

MHP SE

Parent's Separate
Financial Statements

31 December 2021

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Board of Directors:

John Grant (appointed 27 December 2017)

Viktoria Kapelyushnaya (appointed 27 December 2017)

Yuriy Kosyuk (appointed 27 December 2017)

Andriy Bulakh (appointed 28 December 2021)

John Clifford Rich (appointed 27 December 2017)

Christakis Taoushanis (appointed 26 August 2018)

Philip J Wilkinson (appointed 24 March 2020)

Roger Wills (appointed 28 December 2018, resigned 19 January 2021)

Roberto Banfi (appointed 18 June 2018, resigned 9 February 2021)

Yuriy Melnyk (appointed 27 December 2017, resigned 16 November 2021)

Company Secretary:

Confitrust Limited

Independent Auditors:

Ernst & Young Cyprus Limited

Registered office:

16-18 Zinas Kanther Street

Ayia Triada

3035 Limassol

Cyprus

MANAGEMENT REPORT

The Board of Directors presents its report and audited separate financial statements of MHP SE ("the Company") for the year ended 31 December 2021.

Incorporation

The Company is registered under the laws of Cyprus, was formed in Luxembourg on 30 May 2006 under the name MHP S.A. It was converted from a public limited liability company ("Société anonyme") into a European company ("Societas Europaea") with effect from 7 August 2017.

On 27 December 2017, the Company transferred its registered office (the "Seat Transfer") from 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, to 16-18 Zinas Kanther Street, Ayia Triada, 3035 Limassol, Cyprus.

Principal activity

The principal activities of the Company, which are unchanged from last year, are holding of participations in any form in foreign companies, acquisition by purchase, subscription, and exchange of stock, bonds, debentures, deposits and provision of finance to group companies as well as consultancy services. The principal business activities of the Company and its subsidiaries (the "Group") are mainly in Ukraine and Europe and are in poultry and related operations, grain growing, as well as other agricultural operations (meat processing and meat products ready for consumption). During 2019 the Group expanded its operations in Europe by acquiring Perutnina Ptuj d.d. which has the same principal activities as the Group.

Review of current position, future developments and significant risks

In 2021, the Company realized a total comprehensive income for the year of US\$128,843,775 compared to a total comprehensive income of US\$117,124,058 in 2020. The financial position of the Company as presented in the financial statements is a net asset position of US\$ 464,562,033 (2020: US\$661,274,616) and net current asset position of US\$ 43,997,716 (2020: in a net current liability US\$57,790,099). Furthermore, out of the total current liabilities of the Company as at 31 December 2021 of US\$47,643,426, and amount of US\$41,202,935 related to amount due to related parties (Note 23.5). The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

Management has considered the Company's cash flow forecasts for the foreseeable future, which take into account the current and expected economic situation in Ukraine (Note 4 and 26), the Company's financial position, available borrowing facilities and loan covenant compliance.

Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

There were no changes during the financial year in the nature of the operations of the Company.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks.

The principal financial risks and uncertainties faced by the Company are disclosed in Note 3.

MANAGEMENT REPORT (continued)

Results and Dividends

The Company's results for the year are set on page 12.

On 28 April 2021, the Board of Directors of the Company approved the final dividends out of profits of the year 2020 of US\$0.2803 per share, amounting to US\$30,002,808. On 11 November 2021 the Board of Directors of the Company approved the declaration of the interim dividends of US\$0.2803 per share, amounting to US\$30,002,808 (US\$2019: 30,002,808). On 25 November 2021, the Board of Directors made an official announcement on interim dividends declaration mentioned above.

Significant events after the reporting date

Any significant events that occurred after the reporting date are described in Note 26 to the financial statements.

Branches

During the year ended 31 December 2021 the Company did not operate any branches.

Share capital

As of 31 December 2021 and 31 December 2020, the authorised share capital of the Company was EUR 221,540,000 divided into 110,770,000 ordinary shares, each having a nominal value of EUR 2 each. The authorised share capital of the Company is fully issued and all the shares are fully paid up.

As at 31 December 2021, the Company has a direct holding of treasury shares (ordinary shares, represented by an equal amount of global depositary receipts "GDRs") of 3,564,568 (US\$42,594,759), as well as an indirect holding of 167,224 treasury shares held by its subsidiary PrJSC MHP. As at 31 December 2020, the Company only had indirect holding of GDRs in the amount of 3,731,792 via its subsidiaries.

There were no changes in the share capital of the Company during the year ended 31 December 2021.

Significant shareholders and related party transactions

Significant shareholders and related party transactions are disclosed in Note 23.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2021 and at the date of this report are presented on page 1. Roger Wills resigned on 19 January 2021. Roberto Banfi resigned on 9 February 2021. Yuriy Melnyk resigned on 16 November 2021. Andriy Bulakh was appointed on 28 December 2021.

There were no other changes in the Board of Directors throughout the year 2021 and up to the date of this report. More information on the Board of Directors is stated in the Governance section of the Annual Report.

Key management personnel compensation is disclosed in Note 23.

Independent auditors

The Independent Auditors, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting of the Company.

MANAGEMENT REPORT (continued)

Other Information

Other information that is relevant to the Management Report, and which is incorporated within the Group's 2021 Annual Report which can be obtained from <https://mhp.com.cy/> can be located in the Annual Report as follows:

- Business review
- Future developments
- Risk management
- Corporate Governance Report
- Interests of Directors in the Company's shares

On behalf of the Directors as authorised by the Board of Directors:

Yuriy Kosyuk

Director



John Grant

Director



Viktoria Kapelyushnaya

Director



John Clifford Rich

Director




Andriy Bulakh

Director




Christakis Taoushanis

Director



Philip J Wilkinson

Director



Board of Directors' responsibility statement

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

In preparing the separate 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 Company's financial position and financial performance;
- making an assessment of the Company'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 Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Company, and which enable them to ensure that the consolidated financial statements of the Company 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 Company; and
- preventing and detecting fraud and other irregularities.

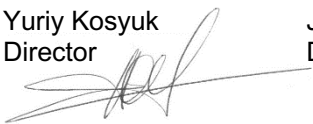
In accordance with DTR4.1 on Annual Financial Reporting, providing for the disclosure and transparency requirements for issuers whose transferable securities are admitted to trading on a UK Recognised Investment Exchange, we, the members of the Board of Directors, responsible for the preparation of the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

- (a) the parent separate 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 taken as a whole; and
- (b) the management report includes a fair review of the development and performance of the business and the position of the Company taken as a whole, together with a description of the principal risks and uncertainties it faces.

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

On behalf of the Board:

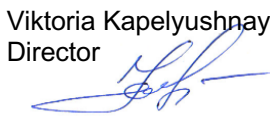
Yuriy Kosyuk
Director



John Grant
Director



Viktoria Kapelyushnaya
Director



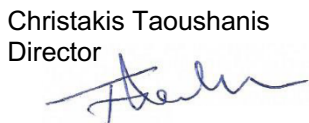
John Clifford Rich
Director



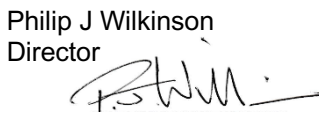
Andriy Bulakh
Director



Christakis Taoushanis
Director



Philip J Wilkinson
Director



Independent Auditor's Report

To the Members of MHP SE

Report on the Audit of the Parent Separate Financial Statements

Opinion

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

In our opinion, the accompanying parent separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its 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 Financial Statements section of our report. We remained independent of the Company 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 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 4 to the parent separate financial statements, which indicates that since 24 February 2022 the Company's Ukrainian subsidiaries 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 26 indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company'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 parent separate 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 parent separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

| Key audit matter | How our audit addressed the key audit matter |
|------------------|--|
|------------------|--|

| | |
|---|--|
| <i>Expected credit losses in respect of loans receivable and financial guarantees issued</i> | |
|---|--|

As at 31 December 2021, the Company had loans receivable from its subsidiaries with a gross carrying amount of US\$591,921,137. IFRS 9 "Financial instruments", requires to recognize an allowance the expected credit loss (ECL). The ECL represents an unbiased, probability weighted calculation which uses past, current and forward-looking information. The Company has performed an assessment of ECL in accordance with IFRS 9 requirements.

The Company has also issued financial guarantees for loans taken out by its subsidiaries and recognized allowance for financial guarantees issued in the amount of expected credit losses.

We consider the allowance for ECL on loans receivable and financial guarantees issued as a matter of most significance in our audit since the calculation of allowance for ECL is subject

We have considered the Company's accounting policy in respect to expected credit loss on loans receivable and financial guarantees issued. We have assessed the ECL model developed by management against the requirements of IFRS 9.

We have tested ECL model inputs on a sample basis and assessed their source data. We have assessed key assumptions and judgements, such as those used to calculate the probability of default and loss given default by comparing to probability-weighted macroeconomic scenarios. We have also analyzed macroeconomic forward-looking factors, including particular country credit risks to assess probability of default rates used to determine expected credit losses. We checked mathematical accuracy of the calculations. We analyzed financial position of debtors and subsequent cash receipts.

to significant judgement and involves assumptions and estimates to be made by management in relation to such parameters as loss given default and probability of default, which are based on extensive analysis and statistical methods.

Disclosures in respect of impairment loss on loans receivable and financial guarantees issued are included in Note 3.2 "Credit risk" and Note 4 "Critical accounting estimates and judgements" to the parent separate financial statements.

We also considered whether credit risk related to these financial instruments increased from the date of their initial recognition and analyzed the criteria used to allocate loans issued to Stages 1, 2 or 3 in accordance with IFRS 9.

We have assessed related disclosures provided in the parent separate financial statements.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises information included in the Management Report of the parent separate financial statements and Group's 2021 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the parent separate 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 parent separate 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 parent separate 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 Financial Statements

The Board of Directors is responsible for the preparation of parent separate 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent separate financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent separate 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 parent separate 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 parent separate 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 Company'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.
- 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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent separate financial statements, including the disclosures, and whether the parent separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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 parent separate 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 and 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 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 parent separate financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

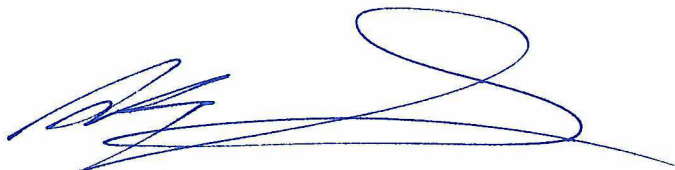


Other Matters

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.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021.

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

MHP SE**SEPARATE FINANCIAL STATEMENTS****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
for the year ended 31 December 2021

| | Note | 2021 US\$ | 2020 US\$ |
|--|---------------|----------------------|----------------------|
| Interest revenue | 23.1 | 43,183,096 | 43,205,127 |
| Dividend revenue | 23.1 | 140,019,032 | 127,662,285 |
| | | 183,202,128 | 170,867,412 |
| Administrative expenses | 5 | (2,404,863) | (4,656,498) |
| Expected credit losses | 3.2,12 | (943,093) | (4,318,429) |
| Operating profit | | 179,854,172 | 161,892,485 |
| Finance costs | 6 | (45,193,516) | (46,705,350) |
| Gain from sale of investments | 10 | - | 1,450,052 |
| Other income | 7 | 1,538,537 | 1,408,585 |
| Profit before tax | | 136,199,193 | 118,045,772 |
| Taxation | 8 | (7,355,418) | (921,714) |
| Net profit for the year | | 128,843,775 | 117,124,058 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 128,843,775 | 117,124,058 |

The notes on pages 16 to 51 form integral part of these financial statements

MHP SE**SEPARATE FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL POSITION**

as of 31 December 2021

| | Note | 2021 US\$ | 2020 US\$ |
|--|------|----------------------|----------------------|
| Non-current assets | | | |
| Investments in subsidiaries | 10 | 407,794,080 | 677,065,226 |
| Investments in associates | 11 | 1,251,571 | - |
| Property, plant and equipment | 17 | 36,405 | 44,507 |
| Loans receivable | 12 | 519,001,992 | 526,669,745 |
| Other financial assets at amortized cost | 15 | 2,552,525 | 2,765,496 |
| | | 930,636,573 | 1,206,544,973 |
| Current assets | | | |
| Loans receivable | 12 | 57,792,250 | 7,103,598 |
| Financial assets at fair value through profit and loss | 16 | 1,780,000 | - |
| Other receivables | 13 | 188,756 | 75,012 |
| Other financial assets measured at amortized cost | 15 | - | 862,888 |
| Cash and cash equivalents | 14 | 31,880,136 | 991,566 |
| | | 91,641,142 | 9,033,064 |
| Total assets | | 1,022,277,715 | 1,215,578,038 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 18 | 284,505,000 | 284,505,000 |
| Additional paid-in capital | 18 | 118,133,404 | 118,133,404 |
| Treasury shares | 18 | (42,594,759) | - |
| Retained earnings | | 316,631,226 | 247,793,067 |
| Other reserves | 18 | 10,843,145 | 10,843,145 |
| Merger reserve | 18 | (222,955,983) | - |
| Total Equity | | 464,562,033 | 661,274,616 |
| Non-current liabilities | | | |
| Bonds issued | 19 | 490,850,961 | 487,480,259 |
| Loans payable | 20 | 19,221,295 | - |
| | | 510,072,256 | 487,480,259 |
| Current liabilities | | | |
| Loans payable | 20 | 37,849,365 | 59,758,750 |
| Interest payable | 21 | 6,622,605 | 5,864,712 |
| Financial guarantees | 22 | 614,003 | 760,650 |
| Other payables and accruals | | 2,557,453 | 439,051 |
| | | 47,643,426 | 66,823,163 |
| Total liabilities | | 557,715,682 | 554,303,422 |
| Total equity and liabilities | | 1,022,277,715 | 1,215,578,038 |

On 5 of May 2022 the Board of Directors of MHP SE authorized these financial statements for issue.

On behalf of the Board of Directors

Chief Executive Officer

Chief Financial Officer



Yuriy Kosyuk

Viktoria Kapelyushnaya

The notes on pages 16 to 51 form an integral part of these financial statements.

MHP SE**SEPARATE FINANCIAL STATEMENTS****STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 December 2021

| | Share capital US\$ | Additional paid-in capital US\$ | Treasury shares US\$ | Other reserve US\$ | Merger reserve | Retained earnings US\$ | Total US\$ |
|---|--------------------------|--|----------------------------|--------------------------|----------------------|------------------------------|--------------------|
| Balance at 1 January 2020 | 284,505,000 | 118,133,404 | - | 10,843,145 | - | 160,671,817 | 574,153,366 |
| Total comprehensive income | - | - | - | - | - | 117,124,058 | 117,124,058 |
| Dividends (Note 9) | - | - | - | - | - | (30,002,808) | (30,002,808) |
| Balance at 31 December 2020/1 January 2021 | 284,505,000 | 118,133,404 | - | 10,843,145 | - | 247,793,067 | 661,274,616 |
| Result of merger with subsidiaries (Note 18) | - | - | (42,594,759) | - | (222,955,983) | - | (265,550,742) |
| Total comprehensive income | - | - | - | - | - | 128,843,775 | 128,843,775 |
| Dividends (Note 9) | - | - | - | - | - | (60,005,616) | (60,005,616) |
| Balance at 31 December 2021 | 284,505,000 | 118,133,404 | (42,594,759) | 10,843,145 | (222,955,983) | 316,631,227 | 464,562,033 |

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at the rate of 17% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents and domiciled. From 1 March 2019, the deemed dividend distribution is subject to a 1,70% contribution to the General Healthcare System, increased to 2,65% from 1 March 2020, with the exception of April 2020 until June 2020 when the 1,70% rate was applicable. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 16 to 51 form an integral part of these financial statements

MHP SE**SEPARATE FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS**

for the year ended 31 December 2021

| | Note | 2021 US\$ | 2020 US\$ |
|---|-----------|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 136,199,193 | 118,045,772 |
| Adjustments for: | | | |
| Foreign exchange loss | 6 | 1,173,592 | 1,280,108 |
| Expected credit losses | 3.2,12 | 943,093 | 4,318,429 |
| Interest revenue | 23.1 | (43,183,096) | (43,205,127) |
| Interest expense and other finance costs | 6 | 44,019,924 | 45,425,242 |
| Gain from sale of investments | 10 | - | (1,450,052) |
| Dividend revenue | 23.1 | (140,019,032) | (127,662,285) |
| Depreciation | | 8,103 | 42,588 |
| Operating cash flows before working capital changes | | (858,223) | (3,205,325) |
| Decrease in other receivables | | 933,876 | 2,595,859 |
| Increase in other payables and accruals | | 1,005,171 | 19,011 |
| Cash from operations | | 1,080,824 | (590,455) |
| Dividends received | | 130,546,704 | 129,600,242 |
| Interest received | | 41,759,283 | 47,058,249 |
| Income tax paid | | - | (220,063) |
| Interest paid | | (39,752,955) | (51,095,782) |
| Net cash generated from operating activities | | 133,633,856 | 124,752,191 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | | (607) | - |
| Loans granted | | (50,000,000) | - |
| Repayments of loans granted | | 7,988,857 | - |
| Sales of investments | | - | 2,102,471 |
| Net cash generated (used in)/from investing activities | | (42,011,750) | 2,102,471 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Loans proceeds | | 43,199,952 | 44,197,677 |
| Loans repaid | | (45,953,909) | (163,626,418) |
| Dividends paid | | (60,005,619) | (30,002,808) |
| Net cash used in financing activities | | (62,759,576) | (149,431,549) |
| Net increase/(decrease) in cash and cash equivalents | | 28,862,530 | (22,576,887) |
| Cash and cash equivalents transferred as a result of the merger | 18 | 2,026,040 | - |
| Cash and cash equivalents at the beginning of the year | | 991,566 | 23,568,453 |
| Cash and cash equivalents at the end of the year | 14 | 31,880,136 | 991,566 |

Non-cash transactions are disclosed in notes:10; 11; 12; 16; 18 .

The notes on pages 16 to 51 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

1. Incorporation and principal activities**Country of incorporation**

MHP SE ("the Company"), a limited liability company (Societas Europaea (SE)) registered under the laws of Cyprus, was formed in Luxembourg on 30 May 2006 under the name MHP S.A.. It was converted from a public limited liability company ("société anonyme") into a European company ("Societas Europaea") with effect from 7 August 2017.

On 27 December 2017, the Company transferred its registered office (the "Seat Transfer") from 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, to 16-18 Zinas Kanther Street, Ayia Triada, 3035 Limassol, Cyprus. The Seat Transfer was made pursuant to the provisions of the SE European Regulation and provisions of the laws of Cyprus and was registered in the Cyprus Companies Registry for SE companies under number SE 27. As of the date of transfer the Company has adopted a new Memorandum and Articles of Association in compliance with the laws applicable to SE companies and with the Cyprus Companies Law Cap.113.

The Company holds shares in subsidiaries (hereinafter, MHP SE and its subsidiaries are referred to as the "MHP SE Group" or the "Group") registered and operating mainly in Ukraine and Europe which is disclosed in the note 10 of the Financial Statements. The Company's shares are listed on the London Stock Exchange ("LSE") in the form of global depositary receipts ("GDRs").

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

Reorganization through merger

On 19 April 2021 the Company' subsidiaries Raftan Holding Limited, Eledem Investments Limited and Hemiak investments Limited were merged into the Company pursuant to the Order of the District Court of Limassol. According to the Merger Agreement dated 18 March 2021, the total assets and liabilities of Raftan Holding Limited, Eledem Investments Limited and Hemiak investments Limited are reflected in the books of the Company for accounting and taxation purposes at the values as of 1 January 2021. Raftan Holding Limited, Eledem Investments Limited and Hemiak investments Limited were dissolved without a liquidation in accordance with Cyprus law. The accounting effect of the reorganization is presented in the Note 18.

As a result of the merger, the Company acquired the shares in the following investments:

| <i>Name</i> | <i>Country of registration</i> | <i>Principal activities</i> | <i>%</i> |
|----------------------------------|--------------------------------|--|----------|
| Starynska Ptahofabryka | Ukraine | Breeder farm | 100.00 |
| Urozhay NVF | Ukraine | Grain cultivation | 95.00 |
| MHP East Europe s.r.o | Slovakia | Provision of finance to related companies | 99.99 |
| MHP PJSC | Ukraine | Management, marketing and sales | 95.36 |
| MHP Trading FZE | United Arab Emirates | Trading in sunflower oil, grains and poultry meat | 100.00 |
| Scylla Capital Limited | British Virgin islands | Trading activity | 100.00 |
| Vinnytska Poultry Farm | Ukraine | Chicken farm | 100.00 |
| MHP Saudi Arabia Trading Company | Saudi Arabia | Wholesale of agricultural products | 75.00 |
| MHP Food Trading LLC | Emirate of Dubai | Trading I poultry meat | 100.00 |
| MHP EU GmbH | Germany | Production and trading in poultry meat | 100.00 |
| Nile Food Distribution LLC | Egypt | Trading in poultry meat | 100.00 |
| Podillya-Kolodno | Ukraine | Framing asset holding and operating entity | 50.81 |
| | | Poultry breeding, feed production, poultry and meat products retail and services | |
| Perutnina PTUJ | Slovenia | | 100.00 |
| Agrofort | Ukraine | Grain cultivation | 13.85 |
| LK Ukraine Group LLC | Ukraine | Framing asset holding and operating entity | 47.93 |
| Zakhid Agro MHP | Ukraine | Grain cultivation | 0.26 |

for the year ended 31 December 2021

1. Incorporation and principal activities (Cont'd)

Principal activities and nature of operations of the Company and the Group

The principal activities of the Company are holding of participations in any form in foreign companies, acquisition by purchase, subscription, and exchange of stock, bonds, debentures, deposits and provision of finance to group companies as well as consultancy services. The principal business activities of the Group are in Ukraine and are in poultry and related operations, grain growing, as well as other agricultural operations (meat processing and meat products ready for consumption). During 2019 the Group expanded its operations in Europe by acquiring Perutnina Ptuj d.d. which has the same principal activities as the Group.

2. Significant accounting policies

Basis of preparation

These financial statements have been prepared on the assumption that the Company is a going concern (Note 4) and will continue in operation for the foreseeable future.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

These separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113 and the consolidated financial statements can be obtained from <https://mhp.com.cy/>. Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements for the year ended 31 December 2020 in order to obtain a proper understanding of the financial position, performance and cash flows of the Company and the Group.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

The accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective as of 1 January 2021. This adoption did not have a material effect on the accounting policies of the Company. The Company 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 Company 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.

for the year ended 31 December 2021

2. Significant accounting policies (Cont'd)**Adoption of new and revised IFRSs (Cont'd)*****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 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 to 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 separate financial statements of the Company.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16

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 Company.

Standards and Interpretations issued but not yet effective

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

| <i>Standards and Interpretations</i> | <i>Effective for annual period beginning on or after</i> |
|---|--|
| Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) | 1 January 2023 |
| Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) | 1 January 2023 |
| IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) | 1 January 2023 |
| Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020) | 1 January 2022 |

for the year ended 31 December 2021

2. Significant accounting policies (Cont'd)**Adoption of new and revised IFRSs (Cont'd)*****Standards and Interpretations issued by IASB but not adopted by European Union***

| <i>Standards and Interpretations</i> | <i>Effective for annual period beginning on or after</i> |
|--|--|
| IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) | 1 January 2023 |
| Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively) | 1 January 2023 |
| Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) | 1 January 2023 |

The above are expected to have no significant impact on the Company's financial statements when they become effective.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Investments in subsidiary companies

Subsidiaries are undertakings over which the Company has control and 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.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Investments in associates

An associate is an entity over which the investor has significant influence, but not control, generally holds, directly or indirectly (eg through subsidiaries), between 20% and 50% of the voting power of the investee.

Investments in associates are measured at cost less impairment. Investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

for the year ended 31 December 2021

2. Significant accounting policies (Cont'd)**Property, plant and equipment**

All property, plant and equipment are accounted at historical cost less 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 Company; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, (d) 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 (e) for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy.

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 property, plant and equipment are as follows:

- Furniture and fittings 10 years
- Computers 4 years
- Renovations 3 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 Company 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 recognized within profit or loss in the statement of comprehensive income.

Revenue recognition

Revenue comprises interest received on loans granted and dividends received as well as revenue earned from providing consultancy and administrative services. Revenues earned by the Company are recognised on the following bases:

(i) Dividend revenue

Dividend revenue is recognized when the right to receive payment is established.

(ii) Interest Revenue

Interest revenue is recognized using the effective interest rate method in IFRS 9.

(iii) Consultancy and administrative services

The Company earns income from consultancy and administrative services it provided to its customers. Revenue is measured based on the consideration to which the Company expects to be entitled in exchange of providing services. The Company recognises revenue at a point in time upon satisfaction of a service provided or at the end of the contract period for a service provided over time. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to a customer.

for the year ended 31 December 2021

2. Significant accounting policies (Cont'd)**Employee benefits**

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Foreign currency translation**(1) Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. 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.

Dividends

Proposed dividends are recognised as a liability in the financial statements in the period in which they are approved by the shareholders. Any interim dividends approved for distribution by the Board of Directors are recognised within equity in the period in which the decision is made.

Provisions and contingencies

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the obligation can be reliably estimated.

Financial instruments

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

Financial assets and financial liabilities of the Company are represented by loans granted, cash and cash equivalents, other receivables, financial assets measured at fair value through profit or loss, other financial assets measured at amortized costs, corporate bonds issued, loans payable and other payables and accruals. 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 recognized 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 recognized immediately in profit or loss.

for the year ended 31 December 2021

2. Significant accounting policies (Cont'd)

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.

(i) Amortised cost and effective interest method

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

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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.

Interest revenue is recognised using the effective interest rate method for debt instruments measured subsequently at amortised cost. For financial assets interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest revenue is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest revenue is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest revenue is recognised in profit or loss and separately presented in the statement of comprehensive income as "Interest revenue" line item.

for the year ended 31 December 2021

2. Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on loans receivable, dividends receivable, cash and equivalents and other financial assets, as well as on the issued financial guarantee contracts.

ECLs are estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company 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.

The Company 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 Company measures the loss allowance for that financial instrument at an amount based on 12-month ECL.

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.

Both lifetime ECL and 12-months ECL are calculated on either an individual basis or a collective basis, depending on the nature of particular financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Company calculates ECL for loans receivable based on two probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective interest (EIR).

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of default (PD) constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- The Loss given default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

for the year ended 31 December 2021

2. Significant accounting policies (Cont'd)**Financial instruments (Cont'd)****Financial assets (Cont'd)**

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company 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 Company 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 Company'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 Company's core operations.

Low credit risk financial instruments

Despite the foregoing, Company 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:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) 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 Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company 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:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) 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;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company 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. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

for the year ended 31 December 2021

2. Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and are measured subsequently at amortised cost using the effective interest method.

The effective interest rate 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.

The Company derecognises financial liabilities when, and only when, the Company'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 Company 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 Company 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.

Financial guarantees

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise from cash at bank.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Share capital

Ordinary shares are classified as equity.

for the year ended 31 December 2021

2. Significant accounting policies (Cont'd)

Treasury shares

Treasury shares are GDRs which were bought back by the Company reducing the number of outstanding shares on the open market. Repurchased GDRs are classified as treasury shares under a separate reserve within equity. When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within other reserves.

Treasury shares acquired as a result of the merger with subsidiaries are recognized at historical cost, at which they have been repurchased from the free-float market. Difference between historical cost and carrying cost in the books of merging subsidiary is recognized in the merger reserve.

Merger reserve

For accounting of the merger of the subsidiaries the Company considers whether the legal merger is in substance the redemption of shares in the subsidiary, in exchange for the underlying assets of the subsidiary. If such case, giving up the shares for the underlying assets is essentially a change in perspective of the parent of its investment, from an 'indirect equity interest' to a 'direct equity interest'. Hence, the values recognised in the financial statements become the cost of these assets for the parent. The acquired assets (including investments in subsidiaries, associates, or joint ventures held by the merged subsidiary) and assumed liabilities are recognised at the carrying amounts in the financial statements of the subsidiary as of the date of the legal merger.

Based on the nature of transferred assets and liabilities, the difference between the amounts assigned to the assets and liabilities in the parent's separate financial statements after the legal merger and the carrying amount of the investment in the merged subsidiary before the legal merger is recognised directly in equity as merger reserve.

The financial position and results of operations of the merged subsidiaries are reflected in the separate financial statements only from the date on which the merger occurred.

3. Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk and, currency risk and arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

The Company's interest rate risk arises from loans granted to and loans received from its subsidiary and indirect subsidiary companies. All loans are in fixed rates and the Company is not exposed to cash flow interest rate risk.

3.2 Credit risk

The Company's exposure to credit risk for each class of financial instruments subject to the expected credit loss model is set out below:

for the year ended 31 December 2021

3.2 Credit risk (Cont'd)*Loans receivable and other receivables*

The Company assesses, on an individual basis, its exposure to credit risk arising from loans and other receivables. This assessment takes into account, amongst others, the period the loan receivable or other receivable balance is past due (in days), expectations around changes in business, financial or economic conditions as well as expectations around the performance of the counterparty.

The following table contains an analysis of the credit risk exposure for loans receivable and other receivables by reference to the Company's internal credit risk rating grades. The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets:

| Internal credit risk rating grade | Company definition category | of | Gross carrying amount | | | | | |
|--|-----------------------------------|--------------------|------------------------------|-------------|--------------------------|-------------|-----------------------------|-------------|
| | | | Loans receivable | | Other receivables | | Financial guarantees | |
| | | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | | | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| | Stage 1 – | Counterparties | | | | | | |
| | | have a low risk of | | | | | | |
| | | default and a | | | | | | |
| | | strong capacity to | | | | | | |
| | | meet contractual | | | | | | |
| Performing | cash flows | | 591,921,137 | 547,492,461 | 188,756 | 75,012 | 134,235,629 | 34,018,742 |

** granted amount*

The gross carrying amounts, as per above, represent the Company's maximum exposure to credit risk on these assets as at 31 December 2021, without taking account of any collateral held. The Company does not hold any collateral as security for any loans receivable or other receivable balances.

Reconciliation of loans receivable

| | 2021 | 2020 |
|--|--------------------|--------------------|
| | US\$ | US\$ |
| As of 1 January | 533,773,343 | 541,887,311 |
| Loans granted/(repayments received), net | 42,011,143 | - |
| Transfer as a result of merger (Note 18) | 404,571,959 | - |
| Interest revenue | 43,183,096 | 43,118,061 |
| Interest received | (41,759,283) | (47,058,249) |
| Overseas tax suffered at source | (467,234) | (616,000) |
| Expected credit losses | (1,407,776) | (3,557,780) |
| Eliminated through merger (Note 18) | (403,111,005) | - |
| As of 31 December | 576,794,242 | 533,773,343 |

for the year ended 31 December 2021

3. Financial risk factors (Cont'd)**3.2 Credit risk (Cont'd)**Expected credit losses

The Company determines the 12 months expected credit loss of other non-current loan receivables based on different scenarios of probability of default and expected credit loss applicable to each of the material underlying balances. The movement in expected credit loss allowance for loan receivables classified at amortised cost is detailed below:

| | 2021 | 2020 |
|----------------------------------|-------------------|-------------------|
| | US\$ | US\$ |
| Opening balance as at 1 January | 13,719,118 | 10,161,339 |
| Transfer as result of the merger | 318,036 | - |
| Charged | 1,089,740 | 3,557,780 |
| At 31 December | 15,126,894 | 13,719,118 |

The estimated expected credit loss allowance on other receivable balances as at 31 December 2020 and 31 December 2021 was not material.

Cash and cash equivalents

The Company assesses, on an individual basis, its exposure to credit risk arising from cash at bank based on ratings from external credit rating institutions and internal reviews, if external ratings are not available.

The estimated expected credit loss allowance on cash and cash equivalents as at 31 December 2020 and 31 December 2021, based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2020 and 31 December 2021.

In accordance with the international rating agency of Moody's, credit ratings of the banks with which the Company had the accounts opened as of 31 December 2021 and 2020 were as follows:

| | 2021 | 2020 |
|------------------------------------|-------------------|----------------|
| | US\$ | US\$ |
| International banks with A ratings | 31,784,388 | 927,709 |
| International banks with B ratings | 95,748 | 63,857 |
| | 31,880,136 | 991,566 |

Financial guarantees

IFRS 9 Financial instruments requires that financial guarantees are initially recognized at fair value and subsequently measured as the "higher of":

- Expected credit loss allowance
- The amount initially recognized less any cumulative amount of income/amortization recognized.

The estimated provision represents expected credit loss allowance.

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Company will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable.

for the year ended 31 December 2021

3. Financial risk factors (Cont'd)**3.2 Credit risk (Cont'd)**

The Company has issued financial guarantees on the borrowings of its subsidiaries and quoted bonds issued by its subsidiaries (Note 19 and Note 22). As a result, the Company is exposed to credit risk arising from potential risk of default of the Company's subsidiaries on their external debt. As of 31 December 2021 and 31 December 2020, none of the Company's subsidiaries had defaulted on or breached any covenants on their borrowings/bonds.

The following table presents the estimated provision as at 31 December 2021 for free of charge financial guarantees issued by the Company for unsecured or under-pledged obligations of its subsidiaries in accordance with loan agreements with financial institutions and quoted bonds issued by subsidiaries (Note 23).

| | 2021 US\$ | 2020 US\$ |
|--------------------------------------|----------------------------|----------------------------|
| Opening balance as at 1 January | 760,650 | - |
| (Reversed)/charged during the period | (146,648) | 760,650 |
| At 31 December | 614,002 | 760,650 |

Financial assets and fair value through profit or loss

The maximum exposure to the credit risk of the financial assets at fair value through profit is represented by the carrying amount (Note 16).

3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables provide a summary of the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

| 2021 | Average effective interest rate | Less than 1 year or on demand | Between 2-5 years or on demand | After 5 years | Contractual amount | Carrying amount |
|--|--|--|---|--------------------------|-------------------------------|----------------------------|
| | | US\$ | US\$ | US\$ | US\$ | US\$ |
| Bonds issued | 7.77% | (44,131,956) | (558,125,000) | | (602,256,956) | (496,232,917) |
| Loans payable, including interest payments | 2.17% | (39,771,966) | (19,835,578) | - | (59,607,544) | (58,311,309) |
| Financial guarantees (i) | - | (111,394,401) | (24,395,800) | - | (135,790,202) | (134,235,629) |
| Loans receivable, including interest | 7.53% | 8,756,139 | 688,263,811 | | 697,019,950 | 576,794,242 |
| | | (186,542,184) | 85,907,433 | - | (100,634,751) | (111,985,613) |

for the year ended 31 December 2021

3. Financial risk factors (Cont'd)**3.3 Liquidity risk (Cont'd)**

| 2020 | Average effective interest rate | Less than 1 year or on demand | Between 2-5 years or on demand | After 5 years | Contractual amount | Carrying amount |
|--|---------------------------------|-------------------------------|--------------------------------|-------------------|---------------------|---------------------|
| | | US\$ | US\$ | US\$ | US\$ | US\$ |
| Bonds issued | 7.77% | (44,131,952) | (596,875,000) | | (641,006,952) | (492,862,211) |
| Loans payable, including interest payments | 2.68% | (61,498,185) | - | - | (61,498,185) | (60,241,510) |
| Financial guarantees (i) | - | (20,575,249) | (14,133,083) | - | (34,708,332) | (34,018,742) |
| Loans receivable, including interest | 7.99% | 7,103,598 | 620,840,062 | 47,093,407 | 675,037,067 | 533,773,343 |
| | | (119,101,788) | 9,831,979 | 47,093,407 | (62,176,402) | (53,349,120) |

(i) No cash outflows may be required if the guarantee would not called.

3.4 Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). The following table demonstrate the sensitivity to a reasonably possible change in EUR exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

| | <i>Change in foreign currency exchange rates</i> | <i>Effect on profit before tax</i> |
|-------------------------------|--|------------------------------------|
| 2021 | | |
| Increase in EUR exchange rate | +5% | (863,764) |
| Decrease in EUR exchange rate | (5%) | 863,764 |
| 2020 | | |
| Increase in EUR exchange rate | +5% | (1,072,499) |
| Decrease in EUR exchange rate | (5%) | 1,072,499 |

3.5 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization between debt and equity.

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

3. Financial risk factors (Cont'd)**3.5 Capital risk management (Cont'd)**

The Company's net debt as of 31 December 2021 and 2020 was as follows:

| | 2021 | 2020 |
|-------------------------------------|--------------------|--------------------|
| | US\$ | US\$ |
| Loans payable | 58,311,309 | 60,241,510 |
| Bonds issued | 496,232,917 | 492,862,211 |
| Total debt | 554,544,226 | 553,103,722 |
| Less: | | |
| Cash and cash equivalents | (31,880,136) | (991,566) |
| Net debt | 522,664,090 | 552,112,156 |
| Operating profit | 179,854,173 | 161,892,485 |
| Net debt to operating profit | 2.91 | 3.41 |

3.6 Fair value

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 - 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.

Due to their short-term nature, the fair value is estimated to approximate the carrying value for the following categories of financial instruments: cash and cash equivalents, other receivables and other payables.

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

| | Carrying amount | | Fair value | |
|------------------------------|------------------------|---------------|-------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | US\$ | US\$ | US\$ | US\$ |
| Financial assets | | | | |
| Loans receivable | 576,794,242 | 533,773,343 | 565,079,990 | 522,875,019 |
| Restricted cash | 2,552,525 | 3,628,384 | 2,226,946 | 3,059,610 |
| Financial liabilities | | | | |
| Loans due to related parties | (58,311,309) | (60,241,510) | (55,365,978) | (58,287,020) |
| Bonds | (496,232,917) | (492,862,211) | (511,330,000) | (550,170,000) |

The carrying amount of loans receivable, loans payable and bonds includes interest accrued at each of the respective dates.

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

The fair value of loans receivable and loans payable was estimated by discounting the expected future cash outflows by a market rate of interest: 7.06% and 5.19% respectively (2020: 7.06% and 5.51%) and is within Level 2 of the fair value hierarchy.

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

3. Financial risk factors (Cont'd)**3.7 Reconciliation of liabilities arising from financing activities**

The table below details changes in the Company'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 Company's statement of cash flows as cash flows from financing activities.

Changes in liabilities arising from financing activities

| | Loans payable US\$ | Bonds issued US\$ | Total US\$ |
|--|-------------------------------|------------------------------|-----------------------|
| As of 1 January 2021 | 59,758,750 | 487,480,259 | 547,239,009 |
| Cash flow from proceeds / (repayments), net | (2,753,957) | - | (2,753,957) |
| <i>Non-cash movements</i> | | | - |
| Transfer as a result of the merger | 2,000,000 | | 2,000,000 |
| Finance costs | 1,742,624 | 42,120,706 | 43,863,330 |
| Reclassification to accrued interest payable | (1,742,624) | (38,750,004) | (40,492,628) |
| Foreign exchange movements | (1,934,132) | - | (1,934,132) |
| As of 31 December 2021 | 57,070,661 | 490,850,961 | 547,921,622 |

The cash flows from bank loans, loans from related parties and Bonds make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

| | Loans payable US\$ | Bonds issued US\$ | Total US\$ |
|--|-------------------------------|------------------------------|-----------------------|
| As of 1 January 2020 | 177,429,770 | 484,468,755 | 661,898,525 |
| Cash flow from proceeds / (repayments), net | (119,428,741) | - | (119,428,741) |
| <i>Non-cash movements</i> | | | - |
| Finance costs | 3,467,457 | 41,761,508 | 45,228,965 |
| Reclassification to accrued interest payable | (3,467,457) | (38,750,004) | (42,217,461) |
| Foreign exchange movements | 1,757,721 | - | 1,757,721 |
| As of 31 December 2020 | 59,758,750 | 487,480,259 | 547,239,009 |

The cash flows from bank loans, loans from related parties and Bonds make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

for the year ended 31 December 2021

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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 detail in Note 24 Operating Environment and in Note 26 Subsequent Events. The Company is serving as the parent holding company to a number of subsidiaries located mainly in Ukraine and EU (see note 10). While preparing the financial statements and relevant disclosures the Company shall assess its operating environment as well as its subsidiaries to assess going concern.

- 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;
- 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 significantly 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.

for the year ended 31 December 2021

4. Critical accounting estimates and judgements (Cont'd)

Going concern (Cont'd)

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 354 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.

for the year ended 31 December 2021

4. Critical accounting estimates and judgements (Cont'd)

Going concern (Cont'd)

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, Management concludes 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.

Significant increase in credit risk

As explained in Note 2, ECL are measured as an allowance equal to 12 month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

Impairment of loans issued and financial guarantee contracts

IFRS 9 requires entities to recognise expected credit losses for financial instruments. The Company follows the general approach as described in Note 3.

In order to assess the probability default rate, management is considering whether there has been an actual or expected significant change in the operating results of the debtor since the receivable was first recognised. This included considering whether there were any actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems, or changes in the scope of business or organisational structure (such as the discontinuance of a segment of the business) that would result in a significant change in the debtor's ability to meet its debtor's obligations.

The Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The Loss Given Default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Impairment of investments in subsidiaries and associates

The Company periodically evaluates the recoverability of investments in subsidiaries and associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries and associates may be impaired, the estimated recoverable amounts of these subsidiaries and associates (higher of their value in use or fair value less costs to sell) would be compared to their carrying amounts. If the recoverable amount is lower than the carrying amount of a particular investment, a write-down to the recoverable amount is made. The management has determined there were no indications for impairment as at 31 December 2021 and 31 December 2020 even in the COVID-19 environment.

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

5. Administration Expenses

| | 2021 | 2020 |
|---|------------------|------------------|
| | US\$ | US\$ |
| Legal and other professional fees (ii) | 623,885 | 1,786,349 |
| Directors fees (i) (Note 23.2) | 1,334,399 | 1,579,296 |
| Salaries | 52,878 | 96,165 |
| Social Insurances and other contributions | 31,357 | 37,710 |
| Non-recoverable VAT | 53,005 | 605,555 |
| Auditors' remuneration (ii) | 130,287 | 393,716 |
| Other administrative expenses | 170,950 | 115,119 |
| Depreciation | 8,102 | 42,588 |
| | 2,404,863 | 4,656,498 |

(i) Directors' fees comprise of amounts attributable to the directors of the Company. As at 31 December 2021 and 2020, there were 3 and 6 directors respectively.

(ii) Auditor's remuneration includes statutory audit fees amounting to US\$ 120,617 (2020: US\$ 107,962). Legal and other professional fees includes tax advisory services to US\$ 17,638 (2020: US\$ 36,661), other non-audit services US\$ 2020 (2020: US\$ 540).

The average number of employees for the year ended 31 December 2021 was 2 (2020: 2).

6. Finance cost

| | 2021 | 2020 |
|--|---------------------|---------------------|
| | US\$ | US\$ |
| Interest on bonds | (38,750,004) | (38,750,004) |
| Bond issuance cost (i) | (3,370,702) | (3,011,504) |
| Other finance expenses | (156,594) | (196,277) |
| Interest expense on loan payable (Note 21; 23.3) | (1,742,624) | (3,467,457) |
| | (44,019,924) | (45,425,242) |
| Foreign exchange loss | (1,173,592) | (1,280,108) |
| | (45,193,516) | (46,705,350) |

(i) This presents the amortization of premium and debt issue costs on bonds.

7. Other income

| | 2021 | 2020 |
|--------------------------|------------------|------------------|
| | US\$ | US\$ |
| Other finance income (i) | 1,538,537 | 1,408,585 |
| | 1,538,537 | 1,408,585 |

(i) Other income includes an amount of US\$1,420,544 (2020: US\$1,420,544) which was reimbursed from the depositary of GDRs.

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

8. Taxation

| | 2021 | 2020 |
|---|------------------|----------------|
| | US\$ | US\$ |
| Profit before income tax | 136,199,193 | 118,045,772 |
| Income tax calculated at the applicable tax rates | 17,024,899 | 14,755,721 |
| Tax effect of expenses not deductible for tax purposes | 903,785 | 1,410,873 |
| Tax effect of allowances and income not subject to income tax | (17,942,426) | (16,321,073) |
| Under-provision of prior years Income tax | - | 220,063 |
| Overseas tax suffered at source | 7,354,779 | 701,181 |
| Income tax paid at source | 639 | 469.58 |
| Tax effect of tax loss of the year | 13,742 | 154,479 |
| Tax charge | 7,355,418 | 921,714 |

The corporation tax rate is 12,5%.

In Cyprus under certain conditions, interest income may be subject to defence contribution at the rate of 30% (2020: 30%). In such cases, this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% for tax year 2014 and thereafter.

Special defence contribution is imposed on dividend income, 'passive' interest income and 'passive' rental income earned by companies tax resident in Cyprus.

During the year ended 31 December 2021 and 31 December 2020, there were no such income on which special defence contribution is imposed.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

9. Dividends

On 28 April 2021, the Board of Directors of the Company approved the final dividends out of profits of the year 2020 of US\$0.2803 per share, amounting to US\$30,002,808. On 11 November 2021 the Board of Directors of the Company approved the declaration of the interim dividends of US\$0.2803 per share, amounting to US\$30,002,808 (US\$2020: 30,002,808).

10. Investments in subsidiaries

| | 2021 | 2020 |
|---|--------------------|--------------------|
| | US\$ | US\$ |
| Balance as at 1 January | 677,065,226 | 678,400,999 |
| Additions (iii) | 118,680 | 2,873,782 |
| Disposals (ii) (iv) | (110) | (652,419) |
| Reorganizations (iv) (v) | - | (2,873,782) |
| Transfer as a result of merger (i), (Note 18) | 401,111,972 | - |
| Absorption as a result of merger (i) | (670,501,689) | - |
| Capital contribution reduction (vi) | - | (683,354) |
| Balance as at 31 December | 407,794,080 | 677,065,226 |

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

10. Investments in subsidiaries (Cont'd)

The details of subsidiaries are as follows:

| Name | Country of incorporation | Principal activities | 2021 Holding % | 2020 Holding % |
|--------------------------------------|---------------------------------|--|-----------------------|-----------------------|
| Raftan Holding Limited(i) | Cyprus | Holding of investments, provision of finance to other group companies | - | 100.00 |
| MHP B.V.(v) | Netherlands | Chicken meat processing | 100.00 | 100.00 |
| Eledem Investments Limited(i) | Cyprus | Holding of investments, provision of finance to other related companies | - | 100.00 |
| Hemiak Investments Ltd (i)(vi) | Cyprus | Holding of investments | - | 100.00 |
| MHP Lux S.A. | Luxemburg | Provision of finance to related companies | 100.00 | 100.00 |
| Urozhay NVF(*) | Ukraine | Grain cultivation | 95.50 | 0.50 |
| Starynska Ptahofabryka(iv) | Ukraine | Breeder farm | 100.00 | - |
| MHP East Europe s.r.o (*) | Slovakia | Provision of finance to related companies | 100.00 | 0.01 |
| Zernoproduct (*) | Ukraine | Grain cultivation | 0.32 | 0.32 |
| MHP Trade B.V.(v) | Netherlands | Trading in poultry meat | 100.00 | 100.00 |
| IM Poultry B.V.(ii)(v) | Netherlands | Trading in poultry meat | - | 100.00 |
| EU Meatex B.V.(v) | Netherlands | Trading in poultry meat | 100.00 | 100.00 |
| MHP PJSC (i) | Ukraine | Management, marketing and sales | 95.36 | - |
| MHP Trading FZE (i) | United Arab Emirates | Trading in sunflower oil, grains and poultry meat | 100.00 | - |
| Scylla Capital Limited (i) | British Virgin islands | Trading activity | 100.00 | - |
| Vinnytska Poultry Farm (i) | Ukraine | Chicken farm | 100.00 | - |
| MHP Saudi Arabia Trading Company (i) | Saudi Arabia | Wholesale of agricultural products | 75.00 | - |
| MHP Food Trading LLC (i) | Emirate of Dubai | Trading I poultry meat | 100.00 | - |
| MHP EU GmbH (i) | Germany | Production and trading in poultry meat | 100.00 | - |
| Nile Food Distribution LLC (i) | Egypt | Trading in poultry meat | 100.00 | - |
| Podillya-Kolodno (i) (*) | Ukraine | Framing assetholding and operating entity | 50.81 | - |
| Perutnina PTUJ (i) | Slovenia | Poultry breeding, feed production, poultry and meat products retail and services | 100.00 | - |
| Agrofort (i)(*) | Ukraine | Grain cultivation | 13.85 | - |
| MHP FOOD UK LIMITED (iii) | United Kingdom | Processing and preserving of meat | 100.00 | - |
| LK Ukraine Group LLC (i) (*) | Ukraine | Framing assetholding and operating entity | 47.93 | - |
| Zakhid Agro MHP (i)(*) | Ukraine | Grain cultivation | 0.26 | - |

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

10. Investments in subsidiaries (Cont'd)

(*) Investments are directly and indirectly 100% owned by the Company.

(i) On 20 April 2021 the Company's subsidiaries Raftan Holding Limited, Eledem Investments Limited and Hemiak investments Limited were merged into the Company pursuant to the Order of the District Court of Limassol. Investment Perutnina PTUJ were transferred from Hemiak Investments Limited (acquiree). Investments MHP PJSC, MHP Trading FZE, Scylla Capital Limited, Vinnytska Poultry Farm, MHP Saudi Arabia Trading Company, MHP Food Trading LLC, MHP EU GmbH, Nile Food Distribution LLC, Podillya-Kolodno, Agrofort, LK Ukraine Group LLC and Zakhid Agro MHP were transferred from Raftan Holding Limited.

(ii) IM Poultry B.V. has been liquidated as per Liquidation Distribution Agreement dated 12 October 2021.

(iii) During the year ended 31 December 2021, Company purchased 100% of share capital of MHP FOOD UK LIMITED (formerly known Braintree Meats Limited).

(iv) On 16 October 2020 the total share capital of Starynska Ptahofabrika which is 0.8506% has been sold to Raftan Holding Limited. Gain from sale of investments US\$ 1,450,052 have been recognized Statement of comprehensive income.

(v) On 27 January 2020, MHP B.V., a subsidiary of the Company, transferred to the Company the interests in IM Poultry BV, EU Meatex BV and MHP Trade BV, which were direct subsidiaries of the MHP B.V. The transaction was legally structured as repayment of the additional paid in capital formed in prior years and was accounted for in these financial statements as return of the capital from subsidiary. As result, investments in new subsidiaries were recognised at their fair values and with corresponding decrease in the carrying value of the investment existing subsidiary, MHP B.V. Fair value of investment in MHP Trade B.V. at the date of transaction was US\$ 2,873,562 (€ 2,606,404), fair values of in IM Poultry BV and EU Meatex BV, which is an empty companies were negligible.

(vi) On 9 November 2018, MHP SE established Hemiak Investments Limited as a wholly owned subsidiary. The total issued share capital of the subsidiary consists of 1,000 ordinary shares with a nominal value EUR 1.00. During 2019, the Company made capital contributions to Hemiak Investments Limited for an amount of US\$ 269,627,398. During 2020 capital reduction made by the Company for an amount of US\$ 683,354.

11. Investments in associates

| | 2021 US\$ | 2020 US\$ |
|---------------------------|------------------|--------------|
| Balance as at 1 January | - | - |
| Additions | 1,251,571 | - |
| Balance as at 31 December | <u>1,251,571</u> | <u>-</u> |

The details of the associates are as follows:

| Name | Country of incorporation | Principal activities | 2021 Holding % | 2020 Holding % |
|--------------------------|-----------------------------|--|-------------------|-------------------|
| Foodz Holding Limited | Cyprus | Holding of investments, provision of finance to other related companies | 34.66 | - |

During the year Foodz Holding Limited issued to the Company 34,66% of its share capital which has been paid by the rights of claim assigned from PrJSC "MHP".

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

12. Loans receivable

| | 2021 | 2020 |
|---|--------------------|--------------------|
| | US\$ | US\$ |
| Gross carrying loans receivable from subsidiary companies (Note 23.4) | 591,921,137 | 547,492,461 |
| (i)(ii) | | |
| Expected credit losses allowance | (15,126,894) | (13,719,118) |
| | 576,794,242 | 533,773,343 |

(i) The loans granted to the subsidiary companies are denominated in United States Dollars, bear interest at rates ranging from 2% to 8.30% per annum and are due for repayment between 2022 and 2026. The loans granted are unsecured.

(ii) As a result of the merger with the Company's subsidiaries, the rights and obligations to the loans issued to the subsidiaries and sub-subsidiaries in the amount of US\$404,569,603 (including principal and interest) were transferred to the Company.

The balances on loans issued to Eledem Holdings Limited in the total amount of US\$403,111,066 (including principal and interest) were eliminated through merger.

As at 31 December 2021 and 2020 classification of the balances of loans receivable were as follows:

| | 2021 | 2020 |
|------------------------------------|--------------------|--------------------|
| | US\$ | US\$ |
| Current borrowings | | |
| Loans receivable from subsidiaries | 57,792,250 | 7,103,598 |
| Non-current borrowings | | |
| Loans receivable from subsidiaries | 519,001,992 | 526,669,745 |
| Total | 576,794,242 | 533,773,343 |

Expected credit losses

The Company determines the lifetime expected credit loss of other non-current loan receivables 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 classified at amortised cost is detailed below:

| | US\$ |
|-------------------------------|-------------------|
| As at 1 January 2020 | 10,161,339 |
| Charged during the period | 3,557,780 |
| As at 1 January 2021 | 13,719,118 |
| Transfer as result of merger | 318,036 |
| Charge during the period | 1,089,740 |
| As at 31 December 2021 | 15,126,894 |

Fair values

The fair values of loans receivable as at 31 December 2021 are disclosed in Note 3.

The exposure of the Company to credit risk and impairment losses in relation to loans receivable is reported in Note 3 of the financial statements.

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

13. Other receivables

| | 31 December 2021 | 31 December 2020 |
|---------------------------------|------------------|------------------|
| | US\$ | US\$ |
| Dividend receivable (Note 23.4) | 10,000 | - |
| Other receivables (i) | 178,756 | 75,012 |
| | 188,756 | 75,012 |

(i) Balance of other receivables includes balances with relates parties as shown in (Note 23.4)

The fair values of other receivables as at 31 December 2021 are disclosed in Note 3.

The exposure of the Company to credit risk and impairment losses, in relation to other receivables is reported in Note 3 of the financial statements.

14. Cash and Cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include the following:

| | 31 December 2021 | 31 December 2020 |
|--------------|-------------------|------------------|
| | US\$ | US\$ |
| Cash at bank | 31,880,136 | 991,566 |
| | 31,880,136 | 991,566 |

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in Note 3 to the financial statements.

15. Other financial assets

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| | US\$ | US\$ |
| Restricted cash at bank current portion | - | 862,888 |
| Restricted cash at bank non-current portion | 2,552,525 | 2,765,496 |
| | 2,552,525 | 3,628,384 |

As of 31 December 2021, the Company held cash at bank in the amount of US\$ 2,552,525 (2020: US\$ 3,628,384) that were blocked serving as collateral to secure bank borrowings of subsidiaries of the Company.

The Company opened Reserve Accounts with Coöperatieve Rabobank U.A. in accordance with Loan Agreement dated March 29, 2016, Loan Agreements dated December 23, 2015, Loan Agreements dated July 05, 2016, Loan Agreements dated August 04, 2017, Loan Agreement dated October 31, 2017, Loan Agreement dated December 06, 2018 and made respectively between PrJSC "MHP" (formerly known as PJSC "Myronivsky Hliboproduct") as Borrower and Coöperatieve Rabobank U.A. as Lender.

As of 31 December 2021, the balance of the reserve accounts amounted to US\$ 2,552,525 (2020: US\$ 3,628,384).

The exposure of the Company to credit risk and impairment losses, if any, is reported in Note 3 of the financial statements.

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

16. Financial assets at fair value through profit and loss

| | 2021 US\$ | 2020 US\$ |
|--|-------------------------|----------------------|
| Balance at 1 January | - | - |
| Transfer as a result of the merger (Note 18) | 1,780,000 | - |
| Balance at 31 December | <u>1,780,000</u> | <u>-</u> |

As a result of the merger with Raftan Holding Limited, all rights and obligations under the agreement 3 July 2018 with a third party, as a borrower, were transferred to the Company as a lender. The principal amount transferred was US\$1,780,000 as at the date of merger.

As per terms of the agreement, the borrower shall repay the outstanding balance of the loan based on the performance of an entity established together with a borrower (MHP Saudi Arabia Trading, the Company's subsidiary) until the loan is repaid in full. No interest is prescribed by the agreement.

The fair value of financial assets mentioned above represents to their carrying amount.

17. Property, plant and equipment

| | Renovations US\$ | Furniture and Fittings US\$ | Computers US\$ | Total US\$ |
|---|-----------------------------|--|---------------------------|-----------------------|
| <i>Cost</i> | | | | |
| At 1 January 2020 | 103,460 | 60,583 | 7,130 | 171,173 |
| Additions | - | - | - | - |
| At 31 December 2020/1 January 2021 | <u>103,460</u> | <u>60,583</u> | <u>7,130</u> | <u>171,173</u> |
| Additions | - | - | - | - |
| At 31 December 2020 | <u>103,460</u> | <u>60,583</u> | <u>7,130</u> | <u>171,173</u> |
| <i>Depreciation:</i> | | | | |
| At 1 January 2020 | 68,974 | 12,062 | 3,042 | 84,078 |
| Additions | 34,486 | 6,058 | 2,043 | 42,587 |
| At 31 December 2020/1 January 2021 | <u>103,460</u> | <u>18,120</u> | <u>5,085</u> | <u>126,665</u> |
| Additions | - | 6,058 | 2,045 | 8,103 |
| At 31 December 2021 | <u>103,460</u> | <u>24,178</u> | <u>7,130</u> | <u>134,768</u> |
| <i>Net book value</i> | | | | |
| At 31 December 2021 | <u>-</u> | <u>36,405</u> | <u>-</u> | <u>36,405</u> |
| At 1 January 2021 | <u>-</u> | <u>42,463</u> | <u>2,045</u> | <u>44,507</u> |

18. Shareholder's equityShare capital and share premium

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 ordinary shares – authorised share capital | 110,770,000 | 110,770,000 |
| Number of ordinary shares – issued and fully paid | 110,770,000 | 110,770,000 |

for the year ended 31 December 2021

18. Shareholder's equity (Cont'd)

As of 31 December 2021 and 31 December 2020 the authorised share capital of the Company was EUR 221,540,000 divided into 110,770,000 ordinary shares, each having a nominal value of EUR 2 each. The authorised share capital of the Company is fully issued and all the shares are fully paid up.

As at 31 December 2021, the Company had a direct holding of treasury shares as a result of merger with its subsidiary Raftan Holding Limited. As at December 2020, 3,731,792 (ordinary shares, represented by an equal amount of global depositary receipts "GDRs") were held by the Company's subsidiary Raftan Holding Limited in the amount of 3,564,568 and PrJSC MHP (sub-subsidiary before merger) in the amount of 167,224 respectively. As at 31 December 2021, only 167,244 shares were held by the Company's subsidiary PrJSC MHP.

Other reserves

Other reserves mainly comprise of the following items:

- (i) Bond issuance costs in the amount of US\$ 13,196,088 settlement of which was assumed by subsidiary companies without any recharge.
- (ii) Effect of acquisition of additional interest in subsidiary company in the amount of US\$ 2,900,660. The effect is represented by the difference between the fair value of GDRs held as treasury shares transferred as a consideration and their acquisition price previously recorded as deduction in equity.

Merger reserve

The carrying amount of the shares held by the Company in Raftan Holding Limited, Hemiak Investments Limited, Eledem Investments Limited amounting to US\$ 670,501,689 was netted with total assets in the amount of US\$ 832,500,929, total liabilities in the amount of US\$ 406,133,479 transferred to the Company and intercompany balances in the amount of US\$ 42,196. The difference in the amount of US\$ 244,092,043 was recognized as a reorganization loss in equity as a merger reserve.

Recognition of treasury shares at cost as a result of the merger with Raftan Holding Limited resulted in the merger reserve in the amount of US\$21,136,060 giving the total merger reserve amounting to US\$222,955,983.

The assets and liabilities transferred as a result of the merger and calculation of the merger reserve are as follows:

| | US\$ |
|--|----------------------|
| Loans issued less ECL (Note 12) | 404,251,567 |
| Investments in subsidiaries (Note 10) | 401,111,972 |
| Financial assets at fair value through profit and loss (Note 16) | 1,780,000 |
| Cash and cash equivalents | 2,026,040 |
| Treasury shares at fair value (Note 18) | 21,458,699 |
| Other receivables | 1,872,562 |
| Total Assets | 832,500,930 |
| Loans payable - eliminated intercompany balances (Note 3.2) | (403,111,005) |
| Loans payable (Note 20) | (2,018,219) |
| Other payables and accruals | (1,004,255) |
| Total Liabilities | (406,133,479) |
| Net assets transferred as a result of the merger | 426,367,451 |
| Other intercompany elimination | 42,195 |
| Carrying value of the investments in merged subsidiaries (Note 10) | (670,501,689) |
| Merger reserve | 244,092,043 |
| Treasury shares adjusted to cost to the Group (Note 18) | (21,136,060) |
| Merger reserve | 222,955,983 |

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

19. Bonds issued (Note 3.7)

| | <i>Carrying amount</i> | | <i>Nominal amount</i> | |
|--------------------------------|------------------------|---------------------|-----------------------|---------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| 7.75% Senior Notes due in 2024 | 490,850,961 | 487,480,259 | 500,000,000 | 500,000,000 |
| Total bonds issued | 490,850,961 | 487,480,259 | 500,000,000 | 500,000,000 |

As of 31 December 2021 and 31 December 2020, interest payable on bonds issued was US\$ 5,381,956 and US\$ 5,381,952 respectively (see Note 21).

The Senior Notes are listed for trading on the Global Exchange Market of the Irish Stock Exchange.

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 “Zernoproduct 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.

* EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) calculated as loss before income tax benefit plus finance costs, depreciation and amortization expenses and impairment losses

for the year ended 31 December 2021

19. Bonds issued (Cont'd)**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 (please see Annual Report, section "Business review, analysis of debt structure and liquidity"). Once the leverage ratio (Net Debt to EBITDA ratio as defined by the indenture) 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 1.88 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 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.

Weighted average effective interest

The weighted average effective interest rate on the Senior Notes is 7.77% per annum and 7.77% per annum for the year ended 31 December 2021 and 2020, respectively.

20. Loans payable (Note 3.7)

| | 31 December 2021 | 31 December 2020 |
|--|-------------------|-------------------|
| | US\$ | US\$ |
| Loans payable to subsidiary and indirect subsidiary companies (Note 23.5)(i) | | |
| Current portion | 37,849,365 | 59,758,750 |
| Non-current portion | 19,221,295 | - |
| | 57,070,660 | 59,758,750 |

The loans payable are denominated in United States Dollars and in Euro, bear interest ranging from 1,5% to 3% and 2% to 3% per annum for the year ended 31 December 2021 and 2020 respectively and are repayable during 2021.

(i) As a result of merger with Raftan Holding Limited, all rights and obligations under the loan agreement with the Company's subsidiary in the amount of US\$2,018,219 (including principal and interest). 2.5% p.a. and maturity date in June 2024 are prescribed in the agreement.

Fair values

The fair values of loans payable as at 31 December 2021 are disclosed in Note 3.

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

21. Interest payable

| | 31 December 2021 | 31 December 2020 |
|---|-------------------------|-------------------------|
| | US\$ | US\$ |
| Interest payable on bonds issued (Note 19) | 5,381,956 | 5,381,952 |
| Interest payable on loans payable to subsidiary and indirect subsidiary companies (Note 23.5) | 1,240,648 | 482,760 |
| | 6,622,604 | 5,864,712 |

22. Financial guarantees

| | 31 December 2021 | 31 December 2020 |
|--|-------------------------|-------------------------|
| | US\$ | US\$ |
| Expected credit losses for free of charge financial guarantees issued (Note 3.2) | 614,002 | 760,650 |

The Company has issued financial guarantees on the borrowings of its subsidiaries and quoted bonds issued by its subsidiaries (Note 19).

Securities on the bank borrowings

The Company has provided guarantees in relation to the following outstanding indebtedness under the bank loan agreements entered into by the Company's direct or indirect subsidiaries:

- Rabobank for an amount of EUR 7,053,881(2020: EUR 11,860,057)
- Ing bank N.V. bank for an amount of EUR nil (2020: EUR 7,000,000)
- LandesBank Berlin AG bank for an amount of EUR nil (2020: EUR 709,957)
- EBRD for an amount EUR 13,888,889 (2020:EUR 14,144,444)
- Pravexbank US\$ 4,485,712 (2020: EUR 100,000,000)
- Citibank US\$ 20,350,000 (2020: US\$ 15,000,000)
- JSC UKRSIBBANK US\$ 30,000,000 (2020: US\$ nil)
- JSC OTP BANK US\$ 22,000,000 (2020: US\$ nil)
- Raiffeisen Bank JSC US\$ 33,250,000 (2020: US\$ nil)

The Company has provided guarantees in relation to the following outstanding indebtedness under the bonds issued by the Company's wholly owned subsidiary MHP Lux S.A., a public company with limited liability (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg:

- US\$ 550,000,000 6.95% Senior Notes due in 2026 at par value issued on 3 April 2018.

The Senior Notes are jointly and severally guaranteed on a senior basis by the Company and the following direct and indirect subsidiaries of the Company: MHP, Peremoga Nova, Oril-Leader, Myronivsky Plant of Manufacturing Feeds and Groats, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Katerynopilsky Elevator, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, and Scylla Capital Limited.

- US\$ 350,000,000 6.25% Senior Notes due in 2029 at par value issued on 19 September 2019.

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 "Myronivsky Hliboproduct", PrJSC "Zernoproduct MHP" and PrJSC "Agrofort".

for the year ended 31 December 2021

22. Financial guarantees (Cont'd)

These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA* ratio as defined by the indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. The debt covenants are calculated by reference to Group financial statements.

If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the 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.

The Senior Notes are jointly and severally guaranteed on a senior basis by the Company and the following direct and indirect subsidiaries of the Company: PrJSC "MHP", PrJSC "ZERNOPRODUKT MHP", PrJSC "AGROFORT", PrJSC "ORIL-LEADER", PrJSC "MYRONIVSKA PTICEFABRIKA", "SPF "UROZHAY" LLC, "STARYNSKA PTAKHOFABRYKA" ALLC, "VINNYTSKA PTAKHOFABRYKA" LLC, "PEREMOGA NOVA" SE, and "KATERINOPOLSKIY ELEVATOR" LLC.

Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to Adjusted EBITDA ratio as defined by the indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. The debt covenants are calculated by reference to Group financial statements.

If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the 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.

23. Related party transactions

The ultimate controlling party 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, directly ownings of 59,7% of the total outstanding share capital of MHP SE.

Details of related party transactions and balances between the Company and its related parties are disclosed below.

23.1 Income from subsidiary and indirect subsidiary companies

| | 2021 | 2020 |
|------------------|--------------------|--------------------|
| | US\$ | US\$ |
| Dividend revenue | 140,019,032 | 127,662,285 |
| Interest revenue | 43,183,096 | 43,118,075 |
| | 183,202,128 | 170,780,360 |

* EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) calculated as loss before income tax benefit plus finance costs, depreciation and amortization expenses and impairment losses

MHP SE**SEPARATE FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2021

23. Related party transactions (Cont'd)**23.2 Directors' fees (Note 5)**

| | 2021 | 2020 |
|-----------------|------------------|------------------|
| | US\$ | US\$ |
| Directors' fees | 1,334,399 | 1,579,296 |
| | 1,334,399 | 1,579,296 |

23.3 Expenses payable to subsidiary and indirect subsidiary companies (Note 6)

| | 2021 | 2020 |
|------------------|------------------|------------------|
| | US\$ | US\$ |
| Interest expense | 1,742,624 | 3,467,457 |
| | 1,742,624 | 3,467,457 |

23.4 Receivables from related companies (Notes 12 and 13)

| | US\$ | US\$ |
|---|--------------------|--------------------|
| Loans receivable from subsidiary and indirect subsidiary companies | 584,128,886 | 526,669,745 |
| Interest receivable on loans issued to subsidiary and indirect subsidiary companies | 7,932,007 | 7,103,598 |
| Dividend receivable from subsidiary companies | 10,000 | - |
| Other receivables from related parties | 24,485 | 68,144 |
| | 592,095,378 | 533,841,487 |

23.5 Payables to related companies (Notes 20 and 21)

| | 31 December 2021 | 31 December 2020 |
|---|-------------------------|-------------------------|
| | US\$ | US\$ |
| Loans payable to subsidiary and indirect subsidiary companies | 57,070,661 | 59,758,750 |
| Interest payable on loans from subsidiary and indirect subsidiary companies | 1,240,648 | 482,760 |
| Other payables to subsidiaries | 2,043,159 | 101,815 |
| Directors' fee payable | 69,763 | 100,724 |
| | 60,424,231 | 60,444,049 |

for the year ended 31 December 2021

23. Related party transactions (Cont'd)**23.6 Loans provided to shareholders**

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, loan has been fully repaid to the Company by WTI, while as at 31 December 2020 the total outstanding balance amounted to USD 67,400 thousand. During the year ended 31 December 2021 the Company provided loans to WTI in 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 Companies' Directors believe that the loans were issued at arm's length terms and for fair market value, and that they were in the best interests and for the commercial benefit of the Company and do not violate the terms of the Senior Notes (Note 19).

24. Operating environment in Ukraine

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.

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25. Commitments and contingent liabilities

The Company had no commitments and contingent liabilities as at 31 December 2021 and 31 December 2020.

26. Events after the reporting period

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 a 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 to the security of the Group's employees' in the region. MHP therefore has decided to temporarily suspend operations of "Ukrainian Bacon" (a meat-processing operation with 34,000 tonnes annual capacity located in the 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 began, MHP has provided over 11,000 tonnes of poultry products pro bono.

Condition of assets

As of 5 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).

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26. Events after the reporting period (Cont'd)

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 2029 Notes, the 2026.

Notes and the 2024 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, and at the same time, the Group has undertaken a number of restrictions, 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.