED ON THE COMPANY'S WEBSITE.

WORKFORCE ENGAGEMENT

MHP works closely with its workforce who play an active role in the management of the business through day-to-day dialogue and engagement with the senior management team.

ANNUAL GENERAL MEETING

The next Annual General Meeting will take place in June 2022 at 1pm at 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus. The 2022 AGM notice can, in due course, be found within the investor relations section at the Company's website.



JOHN GRANT
CHAIRMAN, AUDIT & RISK COMMITTEE

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee (the “Committee”) is responsible for the integrity of the Group’s financial reporting and oversees its internal financial controls and risk management processes. The Committee also makes recommendations to the Board on the appointment of external and internal auditors and oversees their activities.

I am pleased to present this report which describes how the Audit & Risk Committee carried out its responsibilities during the year and how it addressed significant issues relating to the Financial Statements.

John Grant
Chairman, Audit & Risk Committee

DIRECTOR	JOHN GRANT (Chairman)	CHRISTAKIS TAOUSHANIS	PHILIP WILKINSON
NO OF MEETINGS	5/5	5/5	5/5

ROLE AND RESPONSIBILITIES

In March 2021, the Board renamed the Committee (previously the Audit Committee) the Audit & Risk Committee to emphasise the importance of its role in overseeing and reporting to the Board on the Company's risk management processes, although the Board retains overall responsibility for risk.

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

The Committee recognises its responsibility for protecting the interests of all its stakeholders with respect to the integrity of financial information published by the Company and the effectiveness of the audit.

COMPOSITION

The Committee comprises a minimum of three non-executive directors, each of whom is deemed by the Board to be independent. The Chairman of the Committee is John Grant, who has significant and relevant financial experience in a wide range of senior non-executive roles including chairing audit committees in a number of major international businesses (see biography on page 66). Christakis Taoushanis (see biography on page 66) has been a member of the Committee since November 2018. Philip Wilkinson (see biography on page 66) joined the Committee in June 2020. The Committee Chairman invites the Chief Financial Officer, the Head of Internal Audit and senior representatives of the external auditor to attend meetings as appropriate. The Committee has the right to invite any other director or employee to attend meetings as it considers appropriate.

MEETINGS

The Committee meets at least four times a year. The scheduling of meetings is intended to align with the financial reporting timetable, enabling the Committee to review the annual and quarterly financial statements, to agree the audit plan in advance of the full year audit, and to maintain oversight of the Group's internal controls and processes throughout the year. In 2021, the Committee met five times; for timing reasons, an additional meeting was held in December 2021 to consider and approve the 2021 external audit plan. The attendance of members at these meetings is shown in the table above. During the year, because of COVID-related travel restrictions, a number of Committee members and invitees necessarily attended certain meetings by video conference.

The Committee meets with the external auditors at least once a year in the absence of Management. In 2021, this meeting took place in March following the review of Ernst & Young's report on their audit of the full year financial statements.

THE COMMITTEE IS RESPONSIBLE SPECIFICALLY FOR:

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

KEY ACTIVITIES DURING THE YEAR

In addition to matters relating to the 2021 financial statements (see below), other key activities addressed by the Committee during the year included:

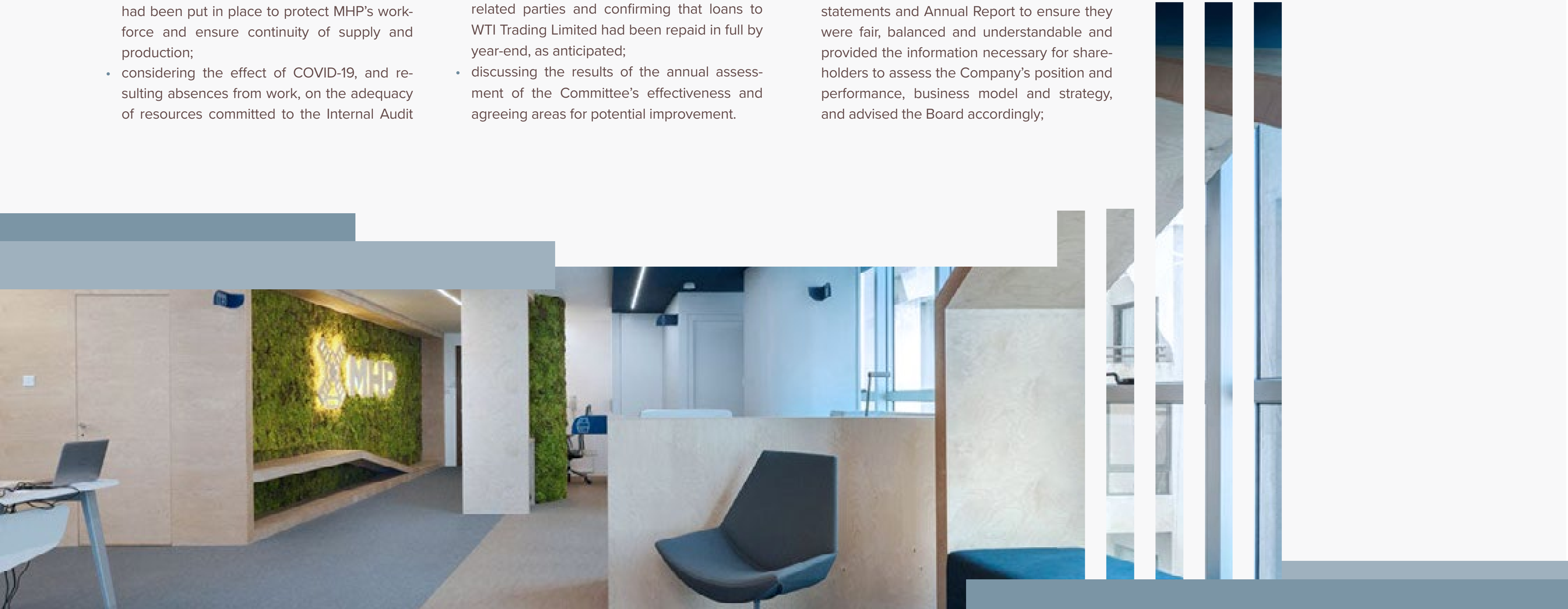
- recommending for approval by the Board revisions to the Committee's Terms of Reference, in particular to reflect increased emphasis on overseeing the Company's risk management processes;
- considering the potential impact of COVID-19 and the associated risks. Although potentially material, the Committee was satisfied that adequate protection and control measures had been put in place to protect MHP's workforce and ensure continuity of supply and production;
- considering the effect of COVID-19, and resulting absences from work, on the adequacy of resources committed to the Internal Audit function, taking account also of difficulties in recruiting adequately trained and experienced staff in Ukraine, and agreeing appropriate revisions to the internal audit programme;
- keeping under review the Group's key risks, including the increasing risk of potential cyber-attacks, and the effectiveness of the Group's risk management and internal control programmes;
- approving the scope of work for Internal Audit in 2022;
- considering the Group's readiness for increased reporting requirements, particularly in relation to climate change and sustainability;
- keeping under review the status of loans to related parties and confirming that loans to WTI Trading Limited had been repaid in full by year-end, as anticipated;
- discussing the results of the annual assessment of the Committee's effectiveness and agreeing areas for potential improvement.

SIGNIFICANT ISSUES RELATING TO THE 2021 FINANCIAL STATEMENTS

The Committee undertook the following recurring activities in relation to the 2021 financial statements:

- considered and approved the auditor's independence and fee;
- reviewed and agreed the scope of work to be undertaken in respect of the 2021 accounts by the external auditor;
- considered the external auditor's review of the interim financial report and their report on the audit of the full year results;
- reviewed the annual and quarterly financial statements and Annual Report to ensure they were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and advised the Board accordingly;
- considered the processes in place for the valuation of assets, including the reasonableness and consistency of assumptions; and
- reviewed the effectiveness of the Company's risk management and internal controls.

In addition, the Committee gave particular consideration to the following significant issues and risks relating to the 2021 financial statements (see table on next page).



SIGNIFICANT ISSUE OR RISK CONSIDERED	HOW THIS WAS ADDRESSED BY THE COMMITTEE
REVENUE RECOGNITION There is a presumed risk of misstatement on revenue recognition due to fraud.	The Committee discussed revenue recognition processes with Management, reviewed with the Head of Internal Audit the results of an internal audit of controls over accounting and financial reporting and discussed the audit work conducted by Ernst & Young. It was satisfied that adequate processes and controls were in place to manage the risk of revenue misstatement.
VALUATION OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE Forecasting models used to determine the fair value of biological assets and agricultural produce require extensive management judgements and the use of complex models.	The Committee reviewed the assumptions and judgements applied by Management and confirmed that Ernst & Young had verified the reasonableness of input data and the accuracy of calculations.
VALUATION AND IMPAIRMENT OF GOODWILL AND NON-CURRENT ASSETS Testing of impairment of goodwill is inherently subjective as calculation of value in use of the relevant cash generating unit ("CGU") or asset requires judgements and assumptions regarding future cashflows and the appropriate discount rate.	The Committee challenged Management's assumptions and analysis underlying their review of potential impairment in respect of Perutnina Ptuj, acquired in February 2019, and reviewed the audit work undertaken by Ernst & Young. The Committee was satisfied that no impairment of goodwill or non-current assets was required.
REVALUATION OF PROPERTY, PLANT AND EQUIPMENT Accounting standards require revaluation of property, plant and equipment to be performed with sufficient regularity to demonstrate that the carrying values do not differ materially from fair values.	The Committee accepted Management's recommendation that revaluations would be performed for all fixed asset groups other than buildings, utilities and infrastructure. It reviewed the methods and assumptions adopted by Management and independent appraisal experts to calculate fair values and ensured that disclosures in the financial statements were appropriate.
LOANS TO RELATED PARTIES As at 31 December 2020, the Group had extended loans of US$ 67.4 million to its majority shareholder, WTI Trading Limited.	The Committee confirmed that loans to WTI Trading Limited had been repaid in full, both as to principal and interest, prior to 31 December 2021 and that no other material loans to related parties were outstanding. See also Note 32 to the Financial Statements.
COMPLIANCE WITH BOND AND BANK COVENANTS Continued compliance with covenants included in bond and bank debt agreements is an important ongoing focus for the Committee. If the Consolidated Leverage Ratio of Net Debt to LTM-adjusted EBITDA (as defined in the Eurobond agreement) exceeds 3.0 to 1 the Group is not permitted to make certain restricted payments or to pay dividends in excess of $30 million.	The Committee verified that the Consolidated Leverage Ratio had declined from 3.66 to 1 as at 31 December 2020 to 1.90 as at 31 December 2021. As the Consolidated Leverage Ratio had been below 3 to 1 since 30 June 2021, no restrictions have been in effect since publication of the Group's six-month results on 9 September 2021. With regard to future compliance, the Committee confirmed that Management had performed appropriate stress tests, taking account of potential changes in macro-economic conditions and the potential impact of external events, and that these tests had been satisfied.
The Russian invasion of Ukraine on 24 February 2022 resulted in material uncertainty as to the ability of MHP to continue operating its Ukrainian poultry production facilities and to sow and harvest crops as planned, and therefore its ability to continue as a Going Concern for the foreseeable future.	The Committee worked closely with Management to ensure all practicable measures were taken immediately following the invasion to enable the Company to continue to operate and to preserve cash as far as possible. The Committee supported Management in seeking agreement from bondholders to defer for 270 days the first semi-annual interest payments on the Group's three Eurobond issues and requesting similar support from its lending banks. Strong support was received from bondholders and banks in mid-March 2022. Following the success of Management and the entire MHP workforce in maintaining poultry operations to date at close to full capacity, and initiating sowing of summer crops on most of MHP's land, the Committee reviewed updated financial forecasts and accepted Management's assessment that, while material uncertainties remain, there is high confidence that the Group will be able to meet its financial obligations for the foreseeable future. It therefore agreed that it is appropriate for the 2021 accounts to be prepared on a Going Concern basis.

EXTERNAL AUDIT

APPOINTMENT OF EXTERNAL AUDITOR AND ASSESSMENT OF EFFECTIVENESS

Ernst & Young was appointed as the auditor of the Company with effect from the 2020 financial year, replacing the previous auditor Deloitte, following a comprehensive tender and selection process in the fourth quarter of 2019.

The Committee assessed the effectiveness of Ernst & Young following completion of their audit of the 2020 accounts and concluded that it was satisfied with the quality, integrity and effectiveness of their work.

ERNST & YOUNG

WAS APPOINTED AS THE AUDITOR OF THE COMPANY WITH EFFECT FROM THE 2020 FINANCIAL YEAR

NON-AUDIT SERVICES

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

It is the Committee's intention to ensure future non-audit services are provided by a number of different firms to ensure both independence of the external audit and best quality and best value provision of non-audit services.

AUDITOR INDEPENDENCE AND OBJECTIVITY

The Committee has a policy and procedures in place to ensure that auditor independence and objectivity are never compromised. This includes approval requirements for engagement of the external auditor for non-audit services, periodic review of the cost of non-audit services provided by the external auditor and requirements for rotation of the audit partner every 7 years.

Each year, the auditor is required to provide to the Committee evidence of how it believes its independence and objectivity have been maintained.

Based on these requirements and procedures, the Committee remains confident that auditor independence and objectivity have been and will be maintained.

REQUIREMENTS FOR ROTATION OF THE AUDIT PARTNER EVERY 7 YEARS

INTERNAL AUDIT

The Company has an in-house Internal Audit function whose primary purpose is to provide independent assurance to Management and the Committee, and hence the Board, on the Company's risk management and control environment. The internal audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner. Internal Audit coverage includes all the Company's operations, resources, services and responsibilities to other bodies, with no department or business unit of the Company being exempt from review.

Internal Audit responsibilities include:

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

The annual review covers key risks that could potentially impact the achievement of the Group's strategic and financial objectives. New risks and changes in existing risks are identified on a continuous basis.

A risk scoring system is used to help quantify both the probability and potential impact of each major risk after the effect of mitigating actions, to assess residual risks against the Company's risk appetite and to prioritise further risk management actions.

COSO
ENTERPRISE RISK MANAGEMENT

The Company's approach to the identification and assessment of risks, and the response to risks, is based on best business practices and international COSO Enterprise Risk Management standards. Please see also the Risk Management section on page 43 of this Annual Report.

No incidents of significant control weaknesses or failures were identified at any time during the year to 31 December 2021.

John Grant
Chairman, Audit & Risk Committee
05 May 2022

PHILIP J WILKINSON OBE
INDEPENDENT NON-EXECUTIVE DIRECTOR

NOMINATIONS AND REMUNERATION COMMITTEE REPORT

THIS REPORT DESCRIBES HOW THE NOMINATIONS AND REMUNERATION COMMITTEE CARRIED OUT ITS RESPONSIBILITIES DURING THE YEAR.
THE NOMINATIONS AND REMUNERATION COMMITTEE ("THE COMMITTEE") IS RESPONSIBLE FOR MAKING RECOMMENDATIONS TO THE BOARD ON THE APPOINTMENT OF DIRECTORS AND FOR DETERMINING THE REMUNERATION OF EXECUTIVE DIRECTORS.

MEMBER	JOHN RICH (Interim Chairman from January - September 2021)	JOHN GRANT	PHILIP J WILKINSON OBE (appointed Chairman from September 2021)	ROGER WILLS (resigned in January 2021)
NO OF MEETINGS	5/6	6/6	6/6	0/0

ROLE AND RESPONSIBILITIES

The Committee's role and responsibilities are set out in its Terms of Reference, which can be viewed on the Company's website in the Corporate Governance Charter (Annex E). Further details regarding the Committee's composition, areas of focus in 2021 and diversity approach are set out below.

COMPOSITION

The Committee comprises a minimum of three Independent Non-Executive Directors. The Chairman of the Company may also serve as a member. Following Roger Wills' resignation from the Board and the Committee in January 2021, Dr John Rich was appointed Interim Chairman of the Committee pending the appointment of a qualified Independent Non-Executive Director as Chairman. As such, Dr John Rich served as Interim Chairman from January 2021 to September 2021. Philip J Wilkinson OBE, an Independent Non-Executive Director, was appointed as Chairman of the Committee on 8 September 2021. The Company Secretary acts as secretary to the Committee. On occasion, the Committee invites the Chief Executive, the Chief Financial Officer or Deputy Chief Executive Officer - People to attend discussions where their input is required.

MEETINGS

The Committee meets not less than twice a year. During 2021, the Committee met six times. Members' attendance is shown in the table above.

DURING 2021, THE COMMITTEE MET

6 **TIMES**

AREAS OF FOCUS IN 2021

The principal matters considered by the Committee during 2021 were as follows:

- Bearing in mind the composition and balance of the Board, the search for a new Independent Non-Executive Director continued. There is an intention to bring additional industry experience and improve the balance of the Board. Although the process has been delayed by COVID-related travel restrictions and more recently by the Russian invasion of Ukraine, we hope to make an appointment when the situation in Ukraine stabilises.
- As reported last year, the Committee appointed a remuneration consultant, Deloitte, to conduct a comparative review of compensation of the Executive Directors and Senior Management with a view to changing to a more performance-related bonus scheme.
- The first outcome of this compensation review is a new Directors' Remuneration Policy, the full detail of which may be found on the Company's website. The Company consulted with shareholders and put the Policy to an EGM in December 2021 where it was overwhelmingly approved. This Policy will be put to shareholders for approval at least every three years.
- The second outcome of this review is expected to be a new Pay Philosophy for Senior Management. The Group has begun exploring a Senior Management Incentive Programme linked to the five-year strategy for the Company. This will be further developed during 2022 and presented to the Committee for approval.
- In addition, the Committee has been kept informed of, and supports, initiatives to realign technical expertise and senior management structures to better underpin planned strategic developments. Progress in identifying key experts and managerial roles within the Group was made during 2021 including defining core competencies for those disciplines. In 2022 the Committee will be kept informed of the next stage of development, where circumstances permit, where people currently in those positions are assessed and potential future successors are identified. Out of the 17 senior management positions in the Company, 10 have been appointed in the last two years, five through internal promotion and five through external recruitment.

DIVERSITY

MHP recognises the importance and value of diversity throughout its workforce. For more information on the Group's approach, please see the Corporate Governance Report on page 63.

Philip J Wilkinson OBE
Chairman, Nominations and Remuneration Committee
05 May 2022

INTERNATIONAL GOVERNMENT RELATIONS AND PUBLIC AFFAIRS COMMITTEE REPORT

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

MEMBER	PHILIP J WILKINSON OBE	DR JOHN RICH	ROBERTO BANFI[1]
NO OF MEETINGS	4/4	4/4	4/4

ROLES AND RESPONSIBILITIES

The Committee's role and responsibilities are set out in its Terms of Reference, which can be viewed on the Company's website in the Corporate Governance Charter (Annex F). This Report describes how the International Government Relations and Public Affairs ("IGR and PA") Committee carried out its responsibilities during the year and how it addressed political and industry concerns relating to the poultry sector. The Committee is responsible for developing the Company's approach to international government relations and public affairs and reflecting the changing business and political environment in which the Company operates. This includes reviewing and providing input to Management on responsible business matters and anticipating and preparing the reaction of the Company to any potential crisis management situations relating to political and operational issues (e.g. Avian Influenza outbreaks during the year and, post balance sheet, the Russian invasion).

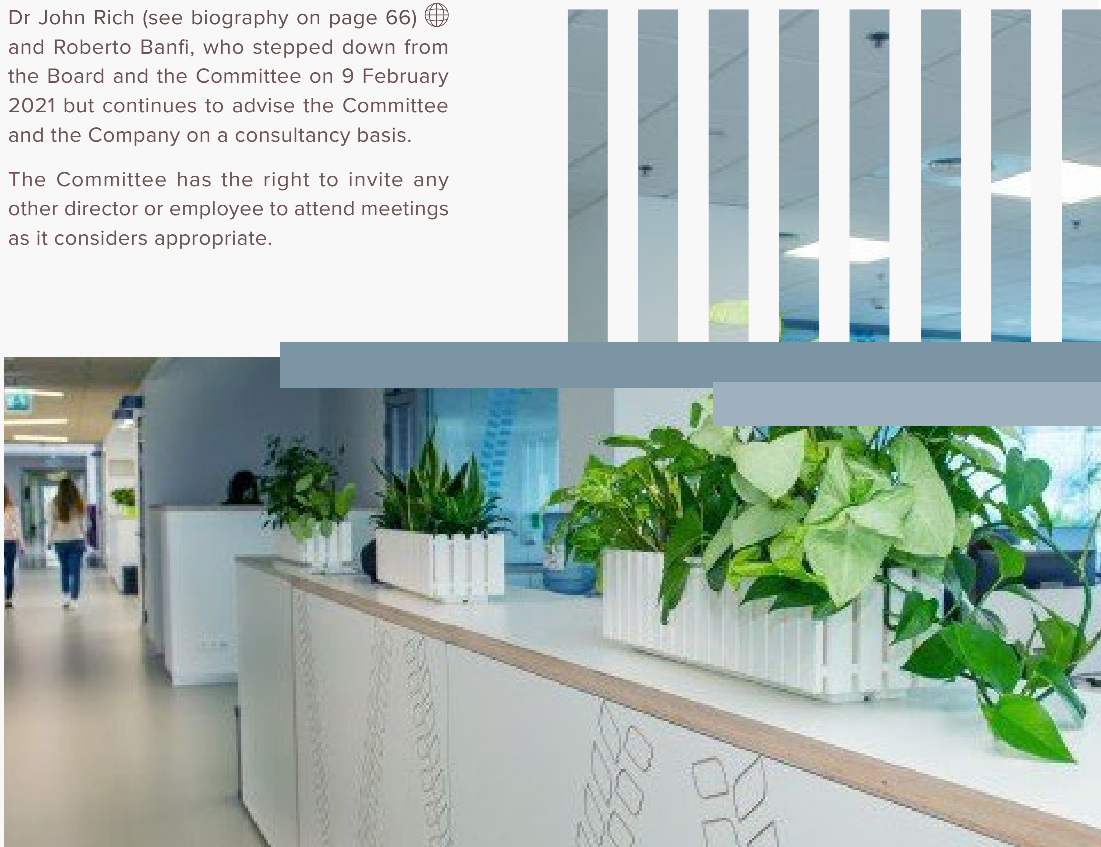
COMPOSITION

The Committee comprises at least two Board members. The Chairman of the Committee is Philip J Wilkinson OBE who has significant and relevant experience in international agricultural politics, has historically chaired agricultural sector boards and holds several non-executive directorships and advisory positions in global agri-businesses (see biography on page 66).

The other members of the Committee are Dr John Rich (see biography on page 66) and Roberto Banfi, who stepped down from the Board and the Committee on 9 February 2021 but continues to advise the Committee and the Company on a consultancy basis.

The Committee has the right to invite any other director or employee to attend meetings as it considers appropriate.

[1] Since 9 February 2021, Roberto Banfi continues to advise the Committee and the Company on a consultancy basis.



MEETINGS IN THE YEAR

The Committee meets at least twice a year. A meeting may be convened at any time by the Chairman of the Committee, the Chairman of the Board or the Chief Executive Officer to consider any matters falling within the Committee's terms of reference. Four meetings were held during the year, three of which were held by video conference due to COVID-19 restrictions.

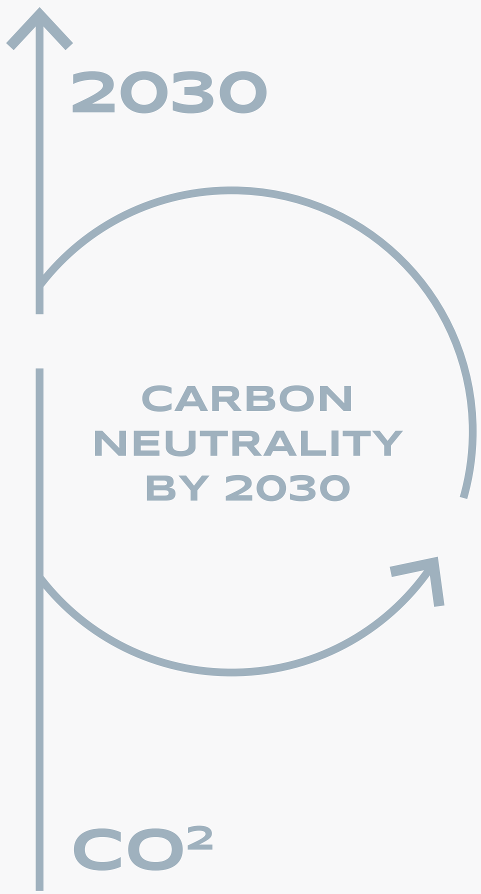
COMMITTEE PROGRESS AND ACHIEVEMENTS TO DATE

Responsible business

The 2021 UN Climate Change Conference ("COP 26") once again outlined the critical importance of global society working together to address the significant challenges posed by climate change. MHP is proud to be accelerating its efforts in this area and to be striving to be a leader in sustainable agriculture and food production.

Central to MHP's sustainable development plan is its commitment to achieving Carbon Neutrality by 2030. Working with our partner, Alltech E-CO2 we are on the verge of establishing the Group's current carbon footprint and in 2022 this information will be submitted to the Carbon Trust for validation prior to setting out a future roadmap. Through accurate measurement, we have identified disciplines where improvements can be made.

Our vertically-integrated agribusiness model means we are well placed to take the appropriate action necessary to achieve our objectives across the whole of our supply chain and I am delighted to report that we are currently on target to achieve our goals. This includes collaborating with external suppliers as we cannot achieve the goals on our own.



International government relations and public Affairs progress

One year into the formation of the IGR and PA Committee, I am pleased to report that relations with EU and UK office holders and policy makers in the agribusiness sector have advanced both positively and significantly. We have demonstrated our professionalism particularly with regard to the management of the Avian Influenza crisis which, over the past year, has been one of the worst on record across Europe. Our open and transparent approach to this crisis, together with the development of professional working relationships with our counterparts in Europe and the UK, has been a major contributory factor in the positive results which will be referenced later in the Report of the Committee. We hope to extend these successes further around the globe during 2022 always bearing in mind the impact the Russian invasion is having on the Company.

The Committee is delighted to report that Avian Influenza regionalisation recognition has been achieved between Ukraine and the European Union ("EU") enabling export trade to be resumed from uninfected areas. It was encouraging to note the support from much of the EU poultry industry for this initiative which we believe to be a positive step in the right direction from a relationship perspective. The veterinary authorities from the EU were satisfied that the credible procedures adopted by the Group to meet the standards set out in EU legislation for notification, disposal, cleaning and logistics movements during an Avian Influenza outbreak were all strictly adhered to. Progress has also been made with reference to Avian Influenza recognition with the United Kingdom. After much exchanging of information, recognition was achieved in December 2021.

Despite export sales being interrupted as a result of the war, we are still on target to deliver our UK Poultry Meat Export Agreement quota volumes. As a result, we had already instigated discussions with the UK's Foreign Office and Department of International Trade with a view to increasing the Tariff Free Quota volumes. At the time of these discussions the UK Prime Minister visited Ukraine and discussed the liberalisation of trade between the two countries. The UK has subsequently announced that all tariffs on goods imported from Ukraine will be reduced to zero and all quotas will be removed under a Free Trade Agreement.

The EU have proposed to follow the UK's lead by temporarily removing remaining tariffs and quotas on Ukrainian exports.

We are currently awaiting the details of both initiatives but are quietly encouraged and optimistic.

I am encouraged by the improvement in International Government Relations and Public Affairs achieved during the year and hope to build on this once the situation in Ukraine normalises.

Philip J Wilkinson OBE
Chairman, IGR & PA Committee
05 May 2022

MANAGEMENT REPORT

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

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

MHP is the international food and agrotech company that cares about its people, the environment and communities and is transforming into a culinary company. MHP Ukraine and Perutnina Ptuj ("PP") operate vertically-integrated business models, owning and operating each of the key stages of chicken production processes (see Our Business Model on pages 16). During 2021, principal activity of the company remained unchanged. MHP's objectives are to maximise efficiency in production costs, increase profitability by consolidating multiple steps in the value-chain and follow the strategy of sales diversification taking into account market availability and challenges, local customer preferences as well as the stability that diversification brings. Detailed information on the Group's financial and operational performance, including KPIs, can be found in the Business Review on pages 26 to 30.

Key to the Company's approach to managing waste is MHP's biogas programme, comprising facilities and green energy projects, which enable the recycling of different wastes including husks, leftovers from grain and chicken production. Further information on this circular economy aspect of the Group's business may be found in the Group Overview on pages 7 to 15 and will also be reported on in detail in the forthcoming Non-Financial Report.

THE BUSINESS IS ORGANISED INTO AND OPERATES THROUGH FOUR BUSINESS SEGMENTS:

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

The Poultry and Related Operations Segment produces, processes and sells chicken meat (fresh and frozen), culinary products (marinated, ready-to-cook and value-added products), vegetable oils (sunflower and soybean) and mixed fodder. It incorporates three chicken meat complexes and two breeding farms, three sunflower oil plants, one soybean crushing plant, three feed mills and two biogas complexes. For more detailed information see the Group Overview on pages 10 to 11.

GRAIN GROWING OPERATIONS SEGMENT

The Grain Growing Operations Segment grows crops for fodder production and for sale to third parties. In 2021 MHP's total landbank constituted approximately 361,000 hectares ("ha") of land of which the majority was used for grain cultivation. The landbank comprises a number of enterprises in Ukraine. For more detailed information see the Group Overview on pages 12.

MEAT-PROCESSING & OTHER AGRICULTURAL OPERATIONS SEGMENT

The Meat-Processing & Other Agricultural Operations Segment produces and sells sausage, salami, convenience foods and produce from cattle and milk operations. It incorporates two facilities for the production of prepared meat products and a number of cattle farms. For more detailed information see the Group Overview on pages 13.

EUROPEAN OPERATING SEGMENT - PERUTNINA PTUJ

The European Operating Segment comprises 100% of Perutnina Ptuj ("PP"), a leading poultry and processed-meat producer in the Balkans with production assets in Slovenia, Croatia, Serbia, Bosnia and Herzegovina and distribution companies in Austria, North Macedonia and Romania. PP supplies products to 18 European countries. For more detailed information see the Group Overview on pages 14.

COMPANY'S MISSION

The Company's mission is to provide our customers with high-quality, sustainable food products and culinary solutions that are safe and responsibly produced, at the same time as anticipating and meeting our customers' evolving priorities and requirements.

FUTURE DEVELOPMENTS

The Executive Management team believes there are ample opportunities for growth both internationally and domestically. In Ukraine, the Group offers a wide range of poultry products ranging from fresh chicken to culinary products through to processed meat products that MHP develops and offers to its customers. In line with the transformation to become a culinary company, the Group is increasingly providing solutions to consumers, retailers and food service with ready-to-cook and ready-to-eat food products. Further information on the evolution of the Group's strategy, as set out below, may be found in the Group Overview on pages 7 to 15. As a result of the War, MHP has experienced a number of significant disruptions and operational issues within its business, which are described in detail in Note 33 Operating Environment and in Note 39 Subsequent Events.

Exports of chicken meat now reach over 80 countries with a potential to further increase geographies, volumes and product SKUs.

THE STRATEGY TO ACHIEVE THE COMPANY'S MISSION:

1

TRANSFORMATION INTO A CULINARY COMPANY

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

2

CONTINUOUS IMPROVEMENT & INNOVATION

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

3

APPROACH TO PEOPLE AND WORKFORCE

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

4

EXPORT DIVERSIFICATION & EXPANSION

Continue export expansion through sales diversification and market targeting, increasing the share of value-added sales;

5

INTERNATIONAL SALES AND DISTRIBUTION

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

6

EFFICIENCY

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

7

BRAND PROMOTION AND DEVELOPMENT

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

8

ALTERNATIVE ENERGY PROJECTS

Expand alternative energy projects (biogas, biodiesel, solar, wind energy etc); and

9

M&A OPPORTUNITIES

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

DIVIDEND POLICY

In March 2013 the Board of Directors approved the adoption of a dividend policy that maintains a balance between the need to invest in further development and the right of shareholders to share the net profits of the Company. In recognition of the Company's exeptional performance in 2021, in November the Board resolved to pay a one-off special (interim) dividend of US$ 0.2803 per share (approximately US$ 30 million) on 10 December 2021. Taking into account the current uncertainties following the Russian invasion of Ukraine, and the resulting need to preserve liquidity to support the Company's ongoing business operations and to help sustain national food security, the Board of MHP SE has decided that no final dividend will be paid.

LOANS TO RELATED PARTIES

On 21 January 2020, the Board approved a loan facility of up to US$ 80 million to the Company's principal shareholder, WTI Trading Limited ("WTI") to meet WTI's general liquidity requirements and other corporate purposes for a maximum of three years. As of 31 December 2020, loans to WTI amounted to US$ 67.4million. During 2021 the Group provided additional loans to WTI of US$ 3.6 million. All loans to WTI were repaid fully in December 2021.

The Directors believe that the loans were issued at arm's length terms and for fair market value, that they were in the best interests and for the commercial benefit of the Group and did not violate the terms of the Senior Notes (Note 29).

RESEARCH AND DEVELOPMENT

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

BUSINESS REVIEW AND RISKS

A review of the Group's performance and the key risks and uncertainties which face the business as well as details on likely developments can be found in the Chairman's Statement on page 21 and Risk Management on page 43 of this Report.

CORPORATE RESPONSIBILITY REPORTING AND ESG DIALOGUE

The Group initiated corporate responsibility reporting in 2015 and issues a separate Corporate Responsibility Report (Non-Financial Report) annually. This Report includes information for MHP's material stakeholders and applies the latest applicable Global Reporting Initiative's ("GRI") reporting framework, Core compliance. The latest Non-Financial Report is for 2020 and can be found in the "Sustainable Development" section of the Company's website. MHP expects the 2021 Report to be available in June 2022. Summary Corporate Responsibility information is also included on pages 54 to 59 within this Annual Report. MHP also participates in a number of ESG research exercises conducted by specialist investor research agencies and readily responds to questions and information requests from shareholders concerning this aspect of its activities.

FINANCIAL REPORTING PROCESS

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

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

BRANCHES

MHP does not have any branches.

SHARE CAPITAL

The authorized share capital as of 31 December 2021 and 2020 was EUR 221,540 thousand represented by 110,770,000 shares with par value of EUR 2 each.

As at 31 December 2021, the Group had a direct holding of 3,731,792 treasury shares represented by an equal amount of GDRs.

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

There was no change in share capital during the year ended 31 December 2021 (Note 26, p. 146).

CHANGES TO THE BOARD

All changes to the Board of Directors are disclosed in the Corporate Governance Report, p. 66-67.

COMPENSATION OF KEY MANAGSEMENT PERSONNEL

Total compensation of the Group's key management personnel, included primarily in selling, general and administrative expenses in the accompanying consolidated statements of profit and loss and other comprehensive income, amounted to US$ 16.9 million and US$ 15.1 million for the years ended 31 December 2021 and 2020 respectively. Compensation of key management personnel consists of contractual salary and performance bonuses.

Key management personnel totalled 22 and 22 individuals as of 31 December 2021 and 2020 respectively, including 3 and 4 independent non-executive directors as of 31 December 2021 and 2020 respectively.

COMPENSATION OF KEY MANAGESEMENT PERSONNEL (CONTINUED)

The table below shows the total remuneration of Board members.

DIRECTOR	2021	2020
EXECUTIVE CHAIRMAN	696	622
NEDS	696	958
EXECUTIVE DIRECTORS	6,497	5,421

SHARE OPTIONS

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

AUDITOR ROTATION

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

AUDITORS' REMUNERATION

Remuneration to the auditors amounted to US$ 990,000 for the year ended 31 December 2021 (2020: US$ 1 million), including both audit and non-audit services. Statutory audit fees amounted to US$ 825,000 for the year ended 31 December 2021 (2020: US$ 758,000) fees for tax advisory services US$ 84,000 (2020: US$ 70,000) and fees for other non-audit services US$ 81,000 for the year ended 31 December 2021 (2020: US$ 172,000). The Company has rules and processes in place to ensure the independence of the auditors, including non-audit fee limitations set by the Board, and prior approvals by the Audit & Risk Committee to ensure any services provided are compatible with the independence of the auditors.

INTERNAL AUDIT

The Company maintains an internal audit function. The Head of Internal Audit has the right of access to the Audit & Risk Committee and the Chairman. Further details can be found in the Audit & Risk Committee Report on pages 73 to 78.

GOING CONCERN

The Russian invasion of Ukraine on 24 February 2022 resulted in material uncertainties for the Company, some of which continue as of the date of the Report. Having reviewed updated financial forecasts, the Directors agreed with the recommendations of the Audit & Risk Committee Report that, at the time of the approval of the financial statements it was appropriate to adopt the going concern basis in preparing the financial statements of the Group.

DISCLOSURE OF INFORMATION TO AUDITORS

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

POLITICAL DONATIONS

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

SUBSEQUENT EVENTS

All subsequent events are disclosed in the Financial and Operational Review section (pp. 31-39) and in Note 39 (p. 161) of the Annual Report.

ADDITIONAL DISCLOSURES

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

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

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

The Company has chosen, in accordance with Section 414 C(11) of the UK Companies Act 2006, and as noted in this Management Report, to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Management Report. The Strategic Report can be found on pages 4 to 23. A non-financial information statement in line with Section 414CA and 414CB of the UK Companies Act 2005 may be found on page 60.

APPROVAL

Approved by the Board and signed on its behalf by:

John Rich
Executive Chairman
05 May 2022

FINANCIAL STATEMENTS

CONTENTS

STATEMENT OF THE BOARD OF DIRECTORS'

RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view of the financial position of MHP SE (the "Company") and its subsidiaries (the "Group") as of 31 December 2021 and of the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In preparing the consolidated financial statements, the Board of Directors is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in the International Financial Reporting Standards ("IFRS") are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern.

The Board of Directors, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls over financial reporting, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group as of and for the year ended 31 December 2021 were authorized for issue by the Board of Directors on 5 May 2022.

Board of Directors' responsibility statement

In accordance with DTR4.1 on Annual Financial Reporting, providing for the disclosure and transparency requirements for issuers whose transferable securities are admitted to trading on a UK Recognised Investment Exchange, we, the members of the Board of Directors, responsible for the preparation of the annual consolidated financial statements of MHP SE for year ended 31 December 2021, hereby declare that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

Director		**Yuriy Kosyuk**
Director		**John Grant**
Director		**Viktoria Kapelyushnaya**
Director		**John Clifford Rich**
Director		**Philip J Wilkinson**
Director		**Andriy Bulakh**
Director		**Christakis Taoushianis**

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MHP SE
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of MHP SE (the "Company"), and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 39 to the consolidated financial statements, which indicates that since 24 February 2022 the Group's operations are negatively affected by the ongoing military invasion of Ukraine, with the magnitude of further developments or the timing of their cessation being uncertain. These conditions, along with other matters as set forth in Notes 4 and 39 indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS INCORPORATING THE MOST SIGNIFICANT RISKS OF MATERIAL MISSTATEMENTS, INCLUDING ASSESSED RISK OF MATERIAL MISSTATEMENTS DUE TO FRAUD

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS INCORPORATING THE MOST SIGNIFICANT RISKS OF MATERIAL MISSTATEMENTS, INCLUDING ASSESSED RISK OF MATERIAL MISSTATEMENTS DUE TO FRAUD (CONTINUED)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
REVENUE RECOGNITION The total amount of revenue recognised in 2021 was USD 2,372,262 thousand. Revenue recognition was one of the matters of most significance in our audit since the amount of revenue is material to the consolidated financial statements and due to a large number of transactions and management judgment involved in the interpretation of contract terms, identification of performance obligations, timing of revenue recognition and in the determination of whether the Group is a principal or an agent in its sales arrangements. Information on the accounting policy for revenue recognition is disclosed in Note 2 of the consolidated financial statements and disclosures related to revenue are included in Note 6 of the consolidated financial statements.	We considered the Group's accounting policy in respect of revenue recognition. We assessed the design and operating effectiveness of relevant internal controls over revenue recognition process, including IT-dependent manual controls. We analysed sales contracts terms and assessed the moment of transfer of control over goods and services. On a sample basis, we compared the date of transfer of control over goods and services with the date of revenue recognition. We also tested, on a sample basis, data of transaction records in the system to their respective customer contracts, underlying invoices and cash receipts. On a sample basis, we obtained confirmations of sales and accounts receivable balances from customers. We tested a sample of revenue transactions recognised shortly before and after the year end and assessed the period these transactions relate to. We performed analytical procedures in respect of revenue that included, among others, the analysis of monthly sales to detect unusual fluctuations and reconciliation with comparative information for prior periods. We analysed sales contracts terms in respect of indicators of whether the Group is a principal or an agent under these sales arrangements. We assessed disclosures in respect of revenue included in the notes to the consolidated financial statements

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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
VALUATION OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE The Group measures biological assets at fair value less costs to sell in accordance with IAS 41 Agriculture and IFRS 13 Fair Value Measurement. As at 31 December 2021, the carrying value of biological assets was USD 242,597 thousand, out of which USD 215,459 thousand was classified within current assets and USD 27,138 thousand within non-current assets. Agricultural produce harvested from biological assets is measured at fair value less costs to sell at the point of harvest in accordance with IAS 41 Agriculture and IFRS 13 Fair Value Measurement. As at 31 December 2021, the carrying value of agricultural produce was UAH 511,267 thousand. The Group assesses the fair value of the biological assets based on the discounted cash flow technique. The key assumptions and inputs used in the measurement are average meat output, average productive life, expected yields, expected market prices, estimated future production costs and costs to sell and discount rates. The fair value of agricultural produce is determined by reference to market prices at the point of harvest. The valuation of biological assets and agricultural produce is one of the matters of most significance in our audit since the assessment of fair value requires assumptions and management judgement. Information on the accounting policy for biological assets and agricultural produce is disclosed in Note 2 of the consolidated financial statements and disclosures related to the biological assets and agricultural produce are included in Notes 19 and 21 of the consolidated financial statements.	We analysed the Group's accounting policy in respect of biological assets and agricultural produce in accordance with the requirements of IFRS. We obtained an understanding of the internal controls surrounding the valuation process for biological assets and agricultural produce and assessed their design and implementation. For biological assets, we analysed the valuation methods used by management. Further, we compared management's assumptions to the Group's historical data, the Group's actual data and, where applicable, to market data and external benchmarks. We considered the discount rate used, with the support of our internal valuation specialists. For agricultural produce, we analysed management's identification of the principal market, we compared the prices used by management to the market data. We analysed costs required to sell agricultural produce and analysed how they are taken into consideration in calculation of fair value less cost to sell. We tested the mathematical accuracy of the models prepared by management. We assessed the disclosures in respect of biological assets and agricultural produce made in the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT The Group applies the revaluation model for its property, plant and equipment. Due to high level of subjectivity in respect of assumptions underlying the assessment of the fair value of property, plant and equipment this matter was one of the most significance in our audit. The Group has a process of external valuations, when the value of property, plant and equipment is being measured by an independent external appraiser. Information about property, plant and equipment is disclosed in Note 14 to the consolidated financial statements. Description of the accounting policy and key judgements and estimates is included in Notes 2 and 4 to the consolidated financial statements.	We assessed the competence, capabilities and objectivity of the external appraiser. We engaged our internal valuation specialists in the assessment of the valuation methodology used and the assumptions made by the appraiser and management. We compared input data used by the external appraiser with internal sources of data and available industry data. We analyzed the underlying assumptions by inspecting historical data, available market data and other evidence provided by management. We compared the amount of revaluation charge recognized in the consolidated financial statements with the valuation report. We assessed the disclosures in the consolidated financial statements related to fair value measurement of the property, plant and equipment.
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE As at 31 December 2021, the Group had significant balance of goodwill and intangible assets with indefinite useful life of USD 66,382 thousand and USD 31,597thousand respectively. An impairment assessment of goodwill and intangible assets with indefinite useful life is a key audit matter due to the range of judgements and assumptions used in the impairment model for each CGU, as well as the significance of the carrying amount of goodwill and intangible assets with indefinite useful life. Disclosure relating to the impairment of goodwill and intangible assets with indefinite useful life is presented in Note 17 and Note 16 to the consolidated financial statements.	Our procedures included assessment of the assumptions and methodologies used by the Group in its value-in-use calculation of cash-generating units. We compared the Group's assumptions to externally derived data and our internal information on key inputs such as projected economic growth, sales volumes, inflation and discount rates. We analysed, for each cash generating unit, the excess of the recoverable amount over carrying amount. We tested sensitivity of the value in use to key assumptions. We have involved our internal valuation experts to analyze the scope of appraisal, the data, application of methods, and the methodology used in the valuation process and the assumptions made by the Group's management specialists and management. We also tested mathematical accuracy of management's impairment analyses and sensitivity calculations. We also analysed the disclosures related to impairment of goodwill and intangible assets with indefinite useful life presented in the Notes to the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

REPORTING ON OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises information included in Group's 2021 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Board of Directors is also required pursuant to article 151 of the Cyprus Companies Law Cap.113 to prepare and publish a Non-Financial Information Report by 30 June 2022. This report has not been issued by the date of this report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Andreas Avraamides.

Andreas Avraamides

Certified Public Accountant and Registered Auditor

for and on behalf of

Ernst & Young Cyprus Limited

Certified Public Accountants and Registered Auditors

Nicosia, 5 May 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021 (in thousands of US dollars, unless otherwise indicated)

	NOTES	2021	2020
CONTINUING OPERATIONS			
Revenue	5,6	2,372,262	1,911,137
Net change in fair value of biological assets and agricultural produce	5	184,926	30,502
Cost of sales	7	(1,812,672)	(1,544,101)
GROSS PROFIT		**744,516**	**397,538**
Selling, general and administrative expenses	8	(228,183)	(187,801)
Other operating income	9	11,835	16,526
Other operating expenses	10	(11,558)	(23,412)
Loss on impairment of property, plant and equipment	14	(10,607)	(1,730)
OPERATING PROFIT		**506,003**	**201,121**
Finance income		10,531	13,584
Finance costs	12	(150,424)	(144,257)
Foreign exchange gain/(loss), net	36	40,466	(203,664)
Other expenses		(2,867)	(3,491)
PROFIT/(LOSS) BEFORE TAX		**403,709**	**(136,707)**
Income tax (expense)/benefit	13	(6,914)	5,132
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**396,795**	**(131,575)**
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	3	(3,457)	(1,482)
PROFIT/(LOSS) FOR THE YEAR		**393,338**	**(133,057)**

The accompanying notes on the pages 98 to 155 form an integral part of these consolidated financial statements

On behalf of the Board:

Chief Executive Officer
Yuriy Kosyuk

Chief Financial Officer
Viktoria Kapelyushnaya

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021 (in thousands of US dollars, unless otherwise indicated)

	NOTES	2021	2020
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Effect of revaluation of property, plant and equipment	14	246,106	-
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income as result of revaluation	13	(26,597)	-
Items that may be reclassified to profit or loss:			
Cumulative translation difference		(2,931)	(180,213)
Other comprehensive income/(loss)		**216,578**	**(180,213)**
Total comprehensive income/(loss) for the year		**609,916**	**(313,270)**
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent		375,511	(136,506)
Non-controlling interests	27	17,827	3,449
		393,338	**(133,057)**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent		586,558	(314,547)
Non-controlling interests		23,358	1,277
		609,916	**(313,270)**
EARNINGS/(LOSS) PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS			
Basic and diluted earnings/(loss) per share (USD per share)		3.51	(1.28)
EARNINGS/(LOSS) PER SHARE FROM CONTINUING OPERATIONS			
Basic and diluted earnings/(loss) per share (USD per share)	38	3.54	(1.26)

The accompanying notes on the pages 98 to 155 form an integral part of these consolidated financial statements

On behalf of the Board:

Chief Executive Officer
Yuriy Kosyuk

Chief Financial Officer
Viktoria Kapelyushnaya

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2021 (in thousands of US dollars, unless otherwise indicated)

	NOTES	31 DECEMBER 2021	31 DECEMBER 2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,939,607	1,678,917
Right-of-use assets	15	277,288	207,001
Intangible assets	16	97,791	96,841
Goodwill	17	66,382	70,614
Non-current biological assets	19	27,138	25,584
Non-current financial assets	18	28,764	23,083
Long-term bank deposits		9,904	4,612
Deferred tax assets	13	1,966	1,822
		2,448,840	**2,108,474**
CURRENT ASSETS			
Inventories	20	367,219	240,715
Biological assets	19	215,459	175,085
Agricultural produce	21	511,267	269,045
Prepayments		44,572	16,776
Other current financial assets	24	16,156	81,314
Taxes recoverable and prepaid	22	68,151	54,647
Trade accounts receivable	23	156,878	119,187
Cash and cash equivalents	25	275,237	217,579
		1,654,939	**1,174,348**
TOTAL ASSETS		**4,103,779**	**3,282,822**

The accompanying notes on the pages 98 to 155 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2021 (in thousands of US dollars, unless otherwise indicated) **(continued)**

	NOTES	31 DECEMBER 2021	31 DECEMBER 2020
EQUITY AND LIABILITIES			
EQUITY			
Share capital	26	284,505	284,505
Treasury shares		(44,593)	(44,593)
Additional paid-in capital		174,022	174,022
Revaluation reserve		811,684	648,982
Retained earnings		1,557,284	1,195,143
Translation reserve		(1,018,514)	(1,020,229)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**1,764,388**	**1,237,830**
Non-controlling interests	27	29,800	16,373
TOTAL EQUITY		**1,794,188**	**1,254,203**
NON-CURRENT LIABILITIES			
Bank borrowings	28	103,604	64,608
Bonds issued	29	1,376,820	1,370,999
Lease liabilities	30	204,139	136,495
Deferred income	11	44,593	44,505
Deferred tax liabilities	13	44,704	29,867
Other non-current liabilities		6,468	7,233
		1,780,328	**1,653,707**

	NOTES	31 DECEMBER 2021	31 DECEMBER 2020
CURRENT LIABILITIES			
Trade accounts payable		174,242	149,768
Other current liabilities	31	93,289	86,638
Advances received		41,983	15,227
Bank borrowings	28	121,458	39,788
Interest payable	28,29	21,180	21,487
Lease liabilities	30	77,111	62,004
		529,263	**374,912**
TOTAL LIABILITIES		**2,309,591**	**2,028,619**
TOTAL EQUITY AND LIABILITIES		**4,103,779**	**3,282,822**

The accompanying notes on the pages 98 to 155 form an integral part of these consolidated financial statements

On behalf of the Board:

Chief Executive Officer
Yuriy Kosyuk

Chief Financial Officer
Viktoria Kapelyushnaya

On behalf of the Board:

Chief Executive Officer
Yuriy Kosyuk

Chief Financial Officer
Viktoria Kapelyushnaya

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021 (in thousands of US dollars, unless otherwise indicated)

The accompanying notes on the pages 98 to 155 form an integral part of these consolidated financial statements

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
	SHARE CAPITAL	TREASURY SHARES	ADDITIONAL PAID-IN CAPITAL	REVALUATION RESERVE	RETAINED EARNINGS	TRANSLATION RESERVE	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AT 31 DECEMBER 2019	**284,505**	**(44,593)**	**174,022**	**862,435**	**1,148,113**	**(842,188)**	**1,582,294**	**13,572**	**1,595,866**
Profit/(loss) for the year	-	-	-	-	(136,506)	-	**(136,506)**	**3,449**	**(133,057)**
Other comprehensive loss	-	-	-	-	-	(178,041)	**(178,041)**	**(2,172)**	**(180,213)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**-**	**-**	**-**	**-**	**(136,506)**	**(178,041)**	**(314,547)**	**1,277**	**(313,270)**
Transfer from revaluation reserve to retained earnings	-	-	-	(77,972)	77,972	-	**-**	**-**	**-**
Dividends declared by the Parent (Note 34)	-	-	-	-	(30,000)	-	**(30,000)**	**-**	**(30,000)**
Non-controlling interests arising in a business combination	-	-	-	-	83	-	**83**	**1,524**	**1,607**
Translation differences on revaluation reserve	-	-	-	(135,481)	135,481	-	**-**	-	**-**
BALANCE AT 31 DECEMBER 2020	**284,505**	**(44,593)**	**174,022**	**648,982**	**1,195,143**	**(1,020,229)**	**1,237,830**	**16,373**	**1,254,203**
Profit for the year	-	-	-	-	375,511	-	**375,511**	17,827	**393,338**
Other comprehensive income	-	-	-	209,332	-	1,715	**211,047**	5,531	**216,578**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				**209,332**	**375,511**	**1,715**	**586,558**	**23,358**	**609,916**
Transfer from revaluation reserve to retained earnings	-	-	-	(70,240)	70,240	-	**-**	-	-
Dividends declared by the Parent (Note 34)	-	-	-	-	(60,000)	-	**(60,000)**	-	**(60,000)**
Dividends declared by subsidiaries	-	-	-	-	-	-	**-**	(10 819)	**(10 819)**
Non-controlling interests arising in a business combination	-	-	-	-	-	-	**-**	888	**888**
Translation differences on revaluation reserve	-	-	-	23,610	(23,610)	-	**-**	-	-
BALANCE AT 31 DECEMBER 2020	**284,505**	**(44,593)**	**174,022**	**811,684**	**1,557,284**	**(1,018,514)**	**1,764,388**	**29,800**	**1,794,188**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021 (in thousands of US dollars, unless otherwise indicated)

	NOTES	2021	2020
OPERATING ACTIVITIES			
Profit/(loss) before tax		403,709	(136,707)
Loss before tax from discontinued operations		(3,457)	(1,482)
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expense	5	192,858	192,103
Net change in fair value of biological assets and agricultural produce	5	(184,926)	(30,502)
Change in allowance for unrecoverable amounts and direct write-offs		(4,059)	16,912
Loss on impairment of property, plant and equipment	14	10,607	1,730
Loss on disposal of property, plant and equipment and other non-current assets		6,157	42
Finance income		(10,531)	(13,584)
Finance costs	12	150,424	144,257
Released deferred (expense)/income		711	(1,739)
Non-operating foreign exchange gain/(loss), net		(40,466)	203,664
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL		**521,027**	**374,694**
Working capital adjustments			
Change in inventories		(118,568)	(55,580)
Change in biological assets		(22,908)	(19,429)
Change in agricultural produce		(65,785)	(36,975)
Change in prepayments made		(29,997)	(4,160)
Change in other financial current assets		(7,800)	1,695
Change in taxes recoverable and prepaid		(11,647)	(32,469)
Change in trade accounts receivable		(39,656)	(4,310)

The accompanying notes on the pages 98 to 155 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021 (in thousands of US dollars, unless otherwise indicated) **(continued)**

	NOTES	2021	2020
WORKING CAPITAL ADJUSTMENTS (continued)			
Change in advances received		30,651	(37,306)
Change in other financial current liabilities		2,980	28,514
Change in trade accounts payable		17,641	6,408
CASH GENERATED BY OPERATIONS		**275,938**	**221,082**
Interest received		10,170	9,803
Interest paid		(148,051)	(144,926)
Income taxes paid		(13,258)	(15,274)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**124,799**	**70,685**
Investing activities			
Purchases of property, plant and equipment		(140,074)	(72,793)
Purchases of other non-current assets		(2,825)	(2,106)
Purchases of intangible assets		(12,625)	(3,996)
Proceeds from disposals of property, plant and equipment		4,652	3,545
Proceeds from disposals of assets held for sale		2,964	2,700
Purchases of non-current biological assets		(1,640)	(769)
Acquisition of subsidiaries, net of cash acquired	3	(1,840)	-
Government grants received	11	142	2,052
Prepayments and capitalized initial direct costs under lease contracts		(9,737)	(7,185)
Investments in short-term deposits		(5,563)	(1,798)
Withdrawals of short-term deposits		433	390
Loans provided to employees, net		(1,158)	(1,547)
Loans and finance aid provided to related parties		(3,694)	(57,106)
Loans repaid by related parties		71,000	10,000
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(99,965)**	**(128,613)**
Financing activities			
Proceeds from bank borrowings		329,462	113,154
Repayment of bank borrowings		(203,335)	(118,387)
Repayment of lease liabilities		(20,536)	(15,524)
Dividends paid		(60,000)	(30,000)
Dividends paid by subsidiaries to non-controlling shareholders		(10,842)	(930)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**34,749**	**(51,687)**
Net increase/(decrease) in cash and cash equivalents		59,583	(109,615)
Net foreign exchange difference on cash and cash equivalents		(1,925)	(13,541)
Cash and cash equivalents at 1 January		217,579	340,735
Cash and cash equivalents at 31 December	**25**	**275,237**	**217,579**
NON-CASH TRANSACTIONS		**-**	**-**
Non-cash repayments of lease liabilities		(10,793)	(9,134)
Property, plant and equipment purchased for credit		3,445	-

The accompanying notes on the pages 98 to 155 form an integral part of these consolidated financial statements

On behalf of the Board:

Chief Executive Officer
Yuriy Kosyuk

Chief Financial Officer
Viktoria Kapelyushnaya

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 and mixed fodder. Grain growing comprises the production and sale of grains. Meat processing and other agricultural operations comprise the production and sale of cooked meat, sausages, convenience food products, milk and feed grains.

As of 31 December 2021 the Group employed 30,890 people (31 December 2020: 30,471 people).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

1. CORPORATE INFORMATION (CONTINUED)

NAME	COUNTRY OF REGISTRATION	YEAR ESTABLISHED/ ACQUIRED	PRINCIPAL ACTIVITIES	31 DECEMBER 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 Food Trading	United Arab Emirates	2016	Trading in vegetable oil and poultry meat	100.0%	100.0%
MHP B.V.	Netherlands	2014	Trading in poultry meat	100.0%	100.0%
MHP Trade B.V.	Netherlands	2018	Trading in poultry meat	100.0%	100.0%

The Group's primary operational facilities are located in different regions of Ukraine as well as in Southeast Europe, including Slovenia, Serbia, Croatia and Bosnia and Herzegovina (represented by Perutnina Ptuj d.d. together with its subsidiaries).

[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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND ACCOUNTING

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

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

BASIS OF PREPARATION

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

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

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following standards were adopted by the Group on 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16;
- Covid-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16.

AMENDMENTS TO IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16: PHASE 2 OF INTEREST RATE BENCHMARK REFORM

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

The IASB introduces a practical expedient for modifications required by the reform. These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements.

Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

The amendments require that an entity should also disclose additional information in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. This amendment had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16: Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. In 2021 the IASB extended relief by 12 months to 30 June 2022. This amendment had no impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT EFFECTIVE

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

STANDARDS AND INTERPRETATIONS	EFFECTIVE FOR ANNUAL PERIOD BEGINNING ON OR AFTER
A IFRS 17 Insurance Contracts[1]	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use[1)]	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract[1]	1 January 2022
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework[1]	1 January 2022
Annual Improvements to IFRS Standards 2018–2020[1]	1 January 2022

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

FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of Ukrainian companies of the Group is the Ukrainian Hryvnia (“UAH”); the functional currency of the Cyprus companies and Luxembourg company of the Group is the US Dollar (“USD”); the functional currency of the European companies of the Group is the Euro (“EUR”); the functional currency of the United Arab Emirates companies is the Dirham (“AED”). Transactions in currencies other than the functional currency of the entities concerned are treated as transactions in foreign currencies.

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

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

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

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

[1] Standards have been already endorsed for use in the European Union

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The relevant exchange rates were:

CURRENCY	CLOSING RATE AS OF 31 DECEMBER 2021	AVERAGE FOR 2021	CLOSING RATE AS OF 31 DECEMBER 2020	AVERAGE FOR 2020
UAH/USD	27.2782	27.2835	28.2746	26.9639
UAH/EUR	30.9226	32.3009	34.7396	30.8013
USD/EUR	1.1336	1.1839	1.2287	1.1423

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of MHP SE and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

ACCOUNTING FOR ACQUISITIONS

The acquisitions of subsidiaries from third parties are accounted for using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. The consideration transferred by the Group is measured at fair value, which is the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquired subsidiary and the equity interests issued by the Group in exchange for control of the subsidiary. Acquisition-related costs are recognised in the consolidated statement of profit or loss as incurred.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING FOR ACQUISITIONS (CONTINUED)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired subsidiary, and the fair value of the Group's previously held equity interest in the acquired subsidiary (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent. In acquisition of a legal entity that does not constitute a business, the cost of the group of assets is allocated between the individual identifiable assets in the group based on their relative fair values.

FAIR VALUE MEASUREMENT

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

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

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

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

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

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

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

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

BORROWING COSTS

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

CONTINGENT LIABILITIES AND ASSETS

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

SEGMENT INFORMATION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SEGMENT INFORMATION (CONTINUED)

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

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

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

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

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

REVENUE RECOGNITION

The Group generates revenue primarily from the sale of agricultural products to the end customers. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Revenue is adjusted for estimates of known or expected variable consideration, which includes consumer incentives, trade promotions, and allowances, such as rebates, volume-based incentives and other programs. Variable consideration related to these programs is recorded as a reduction to revenue based on amounts the Group expects to pay. These estimates are based on current performance, historical utilization, and projected redemption rates of each program. The Group reviews and updates these estimates regularly until the incentives are realized and the impact of any adjustments are recognized in the period the adjustments are identified. Non-monetary exchanges or swaps of goods which are of similar nature and value are not treated as transactions which generate revenue.

The Group recognises revenue from the following major sources:

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

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

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

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

GOVERNMENT GRANTS

Government grants are recognised as income over the periods necessary to match them with the related costs, or as an offset against finance costs when received as compensation for the finance costs for agricultural producers. When the grant relates to an asset, the received funds are recorded in the Group's consolidated financial statements as deferred income, which is recognised in profit or loss on a systematic basis over the useful life of the related assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

All groups of property, plant and equipment are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent depreciation and impairment losses, except land and other fixed assets that are carried at historical cost less (for the other fixed assets) accumulated depreciation.

The historical cost of an item of property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period; and (d) for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the consolidated statement of profit or loss as incurred. For all groups of property, plant and equipment carried at revalued amounts, the revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. If the asset's carrying amount is increased as a result of a revaluation, the increase is credited to equity through other comprehensive income as a revaluation reserve. However, such increase is recognised in the consolidated statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit or loss. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the consolidated statement of profit or loss. However, such decrease is debited to the revaluation reserve through other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The carrying amount of asset is adjusted by eliminating of accumulated depreciation against gross carrying amount and subsequent increase or decrease of gross carrying amount to fair value.

Depreciation on revalued assets is charged to the consolidated statement of profit or loss. The excess of depreciation charge on the revalued asset over the depreciation that would have been charged based on the historical cost of the asset is transferred from revaluation reserve directly to retained earnings over the assets useful life. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. Depreciation of property, plant and equipment is charged so as to write off the depreciable amount over the useful life of an asset and is calculated using a straight line method. Useful lives of the groups of property, plant and equipment are as follows:

Buildings and structures	15 - 55 years
Grain storage facilities	20 - 60 years
Production machinery	10 - 25 years
Auxiliary and other machinery	5 - 25 years
Utilities and infrastructure	20 - 50 years
Vehicles and agricultural machinery	5 - 15 years
Other fixed assets	3 - 10 years

Depreciable amount is the cost of an item of property, plant and equipment, or revalued amount, less its residual value. The residual value is the estimated amount that the Group would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The residual value, the useful lives and depreciation method are reviewed at each financial year-end. The effect of any changes from previous estimates is accounted for prospectively as a change in an accounting estimate.

The gain or loss arising on sale or disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

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

INTANGIBLE ASSETS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (CONTINUED)

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

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

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

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

RIGHT-OF-USE ASSETS

Right-of-use assets mainly represents rent of land from individuals (Ukrainian citizens) for agricultural purposes. The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated over the period of lease term. The depreciation starts at the commencement date of the lease. The Group recognises depreciation of right-of-use assets based on the lease term, presented within cost of goods sold in the consolidated statement of profit or loss. The average maturity of land lease agreements is 7 years.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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

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

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

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

IMPAIRMENT OF GOODWILL

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

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

INCOME TAXES

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

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

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

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

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

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

INVENTORIES

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

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

BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

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

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

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

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

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

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

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

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

Biological Assets

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

Breeders held for hatchery eggs production
The fair value of breeders is determined using the discounted cash flow approach based on hatchery eggs’ market prices.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE (CONTINUED)

Agricultural Produce

Dressed poultry, beef and pork

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

Grain

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

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

FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities of the Group are represented by cash and cash equivalents, long-term bank deposits, bank borrowings, bonds issued and other financial liabilities. The accounting policies for initial recognition and subsequent measurement of financial instruments are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

Low credit risk financial instruments

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Default definition

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade accounts receivable, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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

FINANCIAL LIABILITIES

Initial recognition and measurement

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

Financial liabilities are recognised initially at fair value and are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES (CONTINUED)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss.

TRADE ACCOUNTS RECEIVABLE

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

CASH AND CASH EQUIVALENTS

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

BANK BORROWINGS, CORPORATE BONDS ISSUED AND OTHER LONG-TERM PAYABLES

Interest-bearing bank borrowings, bonds issued and other long-term payables are initially measured at fair value that is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). They are subsequently measured at amortised cost using the EIR method, where amortization is included as finance costs in the statement of profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

DERIVATIVE FINANCIAL INSTRUMENTS

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

TRADE AND OTHER ACCOUNTS PAYABLE

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

LEASE LIABILITIES

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

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

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The Group recognises interest on lease liabilities and presents it within interest expenses in the consolidated profit or loss.

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

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

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

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

Provisions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

3. CHANGES IN THE GROUP STRUCTURE

DISCONTINUED OPERATION

During the year ended 31 December 2021, the Group disposed of the Ptujska klet, which was involved in wine production and distribution located in Slovenia, and was previously presented within Europe Operating Segment. Net assets as of the date of disposal amounted to USD 4,852 thousand. The total cash consideration amounted to USD 2,293 thousand, which was received during this reporting period.

During the year ended 31 December 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 Poultry and Related Operations Segment. The net assets as of the date of disposal amounted to USD 620 thousand. Before sale the property plant and equipment included in the net assets disposed were impaired by USD 4,105 thousand. Impairment was recognized as a decrease in revaluation reserve related to those property, plant and equipment. The total cash consideration amounted to USD 671 thousand, which was received during this reporting period.

During the year ended 31 December 2020, the Group disposed of the Snyatynska poultry farm, which carried out goose meat and foie gras operations located in Ukraine, and was previously presented within Meat Processing and Other Agricultural Operations Segment. Net assets as of the date of disposal amounted to USD 3,303 thousand. The total cash consideration amounted to USD 2,700 thousand, which was received during this reporting period.

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 the company Lubnym`yaso LLC, a Ukrainian meat production plant, whose main economic activity is the production and sale of beef meat under the trade mark Scott Smeat. As of the date of acquisition, the net assets of the acquired meat production plant amounted to USD 1,800 thousand. Purchase consideration of the acquired share amounted to USD 1,840 thousand and was paid in cash. Goodwill in the amount of USD 921 thousand is attributable to the expectation that this acquisition will support strategic transformation to a culinary company through launch of additional products.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Going concern

On February 24, 2022, Russian forces began a military invasion of Ukraine resulting in a full-scale war across the Ukrainian state (the "War"). Focused on continuity and sustainability of its business and the preservation of value for all stakeholders, the Group has concentrated on two key areas: the safety of its employees and the food security of the country by prioritizing a continuous supply of food to the population of Ukraine.

As a result of the War, MHP has experienced a number of significant disruptions and operational issues within its business, which are described in details in Note 33 Operating Environment and in Note 39 Subsequent Events.

The currently known impacts of the War on the Group are:

- the Group's poultry production facilities have not suffered any physical damage;
- a stock of poultry products worth USD 6.1 million was destroyed by a Russian missile strike on a rented warehouse in the Kyiv region;
- escalation of the situation in the Donetsk region increases the risks and dangers to the security of the Group's employees' in that region. MHP has decided to temporarily suspend operations of "Ukrainian Bacon" (a meat-processing operation with 34,000 tonnes annual capacity located in the Donetsk region);
- all of the Group's other inventories are in good condition and in safe storage;
- since the War began, MHP has provided humanitarian aid to the population of Ukraine through supply of over 11,000 tonnes of poultry products pro bono;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Going concern (continued)

- the Group is able to continue operations on the majority of its land bank although, with up to 2,000 hectares in the Sumy region being temporarily inaccessible to the Group, MHP's sowing campaign cannot be conducted in this region according to the schedule;
- MHP continues commercial poultry sales in Ukraine almost at the pre-War level, despite domestic deliveries in some regions having been and continuing to be significantly disrupted due to active hostilities;
- export sales reduced significantly due to closure of all Ukrainian seaports. Only certain roads and railways are now available for export;
- the Group's European operations at Perutnina Ptuj have not been affected in any way by events in Ukraine as they are fully independent and self-sufficient from an operational and supply chain perspective, and continue to produce at full capacity;
- most of the Group's existing undrawn financing facilities are not available (including USD 154 million) due to liquidity constraints in the Ukrainian banking system.

In response to these matters, the Group has taken the following actions:

- optimized utilization of production facilities to meet domestic demand and part of export orders; the Group is maintaining the level of inventories necessary to allow it to return to normal production capacity as soon as practically possible;
- delivering exports via alternative routes, including by road and rail, although this is problematic due to logistical issues caused by infrastructure damage and low capacity;
- the spring sowing campaign has already been started; the Group has sufficient seeds, fertilisers, fuel, pesticides and other inputs required for the sowing season, as well as the necessary vehicles, agricultural machinery and human resources. In total, the Group now plans to harvest around 340 thousand hectares of its Ukrainian landbank (spring and winter crops) in 2022;
- in order to continue to provide Ukrainians with products under its "Bashchynsky" brand, which were originally produced at "Ukrainian Bacon", the Group is working actively to commission similar production sites at other MHP facilities as well as organise production of "Ukrainian Bacon" products in facilities rented from other Ukrainian meat processors;
- selling, general and administrative and other operating expenses, as well as CAPEX, have been reduced to the minimum required to meet the primary needs of the Group's core business;
- to preserve cash for operational priorities, on 30 March 2022 the Group received consent from holders of its Eurobonds to postpone the semi-annual interest payments due in Spring 2022 on each of its 2024, 2026 and 2029 Notes for a period up to 270 days;
- in response to non-availability of undrawn bank financing facilities, and to protect working capital requirements, the Group has already requested its bank lenders to agree to a general postponement of debt servicing in the current environment for a period of up to 270 days on conditions referred in Note 29;
- the Directors have decided not to declare a final dividend for the 2021 financial year.

Management have prepared and reviewed with the Directors updated financial forecasts, including cash flow projections, for the twelve months from the date of approval of these financial statements, taking into consideration most likely and possible downside scenarios for the ongoing business impacts of the War.

These forecasts were based on the following key assumptions:

- further development of the War and the military invasion of Ukraine will enable utilization of at least 60% of MHP's poultry production facilities;
- ability to run sowing and harvesting campaigns on at least 290 thousand hectares of the Company's land bank;
- all of the Group's assets remain safe and in good condition;
- remaining logistic routes (rail and road) will continue to be available;
- MHP will be able to procure sufficient levels of vitamins and minerals for production of feed as well as the required volume of plant protection materials, fuel and other inputs for grain growing;
- MHP will be able to successfully complete postponement of debt servicing with its bank lenders referred above.

These forecasts indicate that, taking account of reasonably possible downsides, the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have therefore concluded that it is appropriate to apply the going concern basis of accounting in preparing the 2021 financial statements. However, due to the currently unpredictable effects of the ongoing War on the significant assumptions underlying management forecasts, the Directors have concluded that a material uncertainty exists, which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Revaluation of property, plant and equipment
As described in Note 2, the Group applies the revaluation model to the measurement of all groups of property, plant and equipment, except land and other fixed assets (Note 14). At each reporting date, the Group carries out a review of the carrying amount of items of property, plant and equipment accounted for using a revaluation model to determine whether the carrying amount differs materially from fair value. When determining whether to perform a fair value assessment in a given period, Management considers development of macroeconomic indicators including changes in prices (producer price indices, price indices for non-residential buildings, transport facilities, utilities and other engineering structures), inflation rates, GDP growth rates and changes of the Ukrainian Hryvnia ("UAH") against USD and EUR.
Also, different internal and external factors such as changes in political, legislative, economic situation are reviewed. Based on the results of this review, Management concluded that grain storage facilities, vehicles and agricultural machinery, production machinery, auxiliary and other machinery should be revalued as of 31 December 2021. Management also concluded that the fair value of buildings and structures, utilities and infrastructure was not materially different from the reported book values as of 31 December 2021, so that no revaluation was required.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill and intangibles not amortised
As disclosed in Notes 16 and 17, the Group determines at least on an annual basis whether indefinite life intangible assets and goodwill have been impaired. This requires an estimate of an asset's recoverable amount which is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use and it is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate and growth rates in order to calculate the present value of those cash flows. The Group constantly monitors climate-related matters affecting the value-in-use of intangibles and goodwill. At the current time, there are no material effects that will impact the Group. The Group will adjust the key assumptions used in value-in-use calculations should a change be required.

Determination of incremental borrowing rate
As described in Note 2, the Group uses incremental borrowing rate as discounting factor for the purpose of calculation of lease liability, if the rate implicit in the lease is not readily determinable. Incremental borrowing rate is determined as the available rate for the Group adjusted for specifics of particular lease contracts.

Fair value less costs to sell of biological assets and agricultural produce

Biological assets are recorded at fair values less costs to sell. The Group estimates the fair values of biological assets based on the following key assumptions:

- Average meat output for broilers and livestock for meat production;
- Average productive life of breeders and cattle held for regeneration and milk production;
- Expected crops output;
- Estimated changes in future sales prices;
- Projected production costs and costs to sell; and,
- Discount rate.

During the year ended 31 December 2021 the fair value of biological assets was estimated using discount factors of 15.4% and 13.6% (31 December 2020: 11.2% and 11.5%) for non-current and current assets, respectively.

Although some of these assumptions are obtained from published market data, the majority of these assumptions are estimated based on the Group's historical and projected results (Note 19).

In determining fair value measurement, the impact of potential climate-related matters, including legislation, climate change, and company climate objectives which may affect the fair value measurement of biological assets and agricultural produce has been considered. At present, the impact of climate-related matters is not material to the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Revaluation of property, plant and equipment

During the year ended 31 December 2021, Management appointed an independent appraiser to perform a revaluation of grain storage facilities, vehicles and agricultural machinery, auxiliary and other machinery as of 31 December 2021.

The independent appraiser has performed the valuation in accordance with International Valuation Standards applying the following techniques:

- depreciated replacement cost for grain storage facilities;
- market comparable approach for vehicles and agricultural machinery; and
- depreciated replacement cost and market comparable approach, if applicable, for auxiliary and other machinery

Key assumptions used by the independent appraiser in assessing the fair value of property, plant and equipment using the depreciated replacement cost and market comparable methods were as follows:

- changes in market prices of assets and construction materials from the date of their acquisition/construction/date of previous valuation to the date of this valuation;
- external market prices for vehicles;
- normative and remaining useful lives; and
- rates of physical depreciation.

The results of revaluation based on the depreciated replacement cost and market comparable approaches were compared with a revaluation performed using the income approach to check for impairment indicators of revalued assets, if any. For all CGUs in Ukraine the Group used a discount factor of 13.6% and terminal growth rate of 5.6 % for projected cash flows beyond the five-year projected period for revaluation performed using the income approach. For CGUs in Poultry and Related Operations Segment, Grain Growing Operations Segment and Meat Processing and Other Agricultural Operations Segment the revenue growth rates within the five-year period are 5.5%, 1.7% and 4.6%, respectively.

IIn determining fair value measurement, the impact of potential climate-related matters, including legislation, climate change, and Company climate objectives which may affect the fair value measurement of property, plant and equipment has been considered. At present, the impact of climate-related matters is not material to the Group's financial statements.

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, Management considers the expected usage, estimated technical obsolescence, physical wear and tear, the physical environment in which the asset is operated and other factors (including climate-related matters). Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Deferred tax assets

Deferred tax assets, including those arising from unused tax losses are recognised to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Based on management's assessment the Group determined it was appropriate to recognize deferred tax assets on unused tax losses, which will be utilized in future against existing deferred tax liabilities and available future tax profits.

The estimation uncertainty therefore pertains to the level of deferred tax assets to be recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

5. SEGMENT INFORMATION

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

Reportable segments are presented in a manner consistent with the internal reporting to the Group's chief operating decision maker ("CODM"). Segment information is analysed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are as follows:

Poultry and Related Operations Segment	Sales of chicken meat
	Sales of vegetable oil and related products
	Culinary products and other poultry related sales
Grain Growing Operations Segment	Sales of grain
Meat Processing and Other Agricultural Operations Segment	Sales of meat processing products and other meat
	Other agricultural operations (milk, feed grains and other)
European Operating Segment	Sales of meat processing and chicken meat products in Southeast Europe

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Sales between segments are carried out at market prices.

The segment result represents operating profit under IFRS before unallocated corporate expenses and loss on impairment of property, plant and equipment. Unallocated corporate expenses include management remuneration, representative expenses, and expenses incurred in respect of the maintenance of office premises. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

5. SEGMENT INFORMATION (CONTINUED)

As of 31 December 2021 and for the year then ended the Group's segmental information from continuing operations was as follows:

YEAR ENDED 31 DECEMBER 2021	POULTRY AND RELATED OPERATIONS	GRAIN GROWING OPERATIONS	MEAT PROCESSING AND OTHER AGRICULTURAL OPERATIONS	EUROPEAN OPERATING SEGMENT	TOTAL REPORTABLE SEGMENTS	ELIMINATIONS	CONSOLIDATED
External sales	1,607,067	188,344	176,264	400,587	2,372,262	-	2,372,262
Sales between segments	67,752	312,277	522	-	380,551	(380,551)	-
TOTAL REVENUE	**1,674,819**	**500,621**	**176,786**	**400,587**	**2,752,813**	**(380,551)**	**2,372,262**
SEGMENT RESULT	**170,424**	**325,812**	**4,339**	**48,136**	**548,711**	**-**	**548,711**
Unallocated corporate expenses	-	-	-	-	-	-	(32,101)
Loss on impairment of property, plant and equipment [4]	(4,635)	(1,832)	(312)	(3,642)	(10,421)	-	(10,607)
Other expenses, net [1]	-	-	-	-	-	-	(102,294)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**-**	**-**	**-**	**-**	**-**	**-**	**403,709**
OTHER INFORMATION							
Additions to property, plant and equipment [2]	92,663	26,247	1,267	24,639	144,816	-	144,816
Depreciation and amortization expense [3]	96,482	71,377	6,245	17,436	191,540	-	191,540
Net change in fair value of biological assets and agricultural produce	13,871	169,057	(1,096)	3,094	184,926	-	184,926

[1] Include finance income, finance costs, foreign exchange loss, net and other expenses, net.
[2] Additions to property, plant and equipment in 2021 do not include unallocated additions in the amount of USD 10,442 thousand.
[3] Depreciation and amortization for the year ended 31 December 2021 does not include unallocated depreciation and amortization in the amount of USD 1,318 thousand.
[4] Loss on impairment of property, plant and equipment for the year ended 31 December 2021 includes unallocated loss in the amount of USD 186 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

5. SEGMENT INFORMATION (CONTINUED)

As of 31 December 2020 and for the year then ended the Group's segmental information from continuing operations was as follows:

YEAR ENDED 31 DECEMBER 2020	POULTRY AND RELATED OPERATIONS	GRAIN GROWING OPERATIONS	MEAT PROCESSING AND OTHER AGRICULTURAL OPERATIONS	EUROPEAN OPERATING SEGMENT	TOTAL REPORTABLE SEGMENTS	ELIMINATIONS	CONSOLIDATED
External sales	1,297,904	133,713	144,472	335,048	1,911,137	-	1,911,137
Sales between segments	41,642	213,419	387	-	255,448	(255,448)	-
TOTAL REVENUE	**1,339,546**	**347,132**	**144,859**	**335,048**	**2,166,585**	**(255,448)**	**1,911,137**
SEGMENT RESULT	**95,797**	**80,866**	**13,284**	**37,718**	**227,665**	**-**	**227,665**
Unallocated corporate expenses						-	(24,814)
Loss on impairment of property, plant and equipment	-	-	-	(1,730)	(1,730)	-	(1,730)
Other expenses, net [1]	-	-	-	-	-	-	(337,828)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**-**	**-**	**-**	**-**	**-**	**-**	**(136,707)**
OTHER INFORMATION							
Additions to property, plant and equipment [2]	41,192	3,283	743	20,854	66,072	-	66,072
Depreciation and amortization expense [3]	98,138	68,778	6,755	17,316	190,987	-	190,987
Net change in fair value of biological assets and agricultural produce	(16,534)	46,078	(97)	1,055	30,502	-	30,502

[1] Include finance income, finance costs, foreign exchange gain, net and other expenses, net.

[2] Additions to property, plant and equipment in 2020 do not include unallocated additions in the amount of USD 11,274 thousand.

[3] Depreciation and amortization for the year ended 31 December 2020 does not include unallocated depreciation and amortization in the amount of USD 1,116 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

5. SEGMENT INFORMATION (CONTINUED)

The Group's export sales to external customers by major product types were as follows during the years ended 31 December 2021 and 2020:

	2021	2020
Chicken meat and related products	769,563	577,255
Vegetable oil and related products	290,230	274,979
Grain	140,072	114,304
Other agricultural segment products	65,564	49,217
	1,265,429	**1,015,755**

Export sales includes revenue from shipping and handling services in the amount of USD 70,527 thousand as for the year ended 31 December 2021 (2020: USD 56,586 thousand).

Export sales of vegetable oil and related products and export sales of grains are primarily made to global trading companies.

The sales of chicken meat to major markets of the Group - MENA and EU amounted to 38% and 21% of total export sales respectively (2020: 40% and 22%).

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

	2021	2020
Ukraine	2,146,434	1,816,045
Europe	261,772	262,912
	2,408,206	**2,078,957**

Non-current assets excluding deferred tax assets, long-term deposits and non-current financial assets.

No single customer contributed more than 10% of the Group's revenue in either 2021 or 2020.

6. REVENUE

Revenue for the years ended 31 December 2021 and 2020 was as follows:

	2021	2020
POULTRY AND RELATED OPERATIONS SEGMENT		
Chicken meat	1,223,635	970,183
Vegetable oil and related products	307,541	281,566
Other poultry related sales	75,891	46,155
	1,607,067	**1,297,904**
GRAIN GROWING OPERATIONS SEGMENT		
Grain	188,344	133,713
	188,344	**133,713**
MEAT PROCESSING AND OTHER AGRICULTURAL OPERATIONS SEGMENT		
Meat-processing products	143,152	114,474
Other agricultural sales	33,112	29,998
	176,264	**144,472**
EUROPEAN OPERATING SEGMENT		
Chicken meat	253,404	191,207
Meat-processing products	121,155	117,149
Other agricultural sales	26,028	26,692
	400,587	**335,048**
	2,372,262	**1,911,137**

The geographic structure of revenue for the years ended 31 December 2021 and 2020 was as follows:

	2021	2020
Export	1,265,429	1,015,755
Domestic	1,106,833	895,382
	2,372,262	**1,911,137**

Advances received from third parties as of 31 December 2020 in the amount of USD 15,227 were recognized as revenue during the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

7. COST OF SALES

Cost of sales for the years ended 31 December 2021 and 2020 was as follows:

	2021	2020
Poultry and related operations segment	1,260,528	1,017,223
Grain growing operations segment	96,742	158,655
Meat processing and other agricultural operations segment	157,854	125,148
European operating segment	297,548	243,075
	1,812,672	**1,544,101**

Cost of sales includes shipping and handling expenses and were for the years ended 31 December 2021 and 2020 as follows:

	2021	2020
Poultry and related operations segment	75,916	70,465
Grain growing operations segment	19,438	8,672
Meat processing and other agricultural operations segment	4,420	4,572
European operating segment	8,851	8,417
	108,625	**92,126**

Revenue includes shipping and handling costs in the price of the product.
For the years ended 31 December 2021 and 2020 cost of sales comprised the following

	2021	2020
Costs of raw materials and other inventory used	1,201,855	1,029,260
Payroll and related expenses	287,210	243,533
Depreciation and amortization expense	172,619	174,410
Other costs	150,988	96,898
	1,812,672	**1,544,101**

Social security contributions, included in Payroll and related expenses above, amounted to USD 45,971 thousand for the year ended 31 December 2021 (2020: USD 39,419 thousand).

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2021 and 2020 were as follows:

	2021	2020
Payroll and related expenses	113,377	84,910
Services	55,536	52,633
Depreciation and amortization expense	20,501	17,693
Advertising expense	14,363	12,581
Representative costs and business trips	8,909	8,185
Fuel and other materials used	6,691	4,742
Insurance expense	2,671	1,453
Bank services and conversion fees	749	966
Other	5,386	4,638
	228,183	**187,801**

Payroll and related expenses includes social security contributions which amounted to USD 12,204 thousand for the year ended 31 December 2021 (2020: USD 8,862 thousand).

Remuneration to the auditors, included in Services above, amounted to USD 1,018 thousand for the year ended 31 December 2021 (2020: USD 1,000 thousand). This includes both audit and non-audit services, with the statutory audit fees amounting to USD 885 thousand for the year ended 31 December 2021 (2020: USD 758 thousand), tax advisory service fees amounting to USD 86 thousand (2020: USD 70 thousand) and other non-audit services fees amounting to USD 77 thousand for the year ended 31 December 2021 (2020: USD 172 thousand).

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9. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2021 and 2020 was as follows:

	2021	2020
Government grants	7,405	7,951
Insurance compensation	1,328	5,466
Gain on write-off of trade accounts payable	1,238	1,015
Other income	1,864	2,094
	11,835	**16,526**

10. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2021 and 2020 were as follows:

	2021	2020
Charity expenses	7,930	5,963
Loss on sale Property, plant and equipment	992	546
Provision for claims, penalties and indemnification	1,700	12,369
Expected credit losses and write-off of trade accounts receivable	-	3,858
Other expenses	936	676
	11,558	**23,412**

11. DEFERRED INCOME

The Ukrainian Government supports domestic agricultural producers and attracts investments into the agricultural sector. Also, during the years ended 31 December 2021 and 2020, the Group received government compensations in accordance with EU farming subsidies policy and other compensations in accordance with the EU national programs of employment, assigned contributions for employees, and refunds of excise duties.

For the years ended 31 December 2021 and 2020 following government grants were received:

	2021	2020
Compensation received in EU	5,997	6,771
Compensation of construction and reconstruction of livestock farms	1,514	1,730
Compensation of the cost of machinery and equipment	50	135
Other compensations	195	187
	7,756	**8,823**

Government grants for compensation of construction and reconstruction of livestock farms and compensation of cost of machinery and equipment are presented in the Statement of the Financial Position as deferred income, which is recognised in profit or loss on a systematic basis over the useful life of the related assets. All other compensations received were recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income in full.

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(in thousands of US dollars, unless otherwise indicated)

12. FINANCE COSTS

Finance costs for the years ended 31 December 2021 and 2020 were as follows:

	2021	2020
Interest on corporate bonds	104,700	105,187
Interest on obligations under leases	45,284	37,692
Interest on bank borrowings	2,163	3,291
Bank commissions and other charges	2,068	2,640
TOTAL FINANCE COSTS	**154,215**	**148,810**
Less		
Finance costs included in the cost of qualifying assets	(3,791)	(4,553)
	150,424	**144,257**

For qualifying assets, the weighted average capitalization rate on funds borrowed during the year ended 31 December 2021 was 7.80% (2020: 7.80%).

Interest on corporate bonds for the years ended 31 December 2021 and 2020 includes the amortization of premium and debt issue costs on bonds issued in the amounts of USD 5,821 thousand and USD 5,331 thousand, respectively.

13. INCOME TAX

The majority of the Group’s operating entities are located in Ukraine, therefore the effective tax rate reconciliation is completed based on Ukrainian statutory rates.

During the year ended 31 December 2021, the Group’s companies that have the status of Corporate Income Tax (the “CIT”) payers in Ukraine were subject to income tax. The Tax Code of Ukraine introduced an 18% income tax rate effective from 1 January 2014. The deferred income tax assets and liabilities as of 31 December 2021 and 2020 are measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.The majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. The tax rates for agricultural producers is calculated as a percentage of the target-ratio based monetary valuation per hectare of agricultural land resulting in substantially lower tax charges compared to CIT. Agricultural manufacturers are eligible to apply for a single tax if they meet both the following two requirements:

- The share of the entity’s revenue from agricultural production (i.e. sale of the entity’s cultivated and processed products) to the total share of its income equals or exceeds 75 per cent; and
- These agriproducts were cultivated on land that such agricultural manufacturers own or lease, and the ownership title and leases have been duly registered.

The components of income tax (benefit)/expense were as follows for the years ended 31 December 2021 and 2020:

	2021	2020
Current income tax expense	9,773	5,408
Withholding tax	8,605	9,241
Deferred tax benefit	(11,464)	(19,781)
INCOME TAX (BENEFIT)/EXPENSE	**6,914**	**(5,132)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

13. INCOME TAX (CONTINUED)

The reconciliation between (loss)/profit before tax from continuing operations multiplied by the statutory tax rate and the tax expense for the years ended 31 December 2021 and 2020 was as follows:

	2021	2020
Accounting (loss)/profit before tax from continuing operations	403,709	(136,707)
Loss before tax from a discontinued operation	(3,457)	(1,482)
Income tax (benefit)/expense calculated at rates effective during the year ended in respective jurisdictions	71,686	(23,080)
TAX EFFECT OF		
(Loss)/income generated by FAT payers and other exempt from income tax	(75,129)	10,215
Effect on income tax generated by EU companies	532	1,604
Derecognition and utilisation of previously recognised tax losses/assets	(3,421)	(4,540)
Withholding tax	8,605	9,241
Non-deductible expenses	3,692	2,919
Translation (gain)/loss	949	(1,491)
INCOME TAX (BENEFIT)/EXPENSE	**6,914**	**(5,132)**

Derecognition of previously recognised tax losses results from the reversal of deferred tax liabilities related to property revaluation that were the source of taxable income relied on previously to support recognition.

As of 31 December 2021 and 2020 deferred tax assets and liabilities recognised the following:

	2021	2020
DEFERRED TAX ASSETS ARISING FROM		
Other current liabilities	3,334	2,486
Current assets	3,129	3,083
Tax losses	29,498	24,893
TOTAL DEFERRED TAX ASSETS	**35,961**	**30,462**
DEFERRED TAX LIABILITIES ARISING FROM		
Property, plant and equipment	(77,647)	(56,594)
TOTAL DEFERRED TAX LIABILITIES	**(77,647)**	**(56,594)**
NET DEFERRED TAX LIABILITIES	**(41,686)**	**(26,132)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as of 31 December 2021 and 2020:

	2021	2020
Deferred tax assets	3,018	3,735
Deferred tax liabilities	(44,704)	(29,867)
Deferred tax assets not recognised	(1,052)	(1,913)
	(42,738)	**(28,045)**

During the years ended 31 December 2021 and 2020 the Group did not recognize tax losses in the amount of USD 5,851 (USD 1,052 thousand of deferred tax assets), USD 10,629 thousand (USD 1,913 thousand of deferred tax asset), respectively, as the Group did not intend to deduct the relevant expenses for tax purposes in subsequent periods, as there are uncertainties on whether sufficient taxable profits will be generated by particular companies of the Group in the future. There is no expiration date of accounting tax losses according to Tax Code of Ukraine.

Deferred tax liabilities have not been recognised in respect of unremitted earnings of Ukrainian subsidiaries as the earnings can be remitted free from taxation currently and in future years, based on current legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

13. INCOME TAX (CONTINUED)

The movements in net deferred tax liabilities for the years ended 31 December 2021 and 2020 were as follows:

	2021	2020
NET DEFERRED TAX LIABILITIES AS OF BEGINNING OF THE YEAR	(28,045)	(53,021)
Deferred tax benefit	11,464	19,781
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income as result of revaluation	(26,597)	-
Translation difference	440	5,195
NET DEFERRED TAX LIABILITIES AS OF END OF THE YEAR	**(42,738)**	**(28,045)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

14. PROPERTY, PLANT AND EQUIPMENT

The following table represents movement in property, plant and equipment for the year ended 31 December 2021:

[1] Other fixed assets include bearer plants, office furniture and equipment;

[2] Construction in progress include advances for property plant and equipment, machinery and equipment not in use, construction materials and spare parts, projects in progress.

	LAND	BUILDINGS AND STRUCTURES	GRAIN STORAGE FACILITIES	PRODUCTION MACHINERY	AUXILIARY AND OTHER MACHINERY	UTILITIES AND INFRASTRUCTURE	VEHICLES AND AGRICULTURAL MACHINERY	OTHER FIXED ASSETS[1]	CONSTRUCTION IN PROGRESS[2]	TOTAL
Cost or fair value										
AT 31 DECEMBER 2020	**37,591**	**922,975**	**95,639**	**413,912**	**62,569**	**136,953**	**180,060**	**31,648**	**71,347**	**1,952,694**
Additions	1,517	23,526	1,427	30,993	13,498	6,099	21,564	8,277	40,669	**147,570**
Transfer from Right-of-use assets	-	-	-	-	-	-	11,848	-	-	**11,848**
Transfers	122	(2,776)	(3,244)	(48)	9,044	1,537	(560)	(7,064)	2,989	**-**
Disposals	(1,462)	(9,444)	(4)	(4,848)	(887)	(52)	(6,938)	(2,888)	(3,552)	**(30,075)**
Disposal of subsidiary	(246)	(2,484)	-	(475)	-	-	(20)	(384)	-	**(3,609)**
Revaluation	-	-	5,088	(59,438)	(2,102)	(346)	2,972	(928)	-	**(54,754)**
Impairment loss	(732)	-	(181)	(3,466)	(1,889)	(169)	(2,708)	(1,462)	-	**(10,607)**
Translation difference	(2,151)	19,518	3,245	11,338	1,429	4,832	5,917	688	1,376	**46,192**
AT 31 DECEMBER 2021	**34,639**	**951,315**	**101,970**	**387,968**	**81,662**	**148,854**	**212,135**	**27,887**	**112,829**	**2,059,259**
Accumulated depreciation										
AT 31 DECEMBER 2020	**-**	**48,341**	**8,707**	**118,354**	**9,731**	**9,532**	**58,481**	**20,631**	**-**	**273,777**
Depreciation charge for the year	-	35,574	8,216	40,921	8,475	8,454	43,023	5,248	-	**149,911**
Elimination upon disposal	-	(2,011)	(2)	(4,482)	(609)	(36)	(3,828)	(1,823)	-	**(12,791)**
Elimination upon revaluation	-	-	(17,046)	(157,916)	(17,593)	(655)	(103,618)	(4,032)	-	**(300,860)**
Disposal of subsidiary	-	(292)	-	-	(166)	-	(7)	(282)	-	**(747)**
Transfers	-	186	(186)	(2)	254	(174)	-	(78)	-	**-**
Transfer from Right-of-use assets	-	-	-	-	-	-	4,193	-	-	**4,193**
Translation difference	-	126	311	3,125	166	258	1,790	393	-	**6,169**
AT 31 DECEMBER 2021	**-**	**81,924**	**-**	**-**	**258**	**17,379**	**34**	**20,057**	**-**	**119,652**
Net book value										
AT 31 DECEMBER 2020	**37,591**	**874,634**	**86,932**	**295,558**	**52,838**	**127,421**	**121,579**	**11,017**	**71,347**	**1,678,917**
AT 31 DECEMBER 2021	**34,639**	**869,391**	**101,970**	**387,969**	**81,404**	**131,475**	**212,101**	**7,830**	**112,829**	**1,939,607**

14. PROPERTY, PLANT AND EQUIPMENT

The following table represents movement in property, plant and equipment for the year ended 31 December 2021:

	LAND	BUILDINGS AND STRUCTURES	GRAIN STORAGE FACILITIES	PRODUCTION MACHINERY	AUXILIARY AND OTHER MACHINERY	UTILITIES AND INFRASTRUCTURE	VEHICLES AND AGRICULTURAL MACHINERY	OTHER FIXED ASSETS[1]	CONSTRUCTION IN PROGRESS[2]	TOTAL
Cost or fair value										
AT 31 DECEMBER 2019	**39,175**	**1,046,726**	**108,122**	**459,238**	**65,311**	**155,029**	**203,948**	**28,346**	**108,818**	**2,214,713**
Additions	309	11,714	668	9,672	1,284	1,086	894	1,932	49,787	**77,346**
Transfers	(1,715)	12,071	4,355	14,594	8,306	6,177	19,921	7,149	(70,858)	**-**
Disposals	(1,043)	(5,292)	(4)	(1,770)	(594)	(36)	(7,583)	(427)	(1,161)	**(17,910)**
Reclassified as held for sale	-	(528)	-	(13)	(73)	-	-	(1)	(24)	**(639)**
Impairment loss	(468)	(96)	-	-	-	(65)	-	(1,101)	-	**(1,730)**
Translation difference	1,333	(141,620)	(17,502)	(67,809)	(11,665)	(25,238)	(37,120)	(4,250)	(15,215)	**(319,086)**
AT 31 DECEMBER 2020	**37,591**	**922,975**	**95,639**	**413,912**	**62,569**	**136,953**	**180,060**	**31,648**	**71,347**	**1,952,694**
Accumulated depreciation										
AT 31 DECEMBER 2019	**-**	**16,728**	**2,553**	**94,664**	**3,594**	**2,400**	**20,690**	**18,689**	**-**	**159,318**
Depreciation charge for the year	-	35,710	7,181	43,252	7,986	7,478	45,355	3,545	-	**150,507**
Elimination upon disposal	-	(184)	(36)	(875)	(109)	(8)	(1,171)	(414)	-	**(2,797)**
Reclassified as held for sale	-	(528)	-	-	(12)	(1)	-	-	-	**(541)**
Transfers	-	(163)	-	(3,680)	330	388	1,604	1,521	-	**-**
Translation difference	-	(3,222)	(991)	(15,007)	(2,058)	(725)	(7,997)	(2,710)	-	**(32,710)**
AT 31 DECEMBER 2020	**-**	**48,341**	**8,707**	**118,354**	**9,731**	**9,532**	**58,481**	**20,631**	**-**	**273,777**
Net book value										
AT 31 DECEMBER 2019	**39,175**	**1,029,998**	**105,569**	**364,574**	**61,717**	**152,629**	**183,258**	**9,657**	**108,818**	**2,055,395**
AT 31 DECEMBER 2020	**37,591**	**874,634**	**86,932**	**295,558**	**52,838**	**127,421**	**121,579**	**11,017**	**71,347**	**1,678,917**

[1] Other fixed assets include bearer plants, office furniture and equipment;
[2] Construction in progress include advances for property plant and equipment, machinery and equipment not in use, construction materials and spare parts, projects in progress.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As of 31 December 2021, included within construction in progress were prepayments for property, plant and equipment in the amount of USD 24,333 thousand (2020: USD 8,052 thousand).

As of 31 December 2021, included within property, plant and equipment were fully depreciated assets with the original cost of USD 22,635 thousand (2020: USD 25,875 thousand).

As of 31 December 2021, certain of the Group's property, plant and equipment with the carrying amount of USD 91,931 thousand (2020: USD 102,587 thousand) were pledged as collateral to secure its bank borrowings.

IMPAIRMENT ASSESSMENT

The Group reviews its property, plant and equipment each period to determine if any indication of impairment exists. Based on these reviews, there were no indicators of impairment as of 31 December 2021 and 2020, except for the impairment of certain assets in the amount of USD 10,607 thousand and USD 1,730 thousand as of 31 December 2021 and 2020, respectively.

REVALUATION OF VEHICLES AND AGRICULTURAL MACHINERY

During the year ended 31 December 2021, the Group engaged independent appraisers to revalue its vehicles and agricultural machinery. The effective date of revaluation were 31 December 2021. The valuation, which conformed to the International Valuation Standards, was determined using market comparable approach adjusted based on age and condition of the machinery. During the year ended and as of 31 December 2020, the Group evaluated whether the fair value of vehicles and agricultural machinery was materially different from the reported book values. Based on analysis of fluctuations of the cumulative index of producer's prices, the index of physical depreciation and the functional currency depreciation, Management assessed the fair value of vehicles and agricultural machinery not to be materially different from the reported book values.

REVALUATION OF PRODUCTION MACHINERY

During the year ended 31 December 2021, the Group engaged independent appraisers to revalue its production machinery. The effective date of revaluation was 31 December 2021. The valuation, which conformed to the International Valuation Standards, was determined using market comparable approach adjusted based on age and condition of the machinery or for items of specialized nature depreciated replacement cost method. During the year ended and as of 31 December 2020, the Group evaluated if the fair value of production machinery was materially different from the reported carrying values. Based on analysis of fluctuations of the cumulative index of producers prices, index of physical depreciation and functional currency depreciation, the Management assessed it not to be materially different from the reported book values.

REVALUATION OF BUILDINGS AND STRUCTURES

During the years ended and as of 31 December 2021 and 2020, the Group evaluated if the fair value of buildings and structures was materially different from the reported book values. Based on analysis of the fluctuations of the cumulative index of inflation of construction works and index of physical depreciation, Management assessed the fair value of such buildings and structures not to be materially different from the reported book values. For details of analysis refer to Note 4.

REVALUATION OF GRAIN STORAGE FACILITIES

During the year ended 31 December 2021, the Group engaged independent appraisers to revalue its grain storage facilities as of 31 December 2021. The valuation, which conformed to the International Valuation Standards, was determined using depreciated replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the facilities. During the year ended and as of 31 December 2020, the Group evaluated if the fair value of grain storage facilities was materially different from the reported book values. Based on analysis of fluctuations of the cumulative index of inflation of construction works and the index of physical depreciation, Management assessed the fair value of grain storage facilities not to be materially different from the reported book values.

REVALUATION OF AUXILIARY AND OTHER MACHINERY

During the year ended 31 December 2021, the Group engaged an independent appraiser to determine the fair value of its Auxiliary and other machinery as of 31 December 2021. The valuation, which conformed to the International Valuation Standards, was determined using the market comparable approach adjusted based on age and condition of the machinery or for items of specialized nature depreciated replacement cost method. During the year ended and as of 31 December 2020, the Group evaluated if the fair value of Auxiliary and other machinery was materially different from the reported book values. Based on analysis of fluctuations of the cumulative index of inflation of construction works and the index of physical depreciation, Management assessed the fair value of Auxiliary and other machinery not to be materially different from the reported book values.

REVALUATION OF UTILITIES AND INFRASTRUCTURE

During the years ended and as of 31 December 2021 and 2020, the Group evaluated if the fair value of utilities and infrastructure was materially different from the reported book values. Based on analysis of fluctuations of the cumulative index of inflation of construction works and the index of physical depreciation, Management assessed the fair value of utilities and infrastructure not to be materially different from the reported book values. For details of analysis refer to Note 4.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following unobservable inputs were used to measure Buildings and structures, Utilities and infrastructure, Grain storage facilities, Vehicles and agricultural machinery, Auxiliary and other machinery and Production machinery:

DESCRIPTION	VALUATION TECHNIQUE(S)	UNOBSERVABLE INPUTS	RANGE OF UNOBSERVABLE INPUTS 2021 (AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Grain storage facilities	Depreciated replacement cost method	Index of physical depreciation	0 – 80% (53.3%)	The higher the index of physical depreciation, the lower the fair value
		Cumulative index of inflation of construction works	1.00 – 11.42 (1.19)	The higher the index, the higher the fair value
Vehicles and agricultural machinery	Market comparable approach	Index of physical depreciation	0 – 80% (n/a)	The higher the index of physical depreciation, the lower the fair value
Auxiliary and other machinery	Market comparable approach	Index of physical depreciation	0 – 90% (47.2%)	The higher the index of physical depreciation, the lower the fair value
Production machinery	Market comparable approach	Market comparable approach	0 – 90% (53.2%)	The higher the index of physical depreciation, the lower the fair value

Had the Group’s property plant and equipment been measured on a historical cost basis, their carrying amount would have been as follows:

DESCRIPTION	FAIR VALUE HIERARCHY	NET BOOK VALUE UNDER REVALUATION MODEL		NET BOOK VALUE IF CARRIED AT COST	
		2021	2020	2021	2020
Buildings and structures	Level 3	869,391	874,634	338,921	417,665
Production machinery	Level 2, 3	387,968	295,558	279,710	205,077
Utilities and infrastructure	Level 3	131,475	127,421	75,899	69,684
Vehicles and agricultural machinery	Level 2	212,101	121,579	178,284	68,928
Grain storage facilities	Level 3	101,970	86,932	53,348	33,892
Auxiliary and other machinery	Level 2, 3	81,404	52,838	56,577	36,555
		1,784,309	**1,558,962**	**982,739**	**831,801**

There are no restrictions on the distribution of the revaluation surplus to the shareholders (Note 4).

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15. RIGHT-OF-USE ASSETS

The following table represents movements in right-of-use assets for the year ended 31 December 2021:

	LAND	BUILDINGS AND VEHICLES	TOTAL
Net book value			
AS OF 31 DECEMBER 2020	**173,283**	**33,718**	**207,001**
Additions	15,865	15,287	31,152
Amortization charge for the year	(37,736)	(6,439)	(44,175)
Termination of the lease	(2,589)	(9,712)	(12,301)
Reassessment of the lease liability	90,025	125	90,150
Translation difference	5,815	(354)	5,461
AS OF 31 DECEMBER 2021	**244,663**	**32,625**	**277,288**

The following table represents movements in right-of-use assets for the year ended 31 December 2020:

	LAND	BUILDINGS AND VEHICLES	TOTAL
Net book value			
AS OF 31 DECEMBER 2019	**198,711**	**30,533**	**229,244**
Additions	19,198	7,977	27,175
Amortization charge for the year	(27,945)	(5,111)	(33,056)
Termination of the lease	-	(2,039)	(2,039)
Reassessment of the lease liability	14,586	5,263	19,849
Translation difference	(31,267)	(2,905)	(34,172)
AS OF 31 DECEMBER 2020	**173,283**	**33,718**	**207,001**

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16. INTANGIBLE ASSETS

The following table represents movements in intangible assets for the year ended 31 December 2021:

	LAND LEASE RIGHTS	TRADEMARKS	CUSTOMER RELATIONS	OTHER INTANGIBLE ASSETS	TOTAL
Cost					
AS OF 31 DECEMBER 2020	**69,349**	**34,505**	**21,481**	**14,837**	**140,172**
Additions	-	-	-	11,504	11,504
Disposals	-	(249)	-	(103)	(352)
Translation difference	2,532	(2,659)	(1,661)	1,390	(398)
AS OF 31 DECEMBER 2021	**71,881**	**31,597**	**19,820**	**27,628**	**150,926**
Accumulated amortization					
AS OF 31 DECEMBER 2020	**33,929**	**-**	**1,968**	**7,434**	**43,331**
Amortization charge for the year	6,466	-	1,035	1,208	8,709
Disposals	-	-	-	(71)	(71)
Translation difference	1,240	-	(196)	122	1,166
AS OF 31 DECEMBER 2021	**41,635**	**-**	**2,807**	**8,693**	**53,135**
Net book value					
AS OF 31 DECEMBER 2020	**35,420**	**34,505**	**19,513**	**7,403**	**96,841**
AS OF 31 DECEMBER 2021	**30,246**	**31,597**	**17,013**	**18,935**	**97,791**

The following table represents movements in intangible assets for the year ended 31 December 2020:

	LAND LEASE RIGHTS	TRADEMARKS	CUSTOMER RELATIONS	OTHER INTANGIBLE ASSETS	TOTAL
Cost					
AS OF 31 DECEMBER 2019	**82,783**	**31,327**	**19,503**	**12,666**	**146,279**
Additions	-	-	-	4,064	4,064
Disposals	-	-	-	(94)	(94)
Translation difference	(13,434)	3,178	1,978	(1,799)	(10,077)
AS OF 31 DECEMBER 2020	**69,349**	**34,505**	**21,481**	**14,837**	**140,172**
Accumulated amortization					
AS OF 31 DECEMBER 2019	**33,206**	**-**	**812**	**5,739**	**39,757**
Amortization charge for the year	6,409	-	998	2,509	9,916
Translation difference	(5,686)	-	158	(814)	(6,342)
AS OF 31 DECEMBER 2020	**33,929**	**-**	**1,968**	**7,434**	**43,331**
Net book value					
AS OF 31 DECEMBER 2019	**49,577**	**31,327**	**18,691**	**6,927**	**106,522**
AS OF 31 DECEMBER 2020	**35,420**	**34,505**	**19,513**	**7,403**	**96,841**

16. INTANGIBLE ASSETS (CONTINUED)

The Group has recognised certain trademarks and customer relationships as a part of intangible assets through the acquisition of subsidiaries in previous years. Customer relationships were identified among customers of the core products portfolio of acquired subsidiaries. The remaining useful life of customer relationships was estimated at 20 years.

The trademarks acquired by the Group mainly consist of PP and Topiko poultry meat brands and the Poli meat processing products brand. The Group believes that, since trademarks are well-positioned and recognizable within a stable and mature industry, there are no technical barriers that would limit their lifetime, and as a result of further promotion of the trademarks, the Group will obtain economic benefits from them for an indefinite period of time. Accordingly, the trademarks that belong to the Group are considered to have an indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually.

The Group allocates trademarks to individual entities as separate cash-generating units (CGU). A summary of the allocation of trademarks values to separate CGUs is presented below:

SEGMENT	CASH-GENERATING UNIT	TRADEMARKS CARRYING VALUE	
		2021	2020
European operating	Slovenia	18,051	19,707
	Serbia	2,279	2,490
	Bosnia and Herzegovina	5,812	6,349
	Croatia	5,455	5,959
		31,597	**34,505**

The impairment testing of the value of trademarks was performed internally. The recoverable amount of trademarks of all cash-generating units is determined based on the value in use method which uses cash flow projections covering a five-year period.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC).

The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors.

The weighted average discount rate of 15% (2020: 12.3%) was used. An increase by 760 basis points in the weighted average discount rate would result in impairment in 2021 (2020: 693 basis points).

Revenue within the five-year period was extrapolated using a weighted average 2.4% sales growth rate and 2.0% terminal growth rate for revenue beyond this period (2020: 2,0% and 2.0% respectively). A reduction by 1423 basis points in the budgeted sales growth would result in impairment in 2021 (2020: 963 basis points).

Weighted average royalty rate used in calculation of cash flows was set at a level of 2.2% (2020: 2.4%). A reduction by 77 basis points in the weighted average royalty rate would result in impairment in 2021 (2020: 96 basis points).

As of 31 December 2021 and 2020, no impairment of trademarks was identified.

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17. GOODWILL

The following table represents movements in goodwill for the years ended 31 December 2021 and 2020:

	2021	2020
Cost		
AS OF 1 JANUARY	**70,614**	**64,843**
Aquisitions of subsidiaries (Note 3)	921	-
Translation difference	(5,153)	5,771
AS OF 31 DECEMBER	**66,382**	**70,614**
Net book value		
AS OF 1 JANUARY	**70,614**	**64,843**
AS OF 31 DECEMBER	**66,382**	**70,614**

The Group allocates goodwill to individual entities as to separate cash-generating units (CGU). A summary of goodwill allocation to separate CGUs is presented below:

SEGMENT	CASH-GENERATING UNIT	GOODWILL CARRYING VALUE		METHODOLOGY ASSUMPTIONS AND METHODS USED FOR GOODWILL	
		2021	2020		
Ukraine	Grain Ukraine	2,513	2,425	Average sales growth: -0.1% (5.4%)	Terminal sales growth: 4.9% (5.0%)
				Discount rate: 13.6% (11.2%)	Projection period: 5 years (5 years)
	Meat processing and other agricultural operations	954	-	Average sales growth: 4.6% (n/a)	Terminal sales growth: 4.9% (n/a)
				Discount rate: 13.6% (n/a)	Projection period: 5 years (n/a)
European operating	Slovenia	39,448	42,755	Average sales growth: 2.1% (2.6%)	Terminal sales growth: 2.0% (2.0%)
				Discount rate: 6.3% (8.1%)	Projection period: 5 years (5 years)
	Serbia	4,089	4,432	Average sales growth: 2.6% (3.3%)	Terminal sales growth: 2.0% (2.0%)
				Discount rate: 8.1% (10.4%)	Projection period: 5 years (5 years)
	Bosnia and Herzegovina	11,388	12,343	Average sales growth: 2.6% (3.8%)	Terminal sales growth: 2.0% (2.0%)
				Discount rate: 11.5% (13.2%)	Projection period: 5 years (5 years)
	Croatia	7,990	8,659	Average sales growth: 2.0% (3.2%)	Terminal sales growth: 2.0% (2.0%)
				Discount rate: 7.6% (9.3%)	Projection period: 5 years (5 years)
		66,382	**70,614**		

The recoverable amount of cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial forecasts approved by the Directors.

The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC), adjusted on segment-specific risk by applying individual beta factors. An increase by 695 basic points in the weighted average discount rate to 15,5% would result in impairment in 2021 (2020: 659 basic points to 15,9%).

The growth rates and gross margins used for cash flows extrapolations are supported by industry trends such as consumer prosperity and dietary trends. These inputs were estimated by Directors based on past performance of the cash-generating unit and their expectations of market development. A reduction by 573 basic points in the budgeted sales growth or reduction in gross margin by 628 basic points would result in impairment in 2021 (2020: 1,321 and 728 respectively).

As of 31 December 2021 and 2020, no impairment of goodwill was identified.

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18. NON-CURRENT FINANCIAL ASSETS

The balances of non-current financial assets were as follows as of 31 December 2021 and 2020:

	2021	2020
Loan receivables	21,171	18,611
Receivables for claims indemnification	1,757	-
Other financial assets	5,836	4,472
	28,764	**23,083**

Loan receivables are represented by loans with fixed interest at 2.5% (EIR of 4.25%) with maturity as of 31 December 2025, 31 December 2026 and 31 December 2027. Total gross carrying amount of loans granted as of 31 December 2021 and 2020 is USD 19,959 thousand and USD 19,161 thousand respectively.

The Group determines the expected credit loss of other non-current loan receivables and other financial assets based on different scenarios of probability of default and expected loss applicable to each of the material underlying balances. The movement in loss allowance for loan receivables and other financial assets classified at amortised cost is detailed below:

	2021	2020
1 JANUARY	**(4,268)**	**(3,816)**
Charged during the year	326	(452)
31 DECEMBER	**(3,942)**	**(4,268)**

19. BIOLOGICAL ASSETS

The balances of non-current financial assets were as follows as of 31 December 2021 and 2020:

	THOUSAND UNITS	CARRYING AMOUNT	THOUSAND UNITS	CARRYING AMOUNT
	2021		2020	
Milk cows,boars and sows, units	14.9	22,746	15.1	21,947
Other non-current bearer biological assets		14		32
TOTAL BEARER NON-CURRENT BIOLOGICAL ASSETS		**22,760**		**21,979**
Non-current cattle and pigs, units	2.3	4,378	2.0	3,605
TOTAL CONSUMABLE NON-CURRENT BIOLOGICAL ASSETS		**4,378**		**3,605**
TOTAL NON-CURRENT BIOLOGICAL ASSETS		**27,138**		**25,584**

The balances of current biological assets were as follows as of 31 December 2021 and 2020:

	THOUSAND UNITS	CARRYING AMOUNT	THOUSAND UNITS	CARRYING AMOUNT
	2021		2020	
Breeders held for hatchery eggs production, units	4,969	79,583	4,706	70,059
TOTAL BEARER CURRENT BIOLOGICAL ASSETS		**79,583**		**70,059**
Broiler chickens, units	55,310	89,257	48,523	67,481
Hatchery eggs, units	39,147	11,688	42,954	11,053
Crops in fields, hectare	62	33,565	60	24,846
Cattle and pigs, units	6	1,293	6	1,619
Other current consumable biological assets		73		27
TOTAL CONSUMABLE NON-CURRENT BIOLOGICAL ASSETS		**135,876**		**105,026**
TOTAL NON-CURRENT BIOLOGICAL ASSETS		**215,459**		**175,085**

19. BIOLOGICAL ASSETS (CONTINUED)

The following table represents movements in major biological assets for the years ended 31 December 2021 and 2020:

	MILK COWS, BOARS, SOWS	BREEDERS HELD FOR HATCHERY EGGS PRODUCTION	BROILER CHICKENS	CROPS IN FIELDS
AS OF 31 DECEMBER 2019	**25,967**	**78,063**	**79,382**	**35,036**
Costs incurred	10,096	167,925	745,651	281,755
Gains arising from change in fair value of biological assets less costs to sell	8,386	9,900	221,889	89,186
Transfer to consumable biological assets	-	(157,481)	157,481	-
Increase due to birth and weight increase	6,996	-	-	-
Decrease due to sale	(41)	-	-	-
Decrease due to harvest	(25,356)	(17,886)	(1,126,488)	(375,721)
Translation difference	(4,101)	(10,462)	(10,434)	(5,410)
AS OF 31 DECEMBER 2020	**21,947**	**70,059**	**67,481**	**24,846**
Costs incurred	12,921	199,928	1,010,123	323,462
Gains arising from change in fair value of biological assets less costs to sell	9,593	9,577	234,694	353,464
Transfer to consumable biological assets	-	(178,613)	178,613	-
Increase due to birth and weight increase	8,765	-	-	-
Decrease due to sale	-	-	-	-
Decrease due to harvest	(31,229)	(23,267)	(1,403,791)	(669,029)
Translation difference	749	1,899	2,137	822
AS OF 31 DECEMBER 2021	**22,746**	**79,583**	**89,257**	**33,565**

Information on movements in hatchery eggs and cattle and pigs groups have been considered immaterial for disclosure.

19. BIOLOGICAL ASSETS (CONTINUED)

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy, except for cattle and pigs that can be measured based on market prices of livestock of a similar age, breed and genetic merit, and which are therefore measured at fair value within Level 2 of the fair value hierarchy. There were no transfers between any levels during the year.

The following unobservable inputs were used to measure biological assets:

[1]data of European operating segment

DESCRIPTION	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLEINPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE	RANGE OF UNOBSERVABLE INPUTS (AVERAGE)	SENSITIVITY OF THE INPUT TO FAIR VALUE INCREASE/ (DECREASE) USD THOUSAND	
					Input 5% higher	Input 5% lower
Crops in fields	DCF method	Crops yield - tonnes per hectare	The higher the crops yield, the higher the fair value	2021: 3.0 - 5.5 (4.5)	4,962	(4,962)
				2020: 3.0 - 5.8 (4.4)	3,190	(3,910)
		Crops price – per tonne	The higher the market price, the higher the fair value	2021: USD 255 - 617 (403)	4,962	(4,962)
				2020: USD 185 - 446 (316)	3,190	(3,190)
		Discount rate	The higher the discount rate, the lower the fair value	2021: 15.4%	(116)	116
				2020: 11.5%	(67)	68
Breeders held for hatchery eggs production	DCF method	Number of hatchery eggs produced by one breeder	The higher the number, the higher the fair value	2021: 165	3,148	(3,148)
				2020: 165	3,611	(3,611)
		Hatchery egg price – per egg	The higher the market price, the higher the fair value	2021: USD 0.30	5,592	(5,592)
				2020: USD 0.24	4,682	(4,682)
		Discount rate	The higher the discount rate, the lower the fair value	2021: 13.6%	(182)	184
				2020: 11.2%	(25)	25
Broiler chickens	Cash flows method	Average weight of one broiler - kg	The higher the weight, the higher the fair value	2021: 2.41	7,888	(7,888)
				2020: 2.33	5,583	(5,583)
		Poultry meat price – per kg	The higher the market price, the higher the fair value	2021: UAH 35.80 2.27 EUR[1]	7,888	(7,888)
				2020: UAH 31.08 2.92 EUR[1]	5,583	(5,583)
Milk cows	DCF method	Daily milk yield - litre per cow	The higher the milk yield, the higher the fair value	2021: 15.55 - 20.54 (18.28)	1,060	(1,060)
				2020: 12.70 - 18.61 (16.54)	1,015	(1,015)
		Weight of the cow - kg per cow	The higher the weight, the higher the fair value	2021: 550 - 585 (562)	222	(222)
				2020: 523 - 570 (553)	206	(206)
		Milk price – per litre	The higher the market price, the higher the fair value	2021: UAH 11.91 - 12.58 (12.22)	5,194	(5,194)
				2020: UAH 11.31 - 12.17 (11.64)	4,794	(4,794)

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19. BIOLOGICAL ASSETS (CONTINUED)

DESCRIPTION	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLEINPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE	RANGE OF UNOBSERVABLE INPUTS (AVERAGE)	SENSITIVITY OF THE INPUT TO FAIR VALUE INCREASE/ (DECREASE) USD THOUSAND	
					Input 5% higher	Input 5% lower
Milk cows	DCF method	Meat price – per kg	The higher the market price, the higher the fair value	2021: UAH 15.98 - 34.13 (22.97)	222	(222)
				2020: UAH 16.30 – 25.91 (21.22)	206	(206)
		Discount rate	The higher the discount rate, the lower the fair value	2021: 13.6%	(421)	434
				2020: 11.2%	(341)	349

20. INVENTORIES

The balances of inventories were as follows as of 31 December 2021 and 2020:

	2021	2020
Components for mixed fodder production	192,362	130,124
Work in progress	40,103	29,213
Other raw materials	72,518	31,552
Spare parts	18,935	18,042
Mixed fodder	6,180	8,801
Sunflower oil	15,153	6,115
Meat processing products	8,422	6,110
Packaging materials	9,544	7,106
Other inventories	4,002	3,652
	367,219	**240,715**

As of 31 December 2021 and 2020 work in progress in the amount of USD 39,225 thousand and USD 29,213 thousand was mainly comprised of expenses incurred in cultivating fields to be planted in the years 2022 and 2021, respectively. Inventory is stated at the lower of cost and net realisable value. No impairment or reversal of impairment were made as of 31 December 2021 and 2020.

21. AGRICULTURAL PRODUCE

The balances of agricultural produce were as follows as of 31 December 2021 and 2020:

	THOUSAND TONNES	CARRYING AMOUNT	THOUSAND TONNES	CARRYING AMOUNT
	2021		2020	
Grain	1,201	372,343	716	161,150
Chicken meat	72.3	128,757	70.5	100,453
Other various crops		9,181		6,515
Other various meat		986		927
		511,267		**269,045**

The fair value of Agricultural produce was estimated based on market price as of date of harvest and is within Level 2 of the fair value hierarchy. As of 31 December 2021, agricultural produce in amount of USD 38,188 thousand was pledged as collateral to secure bank borrowings (2020: USD 18,750 thousand).

22. TAXES RECOVERABLE AND PREPAID

Taxes recoverable and prepaid were as follows as of 31 December 2021 and 2020:

	2021	2020
VAT recoverable	66,915	52,201
Miscellaneous taxes prepaid	1,236	2,446
	68,151	**54,647**

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23. TRADE ACCOUNTS RECEIVABLE

The balances of trade accounts receivable were as follows as of 31 December 2021 and 2020:

	2021	2020
Chicken meat	124,669	89,020
Meat processing and convenience food	28,153	21,331
Sunflower oil sales	304	3,197
Grain	1,874	1,283
Due from related parties (Note 32)	113	109
Other agriculture operations	16,981	18,769
Less: expected credit losses	(15,216)	(14,522)
	156,878	**119,187**

The average credit period on sales of poultry is 30 days and on sales of agricultural goods is 60 days. No interest is charged on outstanding trade accounts receivable. The expected credit losses on trade accounts receivable are estimated on a collective basis using a provision matrix and on individual basis using different scenarios of probability of default.

The provision matrix is used by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

An individual assessment is used for the individually significant debtors with credit risk characteristics that are not aligned with others.

The Group has recognised a loss allowance of USD 2,781 thousand against all trade accounts receivable over 270 days past due, which are assessed on a collective basis, because historical experience has indicated that these trade accounts receivable are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The Group writes off a trade accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade accounts receivable are over 3 years past due, whichever occurs earlier. None of the trade accounts receivable that have been written off are subject to enforcement activities.

The following table details the risk profile of trade accounts receivable based on the Group's provision matrix. It discloses chicken meat Ukraine, chicken meat export and agricultural Ukraine, agricultural export sales and European operating segment as separate classes of financial instruments and applies the simplified approach to its trade accounts receivable so that the loss allowance is always measured at an amount equal to lifetime expected credit losses.

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23. TRADE ACCOUNTS RECEIVABLE (CONTINUED)

The balances of trade accounts receivable were as follows as of 31 December 2021 and 2020:

	TRADE ACCOUNTS RECEIVABLE - DAYS PAST DUE					
31 DECEMBER 2021	**NOT PAST DUE**	**< 30**	**31-90**	**91-270**	**>270**	**TOTAL**
PORTFOLIO ASSESSMENT						
Chicken meat Ukraine						
ECL rate, %	0.00%	0.01%	0.06%	0.08%	100%	
Estimated total gross carrying amount at default	25,864	3,155	124	34	115	**29,292**
Lifetime ECL	-	-	-	-	(115)	**(115)**
Chicken meat export						
ECL rate, %	0.095%	0.22%	0.58%	1.95%	100%	
Estimated total gross carrying amount at default	32,843	14,664	3,690	350	899	**52,446**
Lifetime ECL	(31)	(32)	(21)	(7)	(899)	**(990)**
Agricultural Ukraine						
ECL rate, %	0.04%	0.11%	0.24%	0.50%	100%	
Estimated total gross carrying amount at default	18,606	7,604	2,126	913	1,714	**30,963**
Lifetime ECL	(7)	(8)	(5)	(5)	(1,714)	**(1,739)**
Agricultural export						
ECL rate, %	0.10%	0.13%	1.66%	13.00%	100%	
Estimated total gross carrying amount at default	163	1,017	187	35	-	**1,402**
Lifetime ECL	-	(1)	(3)	(5)	-	**(9)**
European operating segment						
ECL rate, %	0.02%	0.18%	0.47%	4.88%	100%	
Estimated total gross carrying amount at default	36,220	5,099	1,459	199	53	**43,030**
Lifetime ECL	(7)	(9)	(7)	(10)	(53)	**(86)**
ESTIMATED TOTAL GROSS CARRYING AMOUNT AT DEFAULT						**157,133**
TOTAL LIFETIME ECL						**(2,939)**
Individual assessment:						
ECL rate, %	34.69%	79.25%	22.4%	24.61%	98.93%	
Estimated total gross carrying amount at default	735	425	1,023	1,593	11,185	**14,961**
Lifetime ECL	(255)	(337)	(229)	(392)	(11,064)	**(12,277)**
ESTIMATED TOTAL GROSS CARRYING AMOUNT AT DEFAULT						**172,094**
TOTAL LIFETIME ECL						**(15,216)**

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23. TRADE ACCOUNTS RECEIVABLE (CONTINUED)

The following table illustrates the use of a provision matrix as a risk profile disclosure under the simplified approach as at 31 December 2020:

	TRADE ACCOUNTS RECEIVABLE - DAYS PAST DUE					
31 DECEMBER 2020	**NOT PAST DUE**	**< 30**	**31-90**	**91-270**	**>270**	**TOTAL**
PORTFOLIO ASSESSMENT						
Chicken meat Ukraine						
ECL rate, %	0.01%	0.11%	0.49%	0.70%	100%	
Estimated total gross carrying amount at default	21,088	1,347	172	45	283	**22,935**
Lifetime ECL	(2)	(1)	(1)	-	(283)	**(287)**
Chicken meat export						
ECL rate, %	0.16%	0.35%	0.86%	2.46%	100%	
Estimated total gross carrying amount at default	11,676	8,824	6,664	1,239	399	**28,802**
Lifetime ECL	(19)	(31)	(57)	(30)	(399)	**(536)**
Agricultural Ukraine						
ECL rate, %	0.08%	0.26%	0.53%	0.93%	100%	
Estimated total gross carrying amount at default	12,733	3,417	1,170	364	1,484	**19,168**
Lifetime ECL	(10)	(9)	(6)	(3)	(1,484)	**(1,512)**
Agricultural export						
ECL rate, %	0.13%	0.28%	3.71%	7.49%	100%	
Estimated total gross carrying amount at default	1,360	3,143	120	-	-	**4,623**
Lifetime ECL	(2)	(9)	(4)	-	-	**(15)**
European operating segment						
ECL rate, %	0.03%	0.18%	1.12%	10.33%	100%	
Estimated total gross carrying amount at default	31,811	5,826	818	92	146	**38,693**
Lifetime ECL	(10)	(10)	(9)	(10)	(146)	**(185)**
ESTIMATED TOTAL GROSS CARRYING AMOUNT AT DEFAULT						**114,221**
TOTAL LIFETIME ECL						**(2,535)**
Individual assessment:						
ECL rate, %	0%	100%	100%	23.22%	100%	**-**
Estimated total gross carrying amount at default	2,710	13	49	6,240	10,476	**19,488**
Lifetime ECL	-	(13)	(49)	(1,449)	(10,476)	**(11,987)**
ESTIMATED TOTAL GROSS CARRYING AMOUNT AT DEFAULT						**133,709**
TOTAL LIFETIME ECL						**(14,522)**

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23. TRADE ACCOUNTS RECEIVABLE (CONTINUED)

The following table shows the movement in lifetime ECL that has been recognised for trade and other accounts receivable in accordance with the simplified approach set out in IFRS 9.

	COLLECTIVELY ASSESSED	INDIVIDUALLY ASSESSED
1 JANUARY 2020	**3,013**	**10,459**
Charged/(reversed) during the year	(478)	1,528
31 DECEMBER 2020	**2,535**	**11,987**
Charged/(reversed) during the year	404	290
31 DECEMBER 2021	**2,939**	**12,277**

24. OTHER CURRENT FINANCIAL ASSETS

The balances of other current assets were as follows as of 31 December 2021 and 2020:

	2021	2020
Loans and finance aid provided to related parties (Note 32)	450	68,695
Loan provided to third parties	5,685	5,179
Receivables for claims and indemnification	1,969	345
Other financial assets	8,052	7,095
	16,156	**81,314**

The Group determines the expected credit loss of loans and finance aid receivable and other financial assets based on different scenarios of probability of default and expected loss applicable to each of the material underlying balances.

The movement in loss is detailed below:

	2021	2020
1 JANUARY	**(4,340)**	**(3,128)**
Charged/(reversed) during the year	1,819	(1,212)
31 DECEMBER	**(2,521)**	**(4,340)**

25. CASH AND CASH EQUIVALENTS

	2021		2020	
	DEPOSIT RATES	USD' 000	DEPOSIT RATES	USD' 000
Cash and cash equivalents at banks and on hand in				
Ukrainian Hryvnia	-	44,535	-	23,649
Euro	-	105,416	-	42,498
US Dollars	-	91,150	-	16,547
Other currencies	-	22,889	-	10,784
Short-term deposits with an original maturity of less than 90 days				
Ukrainian Hryvnia	-	-	5,5%-8%	29,001
US Dollars	-	-	0,02%-1,8%	85,002
Euro	-	-	0%	6,545
Government bonds				
Ukrainian Hryvnia	-	11,247	-	3,553
TOTAL CASH AND EQUIVALENTS		**275,237**		**217,579**

In accordance with the international rating agency of Moody's, credit ratings of the banks with which the Group had accounts opened as of 31 December 2021 and 2020 were as follows:

	2021	2020
International banks with A rating	162,941	75,891
International banks with B rating	30,321	5,975
Subsidiaries of international banks with A rating	39,702	56,789
Subsidiaries of international banks with B rating	17,098	38,666
Ukrainian banks with B rating	9,677	36,684
Domestic government bonds (OVDPs) of Ukraine	11,247	3,553
Other banks without ratings	4,251	21
	275,237	**217,579**

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(in thousands of US dollars, unless otherwise indicated)

26. SHAREHOLDERS' EQUITY

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

	2021	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 31 December 2021 and 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 Company.

27. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

NAME OF SUBSIDIARY	PROPORTION OF OWNERSHIP INTERESTS AND VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS		PROFIT/(LOSS) ALLOCATED TO NON-CONTROLLING INTERESTS		ACCUMULATED NON-CONTROLLING INTERESTS	
	2021	2020	2021	2020	2021	2020
Agro-S	49.0%	49%	10,427	4,399	11,625	6,566
AgroKryazh	49.0%	49%	5,937	981	10,028	4,689
Myronivsky Plant of Manufacturing Feeds and Groats	11.5%	11.5%	(625)	(2,271)	4,944	2,288
Other subsidiaries with immaterial non-controlling interests	n/a	n/a	2,088	340	3,203	2,830
	n/a	**n/a**	**17,827**	**3,449**	**29,800**	**16,373**

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Summarised statement of financial position as of 31 December 2021 and 2020:

	AGRO-S		AGROKRYAZH		MYRONIVSKY PLANT OF MANUFACTURING FEEDS AND GROATS	
	2021	2020	2021	2020	2021	2020
Current assets	55,353	37,357	37,157	15,962	61,762	62,353
Non-current assets	29,137	21,765	22,655	17,518	117,710	94,134
Current liabilities	(49,243)	(33,821)	(35,667)	(20,852)	(132,105)	(59,088)
Non-current liabilities	(11,887)	(10,212)	(9,332)	(6,729)	(11,737)	(84,894)
TOTAL EQUITY	**23,360**	**15,089**	**14,813**	**5,899**	**35,630**	**12,505**
Attributable to						
Owners of the Group	11,735	8,523	4,785	1,210	30,686	10,217
Non-controlling interest	11,625	6,566	10,028	4,689	4,944	2,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

27. NON-CONTROLLING INTERESTS (CONTINUED)

Summarised statements of profit or loss and other comprehensive income for the years ended 31 December 2021 and 2020:

	AGRO-S		AGROKRYAZH		MYRONIVSKY PLANT OF MANUFACTURING FEEDS AND GROATS	
	2021	2020	2021	2020	2021	2020
Revenue	39,717	18,730	27,604	17,965	80,144	67,366
Expenses	(18,440)	(9,756)	(15,496)	(15,962)	(85,594)	(87,160)
PROFIT/(LOSS) FOR THE YEAR	**21,277**	**8,974**	**12,108**	**2,003**	**(5,450)**	**(19,794)**
Profit/(loss) attributable to						
Owners of the Group	10,850	4,575	6,171	1,022	(4,825)	(17,523)
Non-controlling interests	10,427	4,399	5,937	981	(625)	(2,271)
TOTAL PROFIT/(LOSS)	**21,277**	**8,974**	**12,108**	**2,003**	**(5,450)**	**(19,794)**
OCI attributable to						
Owners of the Group	1,098	(618)	1,664	(916)	25,323	(5,197)
Non-controlling interests	1,057	(594)	1,598	(879)	3,281	(675)
TOTAL OCI	**2,155**	**(1,212)**	**3,262**	**(1,795)**	**28,604**	**(5,872)**
Comprehensive income attributable to						
Owners of the Group	11,948	3,957	7,835	106	20,498	(22,720)
Non-controlling interests	11,484	3,805	7,535	102	2,656	(2,946)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**23,432**	**7,762**	**15,370**	**208**	**23,154**	**(25,666)**
DIVIDENDS PAID TO NON-CONTROLLING INTEREST	**(6,425)**	**-**	**(2,196)**	**-**	**-**	**-**

Summarised cash inflow/(outflow) for the years ended 31 December 2021 and 2020:

	AGRO-S		AGROKRYAZH		MYRONIVSKY PLANT OF MANUFACTURING FEEDS AND GROATS	
	2021	2020	2021	2020	2021	2020
Operating activities	16,252	1,738	8,816	2,037	10,310	8,475
Investing activities	(1,850)	(717)	(1,052)	(434)	(2,602)	(1,969)
Non-controlling interests	(12,870)	(1,010)	(4,615)	(1,598)	(6,072)	(6,612)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

28. BANK BORROWINGS

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

		2021		2020	
	CURRENCY	WAIR [1]	USD' 000	WAIR [1]	USD' 000
Non-current	EUR	EURIBOR + 1.23%	103,604	EURIBOR[2] +2.62%	63,142
	EUR		-	2.54%	1,466
			103,604		**64,608**
Current	UAH	-	-	6.25%	3,537
	USD	SOFR[3] + 2.20%	10,550	LIBOR + 3.25%	15,000
	EUR	2.00%	99,536	2.30%	8,601
Current portion of long-term bank borrowings	EUR	EURIBOR + 1.23%	11,372	2.62%	12,650
			121,458		**39,788**
TOTAL BANK BORROWINGS			**225,062**		**104,396**

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

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

[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.

[3] The Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities

Term loans and credit line facilities were as follows as of 31 December 2021 and 2020:

	2021	2020
Credit lines	110,086	27,137
Term loans	114,976	77,259
	225,062	**104,396**

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

	2021	2020
Within one year	121,458	39,788
In the second year	13,233	17,196
In the third to fifth year inclusive	76,456	47,412
After five years	13,915	-
	225,062	**104,396**

As of 31 December 2021, the Group had available undrawn facilities of USD 255,970 thousand (2020: USD 304,910 thousand). These undrawn facilities expire during the period until November 2026.

The Group, as well as particular subsidiaries of the Group, have to comply 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, there are negative covenants in respect of restricted payments, including dividends, capital expenditures, additional indebtedness and restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates in case of excess of Net Debt to EBITDA ratio.

The Group subsidiaries are also required to obtain approval from lenders regarding property, plant and equipment to be used as collateral. During the years ended 31 December 2021 and 2020 the Group has complied with all covenants imposed by banks providing the borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

28. BANK BORROWINGS (CONTINUED)

As of 31 December 2021 the Group has complied with all bank covenants. As at 31 December 2021, the Group's leverage ratio improved to 1,90 to 1 from 3.66 to 1 as at 31 December 2020.

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

As of 31 December 2021, the Group had borrowings of USD 75,084 thousand that were secured by property, plant and equipment with a carrying amount of USD 91,931 thousand (31 December 2020: USD 60,958 thousand and USD 102,587 thousand respectively) (Note 14).

As of 31 December 2021, the Group had borrowings of USD 30 550 thousand that were secured by agricultural produce with a carrying amount of USD 38,188 thousand (31 December 2020: USD 15,000 thousand and USD 18,750 thousand respectively) (Note 21).

As of 31 December 2021, the deposit with carrying amount of USD 2,555 thousand (31 December 2020: USD 3,632 thousand) was restricted as collateral to secure bank borrowings.

As of 31 December 2021 and 31 December 2020, interest payable on bank borrowings was USD 423 thousand and USD 730 thousand, respectively.

29. BONDS ISSUED

As of 31 December 2021 and 2020 accrued interest 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 "Zernoprodukt MHP" and PrJSC "Agrofort".

Interest on the Senior Notes is payable semi-annually in arrears in March and September. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by the indenture, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may, upon written notice to the Group, declare all outstanding Senior

Notes to be due and payable immediately. If a change of control occurs, the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

6.95% SENIOR NOTES

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

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.

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

	CARRYING AMOUNT		NOMINAL AMOUNT	
	31 DECEMBER 2021	31 DECEMBER 2020	31 DECEMBER 2021	31 DECEMBER 2020
7.75% Senior Notes due in 2024	490,851	487,480	500,000	500,000
6.95% Senior Notes due in 2026	538,346	536,153	550,000	550,000
6.25% Senior Notes due in 2029	347,623	347,366	350,000	350,000
Unamortized debt issuance cost	-	-	(23,180)	(29,001)
	1,376,820	**1,370,999**	**1,376,820**	**1,370,999**

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29. BONDS ISSUED (CONTINUED)

6.95% SENIOR NOTES

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 in April and October. 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 in May and November. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by the indenture, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may, upon written notice to the Group, declare all outstanding Senior Notes to be due and payable immediately.

If a change of control occurs, the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

Covenants

Certain restrictions under the indebtedness agreements (e.g. incurrence of additional indebtedness, restricted payments, dividends payment) are dependent on the leverage ratio of the Group. Once the leverage ratio exceeds 3.0 to 1, it is not permitted for the Group to make certain restricted payments, declare dividends exceeding USD 30 million in any financial year, incur additional debt except that is defined as a Permitted Debt. According to the indebtedness agreement, the consolidated leverage ratio is tested on the date of incurrence of additional indebtedness or restricted payment and after giving pro forma effect to such incurrence or restricted payment as if it had been incurred or done at the beginning of the most recent four consecutive fiscal quarters for which financial statements are publicly available (or are made available). The Group has tested all the transactions occurred prior to publication of these financial statements and has complied with all the covenants defined by indebtedness agreement during the reporting periods ended 31 December 2021 and 31 December 2020.

As at 31 December 2021 the leverage ratio of the Group is 1.90 to 1 (31 December 2020: 3.66 to 1), lower than the defined limit 3.0 to 1. The Group believes that since, as at the interim reporting date, it improved the leverage ratio and met the covenants imposed, the aforementioned restrictions are no longer applicable to the Group as from 9 September 2021, the date of publication of reviewed interim condensed consolidated financial statements for the three and six months ended 30 June 2021.

Consent solicitation

On 30 March 2022, the Group received consent from the Holders to postpone the semi-annual interest payments on each of the 2024 Notes, the 2026 Notes and the 2029 Notes scheduled for Spring 2022 for a period up to 270 days (the "Support Period"). The unpaid interest payments will continue accruing during the Support Period.

As defined by the Consent Solicitation Memorandum, the Group will undertake the following restrictions during the Support Period:

- the Company and its Restricted Subsidiaries shall not be able to incur Indebtedness pursuant to the ratio-based permission for the Incurrence of Indebtedness;
- the "general basket" for the incurrence of Permitted Debt shall be reduced to U.S.$10 million in aggregate principal amount;
- the Company and its Restricted Subsidiaries will be prohibited from incurring new Liens on existing Indebtedness for borrowed money, other than Permitted Refinancing Indebtedness relating to existing secured Indebtedness;
- the Company and its Restricted Subsidiaries will be prohibited from making Restricted Payments other than payments constituting Permitted Investments;
- the Permitted Investments "general basket" shall not be available;
- the threshold at which an Affiliate Transaction must be approved by a majority of the disinterested members of the Board of Directors shall be reduced to U.S.$1 million;
- the Group is committed to paying no more than U.S.$12.5 million in the aggregate in satisfaction of any debt service payments in respect of any Indebtedness of the Group, excluding any interest payment in respect of any of the 2024 Notes, the 2026 Notes during the Support Period;
- within 25 days of each calendar month end, the Company will provide a trading update detailing operational data relating to the Group's business segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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30. LEASE LIABILITIES

Long-term lease obligations represent amounts due under agreements for the leasing of agricultural land, trucks, agricultural machinery and equipment. As of 31 December 2021, the weighted average interest rates on lease obligations were 3.21% (2020: 3.32%) and 17.60% (2020: 19.20%) for lease obligations denominated in EUR and UAH respectively.

Amount of interest expense on lease liabilities for the year ended 31 December 2021 was USD 45,398 thousand (2020: USD 37,692 thousand). The total cash outflow for leases for the year ended 31 December 2021 was USD 66,254 thousand (2020: USD 53,215 thousand).

Amount of depreciation charge for right-of-use assets and additions to right-of-use assets for the year ended 31 December 2021 was USD 44,175 thousand and USD 31,152 respectively (2020: USD 33,056 thousand and USD 27,175 thousand).

The carrying amount of lease liabilities as at 31 December 2021 includes USD 254,036 thousand of land lease liabilities (2020: USD 176,840 thousand).

The following are maturity analysis of lease payments under the lease agreements as of 31 December 2021 and 2020:

	2021	2020
AS AT 1 JANUARY	**198,499**	**215,863**
Cash repayments of lease liabilities	(66,254)	(53,215)
Foreign exchange movements	(778)	2,442
Non-cash additions and change in terms	109,834	36,373
Non-cash repayments of lease liabilities[1]	(10,793)	(9,134)
Interest charged	45,398	37,692
Translation difference	5,344	(31,522)
AS AT 31 DECEMBER	**281,250**	**198,499**
Current portion of lease liabilities	77,111	62,004
Long-term portion of lease liabilities	204,139	136,495

[1] Non-cash repayments are represented by grains and other agriculture produce provided to lessors of land as settlement of lease liabilities.

31. OTHER CURRENT LIABILITIES

Other current liabilities were as follows as of 31 December 2021 and 2020:

	2021	2020
Accrued payroll and related taxes	65,804	47,925
Amounts payable for property, plant and equipment	14,194	8,646
VAT paybable	3,215	11,315
Provision for claims, penalties and indemnification	1,042	12,440
Other financial liabilities	9,034	6,312
	93,289	**86,638**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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32. RELATED PARTY BALANCES AND TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related if one party controls, is controlled by, or is under common control with the other party, or exercises significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties.

TRANSACTIONS WITH RELATED PARTIES UNDER COMMON CONTROL

The Group, in the ordinary course of business, enters into transactions with related parties that are companies under common control of the Principal Shareholder of the Group (Note 1) for the purchase and sale of goods and services and in relation to the provision of financing arrangements. Terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction. The terms of the payables and receivables related to trading activities of the Group do not vary significantly from the terms of similar transactions with third parties.

The transactions with the related parties during the years ended 31 December 2021 and 2020 were as follows:

	2021	2020
Loans and finance aid provided to related parties	3,694	57,106
Loans and finance aid repaid by related parties	71,000	10,000
Interest charged on loans and financial aid repaid	7,849	2,476
Interest charged on loans and finance aid provided	5,014	4,028
Sales of goods	-	76
Purchases from related parties	398	16
Key management personnel of the Group		
Loans provided	1,024	1,582
Loans repaid	766	721

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

	2021	2020
Loans and finance aid receivable	2,971	73,035
Less: expected credit losses	(2,521)	(4,340)
	450	**68,695**
Loans to key management personnel	4,774	4,698
Less: expected credit losses	(397)	(218)
	4 377	**4,480**
Trade accounts receivable (Note 23)	113	109
Payables due to related parties	25	17

RELATED PARTY LOANS AND FINANCE AID RECEIVABLE

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

As of 31 December 2021, all loans under this facility had been fully repaid to the Group by WTI; as at 31 December 2020, the total outstanding balance amounted to USD 67,400 thousand. During the year ended 31 December 2021 the Group provided loans to WTI in the gross amount of USD 3,600 thousand (31 December 2020: USD 57,000 thousand) and received repayments from WTI in the amount of USD 71,000 thousand (31 December 2020: USD 10,000 thousand).

The Group's Directors believe that the loans were issued at arm's length terms and for fair market value, that they were in the best interests and for the commercial benefit of the Group and did not violate the terms of the Senior Notes (Note 29).

For other loans and finance aid receivable, credit risk increased to the point where it is considered credit-impaired. The expected credit loss for such loans amounted to USD 2,482 thousand and USD 2,350 thousand as at 31 December 2021 and 2020 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

32. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel totalled 22 individuals as of 31 December 2021 and 2020, including 3 and 4 independent non-executive directors as of 31 December 2021 and 2020, respectively.

Total compensation of the Group's key management personnel included primarily in selling, general and administrative expenses in the Consolidated Statements of Profit and Loss and Other Comprehensive Income amounted to USD 16,886 thousand and USD 15,141 thousand for the years ended 31 December 2021 and 2020, respectively. Compensation of key management personnel consists of contractual salary and performance bonuses.

Total compensation of the Group's non-executive directors, which consists of contractual salary, amounted to USD 696 thousand and USD 958 thousand in 2021 and 2020, respectively.

Total compensation of the Group's Executive Chairman, which consists of contractual salary, amounted to USD 643 thousand in 2021 (2020: US$ 622 thousand).

LOANS TO KEY MANAGEMENT PERSONNEL

The Group has provided several of its key management personnel with unsecured loans. The loans to key management personnel provided during 2021 and 2020 mainly include loans made by the Ukraininan subsidiaries to the Group's executive directors which amounted to USD 1,024 thousand and USD 1,465 thousand, respectively.

33. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

OPERATING ENVIRONMENT

On 24 February 2022, Russian forces commenced a military invasion of Ukraine resulting in a full-scale war across the Ukrainian state. The ongoing military attack has led, and continues to lead, to significant casualties, dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine. Sea ports and airports are closed and have been damaged, and many roads and bridges have been damaged or destroyed, further crippling transportation and logistics.

The situation remains highly fluid and the outlook is subject to extraordinary uncertainty. The economic consequences are already very serious. The government has implemented appropriate emergency measures to stabilize markets and the economy, but the country faces large fiscal and external financing gaps. Ukrainian authorities have continued to service their external debt obligations and the country's payment system remains operational, with banks open and mostly liquid. Most Ukrainian companies still paying taxes. International organizations (IMF, EBRD, EU, World Bank), along with individual countries and charities, have provided Ukraine with financing, donations and material support. In total, international support has reached more than USD 15 billion.

In view of the large-scale armed assault in Ukraine by Russian forces, the National Bank of Ukraine ('NBU') decided to postpone a decision on the discount rate, leaving it unchanged at 10% and, when the war started, moved to a fixed exchange rate of UAH 29.25 to the US Dollar. The NBU has also said that once the economy and financial system return to operation, it will revert to the traditional format of inflation targeting with a floating exchange rate. The Ukrainian government has introduced export licensing of key foodstuffs including wheat, corn, poultry meat, and sunflower oil. As of 15 March 2022, the Verkhovna Rada of Ukraine approved a set of taxation amendments to support Ukrainian businesses under war conditions. The law establishes a special economic regime during the period of martial law. The key innovation is that all companies with annual turnover of up to UAH 10 bln may now stop paying VAT and corporate profit tax (CPT), switching to a 2% turnover tax. Physically lost goods are not subject to VAT. Reimbursement of VAT for exporters is frozen. Private entrepreneurs (Group 1 and Group 2) are allowed to pay no taxes at all (and they are not expected to pay united social contribution during 1 year after martial law ends). For car fuel, excise tax is zeroed and VAT rate is decreased from 20% to 7%. Also, support of the national war effort is relieved from taxation. Ukraine's economy is expected to contract by 10% to 30% in 2022 as a result of Russia's invasion, but the outlook could worsen sharply if the conflict lasts longer.

TAXATION AND LEGAL ISSUES

Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. The local and national tax environment is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and fines. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and fines, and these amounts could be material. While the Group believes it has complied with local tax legislation, new significant changes to the tax legislation 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 2019 and 31 December 2020 within the required deadlines.

As of 31 December 2021, the Group's management assessed its possible exposure to tax risks for a total amount of USD 5,658 thousand related to corporate income tax (31 December 2020: USD 5,459 thousand). No provision was recognised relating to such possible tax exposure.

As of 31 December 2021, companies of the Group were engaged in ongoing litigation with tax authorities for the amount of USD 73,147 thousand (2020: USD 36,616 thousand), including USD 59,670 thousand (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. Of this amount, USD 48,912 thousand as of 31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

33. CONTINGENCIES AND CONTRACTUAL COMMITMENTS (CONTINUED)

December 2021 (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 ruled in favour of the Group. Manage¬ment believes that, based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and, therefore, no respective provision is required in the Group's financial statements as of the reporting date.

CONTRACTUAL COMMITMENTS ON PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the years ended 31 December 2021 and 2020, the companies of the Group entered into a number of contracts with foreign suppliers for the purchase of property, plant and equipment for development of agricultural operations. As of 31 December 2021, purchase commitments amounted to USD 30,952 thousand (2020: USD 15,396 thousand).

34. DIVIDENDS

At the extraordinary general meeting, 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 07 May 2021.

At its meeting on 17 November, in recognition of the Company's exceptional performance in 2021, the Board of Directors approved the payment of a one-off special dividend of US$ 0.2803 per share, equivalent to USD 30,000 thousand. 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.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair value measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale.

As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value is estimated to be the same as the carrying value for cash and cash equivalents, short-term bank deposits, trade accounts receivables, other current assets and trade accounts payable due to the short-term nature of the financial instruments.

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

	CARRYING AMOUNT		FAIR VALUE	
	2021	2020	2021	2020
FINANCIAL LIABILITIES				
Bank borrowings (Note 28)	225,485	105,126	225,574	103,737
Senior Notes due in 2024, 2026, 2029 (Note 29)	1,397,577	1,391,756	1,389,024	1,515,005

The fair value of bank borrowings was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings 1.8% (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.

In determining fair value of financial instruments, the impact of potential climate-related matters, including legislation, climate change, and company climate objectives which may affect the fair value measurement of financial assets and liabilities has been considered. At present, the impact of climate-related matters is not material to the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	BANK BORROWINGS	BONDS ISSUED	LEASE OBLIGATIONS	TOTAL
AS OF 31 DECEMBER 2020	**104,396**	**1,370,999**	**198,499**	**1,673,894**
Cash flow from proceeds / (repayments)	120,054	-	(66,254)	53,800
Non-cash movements				
Foreign exchange movements	414	-	(778)	(364)
Non-cash additions and change in terms	-	-	109,834	109,834
Non-cash repayments of lease liabilities[1]	-	-	(10,793)	(10,793)
Acquisition of subsidiaries	595	-	-	595
Finance costs	2,741	106,730	45,398	154,869
Reclassification to interest payable	(2,227)	(100,909)	-	(103,136)
Translation difference	(911)	-	5,344	4,433
AS OF 31 DECEMBER 2021	**225,062**	**1,376,820**	**281,250**	**1,883,132**

	BANK BORROWINGS	BONDS ISSUED	LEASE OBLIGATIONS	TOTAL
AS OF 31 DECEMBER 2019	**100,825**	**1,365,669**	**215,863**	**1,682,357**
Cash flow from proceeds / (repayments)	(5,233)	-	(53,215)	(58,448)
Non-cash movements				
Foreign exchange movements	11,827	-	2,442	14,269
Non-cash additions and change in terms	-	-	36,373	36,373
Non-cash repayments of lease liabilities[1]	-	-	(9,134)	(9,134)
Finance costs	3,813	105,967	37,692	147,472
Reclassification to interest payable	(3,291)	(100,631)	-	(103,922)
Translation difference	(3,545)	(6)	(31,522)	(35,073)
AS OF 31 DECEMBER 2020	**104,396**	**1,370,999**	**198,499**	**1,673,894**

[1] Non-cash repayments are represented by grains and other agriculture produce provided to lessors of land as settlement of lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

36. RISK MANAGEMENT POLICIES

During the years ended 31 December 2021 and 2020 there were no material changes to the objectives, policies and process for credit risk, capital risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk and commodity price and procurement risk managing.

CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holders through maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through new share issues and through the issue of new debt or the redemption of existing debt.

The Group's target is to achieve a gearing ratio of not higher than 2.5. The Group defines its gearing ratio as the proportion of total liabilities to total equity.

As of 31 December 2021 and 2020 the gearing ratio was as follows:

	2021	2020
Total Liabilities	2,309,591	2,028,619
Total Equity	1,794,188	1,254,203
Total liabilities to Equity	1.29	1.62

MAJOR CATEGORIES OF FINANCIAL INSTRUMENTS

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents (Note 25)	275,237	217,579
Trade accounts receivable (Note 23)	156,878	119,187
Other current financial assets (Note24)	16,156	81,314
Non-current financial assets (Note 18)	28,764	23,083
Long-term bank deposits	9,904	4,612
	486,939	**445,775**

	2021	2020
FINANCIAL LIABILITIES		
Bonds issued (Note 29)	1,376,820	1,370,999
Lease liabilities (Note 30)	281,250	198,499
Trade accounts payable	174,242	149,768
Bank borrowings (Note 28)	225,062	104,396
Accrued payroll and related taxes (Note 31)	65,804	47,925
Interest payable (Note 28,29)	21,180	21,487
Amounts payable for property, plant and equipment (Note 31)	14,194	8,646
Provision for claims, penalties and indemnification (Note 31)	1,042	12,440
VAT payable (Note 31)	3,215	11,315
Other financial liabilities (Note 31)	9,034	6,312
	2,171,843	**1,931,787**

The main risks inherent to the Group's operations are those related to credit risk, liquidity risk, currency risk, interest rate and commodity price risk.

CREDIT RISK

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. The carrying amount of financial assets disclosed in the table "Major categories of financial instruments" represent the maximum credit exposure.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one customer or group of customers. The approved credit period for major groups of customers, which include franchisees, distributors and supermarkets, is set up to 30 days.

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts receivable from the customers for recoverability starting from 30 and 60 days for receivables on sales of poultry meat and receivables on other sales, respectively. As of 31 December 2021 about 17% (2020: 17%) of trade accounts receivable comprise amounts due from 12 large supermarket chains, which have the shortest contractual receivable settlement period among customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

36. RISK MANAGEMENT POLICIES (CONTINUED)

LIQUIDITY RISK

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

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows as of 31 December 2021 and 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
YEAR ENDED 31 DECEMBER 2021					
Bank borrowings	225,485	229,766	123,615	92,188	13,963
Bonds issued	1,397,577	1,843,888	98,850	1,329,413	415,625
Lease liabilities	281,250	529,679	77,954	233,731	217,993
Trade accounts payable	174,242	174,242	174,242	-	-
Other current liabilities	93,289	93,289	93,289	-	-
TOTAL	**2,171,843**	**2,870,864**	**567,950**	**1,655,332**	**647,581**
YEAR ENDED 31 DECEMBER 2020					
Bank borrowings	105,126	109,620	42,150	67,470	-
Bonds issued	1,391,756	1,942,738	98,850	837,275	1,006,613
Lease liabilities	198,499	405,127	57,204	184,699	163,224
Trade accounts payable	149,768	149,768	149,768	-	-
Other current liabilities	86,638	86,638	86,638	-	-
TOTAL	**1,931,787**	**2,693,891**	**434,610**	**1,089,444**	**1,169,837**

All other financial liabilities (excluding those disclosed above) are repayable within one year.

The Group's target is to maintain its current ratio, defined as the proportion of current assets to current liabilities, at the level of not less than 1.2. As of 31 December 2021 and 2020, the current ratio was as follows:

	2021	2020
Current assets	1,654,939	1,174,348
Current liabilities	529,263	374,912
	3.13	3.13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

36. RISK MANAGEMENT POLICIES (CONTINUED)

CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, but the management of the Group sets limits on the level of exposure to foreign currency fluctuations in order to manage currency risk.

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

	2021		2020	
	USD	EUR	USD	EUR
ASSETS				
Long-term bank deposits	-	7,203	-	4,612
Non-current financial assets	19,657	-	18,162	-
Trade accounts receivable	29,280	21,341	20,906	12,584
Other current financial assets	661	-	68,681	8
Cash and cash equivalents	91,107	13,339	101,549	14,208
	140,705	**41,883**	**209,298**	**31,412**
LIABILITIES				
Current liabilities				
Trade accounts payable	4,723	8,141	6,691	9,031
Other current liabilities	1,186	3,235	3,165	1,865
Interest payable	20,860	304	20,770	462
Short-term bank borrowings	110,086	10,445	15,000	14,821
Short-term lease liabilities	-	2,884	-	3,512
	136,855	**25,009**	**45,626**	**29,691**
NON-CURRENT LIABILITIES				
Long-term bank borrowings	150	12,450	97	24,983
Bonds issued[1]	1,376,820	-	1,370,999	-
Long-term lease liabilities	-	4,936	-	5,230
	1,376,970	**17,386**	**1,371,096**	**30,213**
NET LIABILITY	**1,373,120**	**512**	**1,207,424**	**28,492**

The table below illustrates the Group's sensitivity to a change in the exchange rate of the Ukrainian Hryvnia against the US Dollar and EUR. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for possible change in foreign currency rates.

	CHANGE IN FOREIGN CURRENCY EXCHANGE RATES	EFFECT ON PROFIT BEFORE TAX, GAIN/ (LOSS)
2021		
Increase in USD exchange rate	15%	(205,968)
Increase in EUR exchange rate	15%	(77)
Decrease in USD exchange rate	15%	205,968
Decrease in EUR exchange rate	15%	77
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

During the year ended 31 December 2021 the Ukrainian Hryvnia appreciated against the EUR and USD by 12.34% and 3.65% respectively (2020: depreciated against the EUR by 23.94% and 16.23% against the USD). As a result, during the year ended 31 December 2021 the Group recognised net foreign exchange gain in the amount of USD 40,466 thousand (2020: foreign exchange loss in the amount of USD 203,664 thousand) in the consolidated statement of profit or loss and other comprehensive income.

[1] Bonds were issued by MHP Lux S.A. and MHP SE, which functional currency is USD. Proceeds from bonds issue were transferred in the form of USD denominated intragroup loans to Ukrainian subsidiaries of the Group, which functional currency is UAH, therefore the Group treats bonds issued balance as foreign currency denominated balance. Foreign exchange gain/loss on such intragroup loans is recognized in the consolidated statement of profit or loss, while loan balances themselves are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

36. RISK MANAGEMENT POLICIES (CONTINUED)

CURRENCY RISK (CONTINUED)

The currency risk is mitigated by the existence of USD-denominated proceeds from sales of sunflower oil, grain and chicken meat, which are sufficient for servicing the Group's foreign currency denominated liabilities and were as follows during the years, ended 31 December 2021 and 2020:

	2021	2020
Chicken meat and related products	769,563	577,255
Vegetable oil and related products	290,230	274,979
Grain	140,072	114,304
Other agricultural segment products	69,564	49,217
	1,265,429	**1,015,755**

INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect primarily borrowings by changing future cash flows. For variable rate borrowings, interest is linked to SOFR or EURIBOR.

The below table illustrates the Group's sensitivity to increases or decreases of interest rates by 1%. The analysis was applied to interest bearing liabilities (bank borrowings and lease obligations) based on the assumption that the amount of liability outstanding as of the reporting date was outstanding for the whole year.

	INCREASE/ (DECREASE) OF FLOATING RATE	EFFECT ON PROFIT BEFORE TAX, GAIN/(LOSS)
2021		
SOFR	1%	(106)
SOFR	-1%	106
EURIBOR	1%	(1,200)
EURIBOR	-1%	969
2020		
LIBOR	1%	(150)
LIBOR	-1%	150
EURIBOR	1%	(817)
EURIBOR	-1%	59

The effect of interest rate sensitivity on shareholders' equity is equal to that on consolidated statement of profit or loss.

LIVESTOCK DISEASES RISK

The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk. Management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

COMMODITY PRICE AND PROCUREMENT RISK

Commodity price risk arises from the risk of an adverse effect on current or future earnings from fluctuations in the prices of commodities. To mitigate this risk the Group continues expansion of its grain growing segment, as part of vertical integration strategy, and also accumulates sufficient commodity stock to meet its production needs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars, unless otherwise indicated)

37. PENSIONS AND RETIREMENT PLANS

The employees of the Group receive pension benefits from the government in accordance with the laws and regulations of respective jurisdictions.

The Group's contributions to the State Pension Fund for the yThe Group's contributions to the State Pension Fund for the year ended 31 December 2021 was USD 58,458 thousand and is recorded in the consolidated statement of profit or loss and other comprehensive income on an accrual basis (2020: USD 51,465 thousand). The Ukrainian companies of the Group are not liable for any other supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses. In accordance with the legislative regulations, collective contract, and internal rules, the companies of the European operating segment are committed to the payment of loyalty bonuses to employees and severance payments upon their retirement for which long-term provisions are made. Provisions are recognized in other operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and in other non-current liabilities in the Statement of Financial Position.

The balances of provisions for employee benefits were as follows as of 31 December 2021 and 2020:

	2021	2020
Provisions for severance payments	4,731	4,932
Provisions for loyalty bonuses	1,182	1,328
	5,913	**6,260**

The following table represents movements in provisions for employee benefits for the year ended 31 December 2021:

	PROVISIONS FOR SEVERANCE PAYMENTS	PROVISIONS FOR LOYALTY BONUSES
31 DECEMBER 2020	**4,932**	**1,328**
Formation	272	49
Expenditure	(85)	(95)
Translation Differences	(388)	(100)
31 DECEMBER 2021	**4,731**	**1,182**

38. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

FROM CONTINUED OPERATIONS	2021	2020
Profit for the year attributable to equity holders of the Parent	378,968	(135,024)
Earnings used in calculation of earnings per share	**378,968**	**(135,024)**
Weighted average number of shares outstanding	107,038,208	107,038,208
Basic and diluted earnings per share (USD per share)	3.54	(1.26)

The Group has neither potentially dilutive ordinary shares nor other dilutive instruments; therefore, the diluted earnings per share equal basic earnings per share. The denominators used are the same as those detailed above for both basic and diluted earnings per share from discontinued operations presented in Note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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39. SUBSEQUENT EVENTS

On 24 February 2022, Russian forces commenced a military invasion of Ukraine resulting in a full-scale war across the Ukrainian state. Many Ukrainian cities suffered substantial damage as a consequence of the continuous missile and artillery strikes, resulting in thousands of deaths and injuries, including among civilians.

As a result of the invasion, the Group has experienced a number of significant disruptions and operational issues within its business, including, but not limited to:

Production and Sales

While MHP continues commercial poultry sales in Ukraine, export sales have significantly reduced due to the closure of Ukrainian seaport infrastructure. MHP is evaluating remaining options to carry out export deliveries via alternative routes, including by road and rail, although this is also problematic due to logistical issues caused by infrastructure damage and low capacity. In addition, domestic deliveries in some regions have been and continue to be significantly disrupted due to active hostilities.

There have been significant supply chain disruptions due to logistical challenges, including the supply of vitamins and minerals for production of feed, plant protection materials, diesel and other inputs. Nonetheless, having received substantial support from global agricultural companies, the Group's production facilities are now able to run at close-to-normal utilization, with production directed primarily to satisfy domestic needs with the balance to partially meet export orders. The Group is taking all actions necessary to enable a return to full-scale production as soon as practically possible. Escalation of the situation in the Donetsk region increases the risks and dangers of the Group's employees' security. MHP has decided to temporarily suspend operations of "Ukrainian Bacon" (meat-processing operations with 34,000 tonnes annual capacity, Donetsk region).

The Group's European operations at Perutnina Ptuj have not been affected in any way by events in Ukraine, as they are fully independent and self-sufficient from an operational and supply chain perspective, and continue to produce at full capacity.

Continuous humanitarian efforts

The Group, working with volunteers, has been providing humanitarian aid (mainly through food supply) to the population of Ukraine since the beginning of the war, despite logistical challenges. Since the invasion, MHP has provided over 11,000 tonnes of poultry products pro bono.

Condition of Assets

As of 05 May 2022, the Group's poultry production facilities have not suffered any damage.

A stock of poultry products worth USD 6.1 million was destroyed by a Russian missile strike on a rented warehouse in the Kyiv region on 12 March 2022.

The Group has been able to commence its 2022 sowing campaign on the majority of its land bank although, as up to 2,000 hectares in the Sumy region remains temporarily inaccessible to the Group, MHP's sowing campaign cannot be conducted in this region according to schedule.

Impact on financial position and results of operations

Realization of the 2022 sowing campaign, with its associated working capital requirements, will be crucial for the continuity of the business. The success of the harvest is also expected to contribute to food security in Ukraine and internationally. While, under normal conditions, the sowing campaign is predominantly financed through the Group's working capital facilities, the majority of the Group's undrawn finance facilities are not available (including USD 154 million).

As a consequence of the current situation, and in order to preserve cash, on 30 March 2022, the Group received consent from the Holders to postpone the interest payments on each of the 2024 Notes, the 2026 Notes and the 2029 Notes scheduled for Spring 2022 for a period up to 270 days (the "Support Period"). he unpaid interest payments will continue accruing during the Support Period, and at the same time, the Group has undertaken a number of restrictions (Note 29), as stipulated in the Consent Solicitation Memorandum. The proposed measures are expected to allow the Group focusing on its operational objectives and business continuity in this unique and challenging environment. Also, the Group has already requested its bank lenders to agree to a general postponement of debt servicing in the current environment for at least the same period of up to 270 days. Historically Management maintained a fruitful relation with IFI and banks having excellent credit history in 2008, in 2014 crisis periods and through COVID pandemic period and expects to complete such postponement in the near future. The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2021 have not been adjusted to reflect their impact. The duration and impact of the war in Ukraine remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods.

After consideration of all available evidence and actions taken and planned by the Group to off-set the adverse effects of the on-going military invasion on the business up to the date when these financial statements are authorized for issue, Management concluded that it is appropriate to prepare the financial statements on a going concern basis, while acknowledging a material uncertainty therein as discussed in Note 4.

40. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Board of Directors of MHP SE on 05 May 2022.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

MHP's financial calendar can be found here: mhp.com.ua/en/investor-relations/calendar. The calendar is updated to show relevant events and dates.

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ANASTASIYA SOBOTYUK
DIRECTOR OF INVESTOR RELATIONS

AC	Audit Committee
AGM	Annual general meeting
AI	Artificial Intelligence
B2B	Business to Business
Broiler	A young chicken raised for meat
CAPEX	Capital expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIS	Commonwealth of Independent States
Company	MHP SE
COSO	Committee of Sponsoring Organisations
CO2	Carbon Dioxide
CO2e	Carbon Dioxide Equivalent
COVID-19	Coronavirus Disease 2019
CSR	Corporate Social Responsibility
DAP	Delivered At Place
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBRD	European Bank for Reconstruction and Development
EGM	Extraordinary general meeting
EOS	European Operating Segment
ERP	Enterprise Kesource Planning
ESG	Environmental, Social and Governance
EU	European Union
EUR	Euro
FOB	Free On Board
Fodder	Food for livestock
FX	Foreign Exchange
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GFSI	Global Food Safety Initiative
GDR	Global depositary receipt
GMO	Genetically Modified Organisms
Greenfield	Relating to previously undeveloped sites
GRI	Global Reporting Initiative
Group	MHP SE and its subsidiaries
Grow-out	The period during which the broilers are raised
GWP	Global warming potential
Ha	Hectares
HR	Human resources
IAS	International Accounting Standards
IEA	International Energy Agency
IFC	International Finance Corporation
IFI	International financial institution
IFRS	International Financial Reporting Standards
IR	Investor relations
JV	Joint venture
Kg	Kilograms
KPIs	Key performance indicators
KSA	Kingdom of Saudi Arabia
LHS	Left Hand Scale
LTM	Last twelve months
M&A	Mergers and acquisitions
MENA	Middle East and North Africa region
MW	Megawatt
NBU	National Bank of Ukraine
NED	Non-executive director
NGO	Non-governmental organisation
NBC	Nominations and Remuneration Committee
OECD	Organisation for Economic Co-operation and Development
PP	Perutnina Ptuj, acquired during 2019
pps	Persentage Points
R&D	Research and development
RHS	Right Hand Scale
SE	Societas Europaea
SKU	Stock keeping unit, or distinct type of item for sale
SPOT	A contract for immediate settlement on the spot date
UAE	United Arab Emirates
UAH	Ukrainian Hryvnia
UK	United Kingdom
UNIC	Ukrainian Network of Integrity and Compliance
US	United States
US$ /USD	United States Dollar
y/y	Year-on-year
VAT	Value-added tax

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