

MHP SE

COMPANY SEPARATE
FINANCIAL STATEMENTS
31 December 2017

SEPARATE FINANCIAL STATEMENTS

31 December 2017

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

John Grant

Viktoriya B. Kapelushna

Yuriy Kosyuk

Yuriy Melnyk

John Clifford Rich

Raymond William Richards
(appointed on 23 October 2017)

Philippe Lamarche
(resigned on 13 October 2017)

Company Secretary:

Confitrust Limited

Independent Auditors:

Deloitte Ltd

Registered office:

16-18 Zinas Kanther Street
Ayia Triada
3035 Limassol
Cyprus

Independent Auditor's Report

To the Members of MHP SE

Opinion

We have audited the financial statements of parent company MHP SE (the "Company"), which are presented in pages 8 to 31 and comprise the statement of financial position as at 31 December 2017, 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, except for the non-disclosure of the matters described in the Basis for Qualified Opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, 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 qualified opinion

As described in note 2 to the financial statements, the Company prepared its separate financial statements in accordance with the Luxembourg legal and regulatory requirements and according to generally accepted principles applicable in Luxembourg (the "Local GAAP") for all periods up to and including the year ended 31 December 2016. These separate financial statements for the year ended 31 December 2017 are the first the Company has prepared in accordance with IFRS as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

The Company has not disclosed the reconciliations for the transition from the previous Local GAAP to IFRS and has not presented in its statement of financial position comparative information as of 1 January 2016 as required by IFRS 1 First-time adoption of International Financial Reporting Standards".

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' Code of Ethics for Professional Accountants (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 qualified opinion.

Board Members: Christis M. Christoforou (Chief Executive Officer), Eleitherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Athos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, Pienis M. Mar'ou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Alexis Agathocleous, Alkis Christodoulides, Christakis Ioannou, Panicos Papamichael, Christos Papamarkides, George Martides, Kerry Whyte, Andreas Georgiou, Christos Neocleous, Demetris Papapericleous, Andreas Andreou, Alecos Papalexandrou, George Pantelides, Panayiota Vayianou, Agis Agathocleous, Gaston Henning, Anastassiou, Kypros Ioannides, Yiannis Sophianos, Kyriakos Vlachos, Yiannis Leonidou, Michael Christoforou (Chairman Emeritus).

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Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report (Cont'd)

To the Members of MHP SE

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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>As described in note 2 to the financial statements, the Company has adopted IFRS1 "First-time adoption of International Financial Reporting Standards" for the first time in its present company's separate financial statements for the year ended 31 December 2017.</p> <p>For all periods up to and including the year ended 31 December 2016, the Company prepared its separate financial statements in accordance with the Luxemburg legal and regulatory requirements and according to generally accepted principles applicable in Luxemburg (the "Local GAAP").</p> <p>Consolidated financial statements for the Group have also been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU), a basis however which has been adopted since 2006.</p> <p>The application of IFRS 1 is significant to our audit due to the judgement required for the transition from local GAAP to IFRS.</p>	<p>We have performed the following audit procedures in order to address the risks of material misstatement associated with this key audit matter:</p> <p>-We have obtained the reconciliations between local GAAP and IFRS prepared by management and we have performed the following procedures:</p> <ul style="list-style-type: none"> • We have obtained an understanding of the basis of preparation of prior year separate financial statements • We have obtained an understanding of the differences between the local GAAP and IFRS and assessed whether the adjustments recorded by management are reasonable • We have performed procedures to verify the accounting treatment of assets/liabilities and profit and loss items by reviewing the calculation and tracing to relevant supporting documentation. • We have checked the working prepared for mathematical or other errors <p>-We verified that the assets and liabilities of the Company that are not eliminated on consolidation were measured at the amounts used in the consolidated financial statements. We additionally verified that the accounting policies used for the preparation of the consolidated financial statements are the same with those used for the preparation of separate financial statements.</p> <p>-We have considered the appropriateness and completeness of the disclosures provided in the financial statements relating to IFRS1. Our auditor's opinion is qualified in respect of the omission of certain disclosures required by IFRS 1.</p>

Independent Auditor's Report (Cont'd)

To the Members of MHP SE

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 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 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 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 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 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 financial statements, including the disclosures, and whether the 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Independent Auditor's Report (Cont'd)

To the Members of MHP SE

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 24 October 2017 by a shareholders' resolution. This is our first period of engagement appointment.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 5 March 2018 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

Comparative figures

The separate financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 14 March 2017.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017. The report on the consolidated financial statements is not modified.



Costas Georghadjis
Certified Public Accountant and Registered Auditor
for and on behalf of
Deloitte Limited
Certified Public Accountants and Registered Auditors

Limassol, 30 April 2018

MHP SE**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
for the year ended 31 December 2017

	Note	2017 US\$	2016 US\$
Revenue	5	158,239,553	118,934,181
Administration expenses	6	(3,194,254)	(1,699,274)
Other operating expenses		(154,090)	(812)
Operating profit		154,891,209	117,234,095
Finance costs	7	(90,755,275)	(70,915,737)
Other (expenses)/income	8	(7,822,945)	1,029,995
Profit before tax		56,312,989	47,348,353
Taxation	9	-	-
Net profit for the year		56,312,989	47,348,353
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year		56,312,989	47,348,353

STATEMENT OF FINANCIAL POSITION
as of 31 December 2017

	Note	31 December 2017 US\$	31 December 2016 US\$
ASSETS			
Non-current assets			
Investments in subsidiaries	11	407,486,911	406,822,959
Loans receivable	12	1,002,544,372	750,000,000
Other financial assets	15	2,533,676	584,904
		<u>1,412,564,959</u>	<u>1,157,407,863</u>
Current assets			
Other receivables	13	88,034,027	85,264,107
Other financial assets	15	-	3,610,696
Cash and cash equivalents	14	4,581,483	366,556
		<u>92,615,510</u>	<u>89,241,359</u>
Total assets		<u>1,505,180,469</u>	<u>1,246,649,221</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	284,505,000	284,505,000
Share premium	16	118,133,404	118,133,404
Retained earnings	16	43,055,989	66,743,820
Other reserves	16	10,843,145	7,745,060
Legal reserves	16	16,524,538	16,524,538
Treasury shares	16	(38,725,480)	(48,503,000)
Total equity		<u>434,336,496</u>	<u>445,148,822</u>
Non-current liabilities			
Bonds issued	17	970,087,658	725,360,145
Loans payable	18	57,363,883	56,280,143
		<u>1,027,451,541</u>	<u>781,640,288</u>
Current liabilities			
Loans payable	18	20,000,000	-
Interest accrued	19	22,516,555	19,205,165
Other payables and accruals	-	875,877	654,946
		<u>43,392,432</u>	<u>19,860,111</u>
Total liabilities		<u>1,070,843,973</u>	<u>801,500,399</u>
Total equity and liabilities		<u>1,505,180,469</u>	<u>1,246,649,221</u>

On 30 April 2018 the Board of Directors of MHP SE authorized these financial statements for issue.

On behalf of the Board of Directors

Chief Executive Officer


Yuriy Kosyuk

Chief Financial Officer


Viktoriya B. Kapelushna

MHP SE

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital US\$	Share premium US\$	Treasury shares US\$	Legal reserve US\$	Other reserve US\$	Retained earnings US\$	Total US\$
Balance as at 31 December 2015	284,505,000	118,133,404	(56,053,366)	11,774,575	10,645,720	104,141,355	473,146,688
Net profit for the year	-	-	-	-	-	47,348,353	47,348,353
Allocation to legal reserve (note 16)	-	-	-	4,749,963	-	(4,749,963)	-
Effect of acquisition of non-controlling interest in indirect subsidiary (note 16)	-	-	7,550,366	-	(2,900,660)	-	4,649,706
Dividends paid (note 10)	-	-	-	-	-	(79,995,925)	(79,995,925)
Balance at 31 December 2016	284,505,000	118,133,404	(48,503,000)	16,524,538	7,745,060	66,743,820	445,148,822
Net profit for the year	-	-	-	-	-	56,312,989	56,312,989
Other received benefits (note 16)	-	-	-	-	3,098,085	-	3,098,085
Effect of sale of treasury shares to subsidiary (note 8(i)) (note 16)	-	-	-	-	-	-	-
Dividends paid (note 10)	-	-	9,777,520	-	-	-	9,777,520
Balance at 31 December 2017	284,505,000	118,133,404	(38,725,480)	16,524,538	10,843,145	43,055,889	434,336,496

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 defense at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. 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 defense is payable by the Company for the account of the shareholders.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Note	2017 US\$	2016 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		56,312,989	47,348,353
Adjustments for:			
Unrealized foreign exchange profit		(537,416)	(42,776)
Interest income	5	(82,240,953)	(72,750,000)
Finance costs	7	90,755,275	70,915,737
Dividends income	5	(75,998,600)	(46,184,181)
Loss on sale of treasury shares	8	9,777,520	-
Operating cash flows before working capital changes		(1,931,185)	(712,867)
Decrease in other receivables		218,157	142,253
Increase in other payables and accruals		220,931	32,933
Cash used in operations		(1,492,097)	(537,681)
Dividends received		97,404,762	40,972,456
Interest received		57,841,435	92,795,936
Interest paid		(73,898,885)	(61,972,391)
Net cash generated from operating activities		79,855,215	71,258,320
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital contribution to subsidiaries		(663,952)	(2,293,000)
Deposits withdrawn		2,204,619	-
Deposits placed		-	(27,679)
Repayments of loans granted		245,200,000	-
Loans granted		(497,744,372)	-
Net cash (used in)/ generated from investing activities		(251,003,705)	2,320,679
CASH FLOW FROM FINANCING ACTIVITIES			
Loans proceeds		44,102,210	63,380,436
Loans repaid		(23,018,470)	(43,100,294)
Dividends paid		(80,000,921)	(79,995,925)
Transaction costs related to corporate bonds issued		(11,319,402)	(9,148,000)
Repayment of bonds		(9,200,000)	-
Redemption of bonds		(245,200,000)	-
Proceeds from bonds issued		500,000,000	-
Net cash generated from/(used in) financing activities		175,363,417	(68,863,783)
Net increase in cash and cash equivalents		4,214,927	73,858
Cash and cash equivalents at the beginning of the year		366,556	292,698
Cash and cash equivalents at the end of the year	14	4,581,483	366,556

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. Incorporation and principal activities

Country of incorporation

MHP SE ("the Company"), a limited liability company (Societas Europaea) 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 serves as the ultimate holding company of PJSC "Myronivsky Hliboproduct" ("MHP") and its subsidiaries (hereinafter, MHP SE and its subsidiaries are referred to as the "MHP SE Group" or the "Group"), registered and operating in Ukraine. The Company's shares are listed on the London Stock Exchange ("LSE") in the form of global depositary receipts ("GDRs").

The controlling shareholder 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.

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

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 and provision of finance to group companies. 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).

2. Significant accounting policies

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.

Basis of preparation and application of International Financial Reporting Standards for the first time

These separate financial statements of the Company for the year ended 31 December 2017 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 financial statements have been prepared under the historical cost convention.

The Company adopted IFRS as its reporting framework as of 1 January 2016. The Company's opening IFRS statement of financial position as of 1 January 2016 ("the date of transition to IFRS") was prepared in accordance with the requirements of IFRS 1 "First Time Adoption of International Financial Reporting Standards" ("IFRS 1"). For all periods up to and including the year ended 31 December 2016, the Company prepared its separate financial statements in accordance with the Luxembourg legal and regulatory requirements and according to generally accepted principles applicable in Luxembourg (the "Local GAAP").

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) for the Group. The Group had adopted earlier the IFRS and the Consolidated financial statements can be obtained from <http://www.mhp.com.ua>. Users of these parent's separate financial statements which are supplementary to the consolidated financial statements included in the published annual report of the Group, which incorporate the Management Report should read them together with the Group's consolidated financial statements for the year ended 31 December 2017 in order to obtain a proper understanding of the financial position, performance and cash flows of the Company and the Group.

Adoption of new and revised IFRSs

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

Standard / Interpretation	Applies for annual periods commencing on or after:
Amendments to IAS 12 <i>Recognition of Deferred Tax Assets for Unrealized Losses</i>	1 January 2017
Amendments to IAS 7 <i>Disclosure Initiative</i>	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle: IFRS 12 <i>Disclosures of Interests in Other Entities</i>	1 January 2017

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. Significant accounting policies (Cont'd)

Adoption of new and revised IFRSs (Cont'd)

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings from subsidiaries (Note 18), bonds issued (Note 17). Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. The application of these amendments has had no impact on the Group's consolidated financial statements.

On the date of approval of these financial statements, the following accounting standards have been issued by the International Accounting Standards Board but were not yet effective:

i) Adopted by the European Union

Standard / Interpretation	Applies for annual periods commencing on or after:
IFRS 16 Leases	1 January 2019
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2 Classification and Measurement of Share based Payment Transactions	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Amendments to IAS 40 Transfers of investment Property	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

Adoption of new and revised IFRSs

The Company is in the process of assessing the impact of new and revised standards. The management of the Company does not expect that the application of the new standards will have a significant impact on the Company's financial statements.

ii) Not yet adopted by the European Union

Standard / Interpretation	Applies for annual periods commencing on or after:
IFRS 17 Insurance Contracts	1 January 2021
IFRIC 23 Uncertainty over Income Tax Treatment	1 January 2019
Amendments to IAS 28 Long Term Interests in Associates and Joint Ventures	1 January 2019
Annual improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to IFRS 9 Prepayment Features and Negative Consideration	1 January 2019
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture	-
Amendments to IAS 19, Amendments, Curtailments or Settlement	1 January 2019

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

2. Significant accounting policies (Cont'd)

Adoption of new and revised IFRSs (Cont'd)

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.

Revenue recognition

Revenue comprises interest received on loans granted and dividends received. Revenues earned by the Company are recognised on the following bases:

(i) Interest Income

Interest income is recognised on a time proportion basis using the effective interest method. The effective interest rate is the rate that exactly discounts the future cash inflows over the expected life of the asset, to the net carrying amount of the financial asset.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

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.

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.

Dividend distributed in the form of non-cash assets are measured at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets distributed is recognized in the statement of comprehensive income.

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 recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

2. Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorized as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognized when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Cash and cash equivalents

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

Corporate bonds issued and other long-term payables

Bonds issued and other long-term payables are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognized over the term of the borrowings and recorded as finance costs.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Impairment of financial assets

The Company assesses at each reporting date whether there are indications for impairment. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity.

Treasury shares

Treasury shares are shares which were bought back by the Company reducing the number of outstanding shares on the open market. Repurchased shares 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.

Comparatives

The 2016 comparatives presented in these financial statements for the year ended 31 December 2017, which have been prepared for the first time under IFRS, have also been prepared on the same basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management 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. The loans were granted/received at fixed rates, and expose the Company to fair value interest rate risk.

The management monitors interest rate fluctuations on a continuous basis and ensures that borrowings received or loan granted to subsidiaries are agreed at market rates.

At the reporting date, the interest rate profile of interest-bearing financial instruments was as follows:

	Fixed rate instruments 2017 US\$	Fixed rate instruments 2016 US\$
Loans receivable	1,002,544,372	750,000,000
Bonds issued	(995,600,000)	(750,000,000)
Loans payable	(77,363,883)	(56,280,143)
	<u>(70,419,511)</u>	<u>(56,280,143)</u>

3.2 Credit risk

Credit risk arises when a failure of a counterparty to discharge its obligations could reduce the amount of future inflows from financial assets held on statement of financial position. The Company has concentration of credit risk mainly from loans granted to its subsidiaries and indirect subsidiaries. The Company monitors its credit risk associated with balances due from related companies by evaluating the credit ability of the borrowers through reviewing of financial statements and repayments history, as well as the fair value and maintainable earnings of the debtors' business.

As detailed in the table below, the carrying amount of financial assets recorded in the financial statements net of impairment losses, represents the Company's maximum exposure to credit risk.

	Maximum credit exposure	
	2017 US\$	2016 US\$
Loans receivables	1,002,544,372	750,000,000
Other receivables	88,034,027	85,267,107
Other financial assets	2,533,676	4,195,600
Cash at bank	4,581,483	366,556
	<u>1,097,693,558</u>	<u>839,826,263</u>

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 at Group level.

The risk associated with liabilities within the Group is lower as the Company is in a position to agree alternative arrangements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

3.3. Liquidity risk

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. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis, which are not included in the carrying amount of the financial instrument on the statement of financial position.

2017	Average effective interest rate	Less than 1 year or on demand US\$	Between 2-5 years or on demand US\$	After 5 years US\$	Adjustment US\$	Carrying amount US\$
Bonds issued	9.25%	79,637,000	711,931,000	558,125,000	(379,605,342)	970,087,658
Loans payable and accrued interest	4.84%	28,145,189	66,561,788	-	(10,197,905)	84,509,072
Other payables and accruals	-	875,877	-	-	-	875,877
		108,658,066	778,492,788	558,125,000	(389,803,247)	1,055,472,607

2016	Average effective interest rate	Less than 1 year or on demand US\$	Between 2-5 years or on demand US\$	After 5 years US\$	Adjustment US\$	Carrying Amount US\$
Bonds issued	9.69%	61,875,000	904,688,000	-	(241,202,855)	725,360,145
Loans payable and accrued interest	4.81%	4,080,166	53,495,930	14,394,673	(11,610,461)	60,360,308
Other payables and accruals	-	654,946	-	-	-	654,946
		66,610,112	958,183,930	14,394,673	(252,813,316)	786,375,399

3.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is not significantly exposed to foreign exchange risk. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

3.5 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation between debt and equity. The Company's overall strategy remains unchanged from previous years.

The Company's net debt as of 31 December 2017 and 2016 was as follows:

	2017 US\$	2016 US\$
Loans payable	77,363,883	56,280,143
Bonds issued	970,087,658	725,360,145
Total debt	1,047,451,541	781,640,288
Less:		
Cash and cash equivalents	(4,581,483)	(366,556)
Net debt	1,042,870,058	781,273,732
Operating profit	154,891,209	117,234,095
Net debt to operating profit	6.73	6.66

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

3.6 Fair value estimation

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair value measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale.

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 and accruals. 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	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Financial assets				
Loans receivable	1,048,479,969	771,536,079	993,387,932	738,850,043
Other financial assets	2,533,676	4,195,600	1,623,517	4,003,289
Financial liabilities				
Loans due to related companies	(84,509,072)	(60,360,308)	(78,302,314)	(50,751,645)
Bonds	(985,459,024)	(740,485,145)	(1,085,693,000)	(729,000,000)

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: 7.7% (2016: 8.3%), and is within Level 2 of the fair value hierarchy.

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

	01 January 2017	Cash flow from proceeds / (repayments)	Transaction costs payments	Non-cash movements		31 December 2017
				Foreign exchange movements	Amortisation and write-off of transaction costs	
	US\$	US\$	US\$	US\$	US\$	US\$
Loans payable	56,280,143	21,083,740	-	-	-	77,363,883
Bonds issued	725,360,145	245,600,000	(15,145,475)	4,909	14,268,079	970,087,658
Total	781,640,288	266,683,740	(15,145,475)	4,909	14,268,078	1,047,451,540

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

4. Critical accounting estimates and judgements

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 revenues 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.

5. Revenue

	2017 US\$	2016 US\$
Dividends income	75,998,600	46,184,181
Interest income	82,240,953	72,750,000
	<u>158,239,553</u>	<u>118,934,181</u>

6. Administrative expenses

	2017 US\$	2016 US\$
Legal and other professional fees	1,882,451	817,510
Directors' fees(ii)	648,735	534,013
Non-recoverable VAT	164,355	-
Auditors' remuneration(i)	131,231	221,807
Other administrative expenses	367,482	125,944
	<u>3,194,254</u>	<u>1,699,274</u>

(i) Auditor's remuneration includes statutory audit fees amounting to US\$ 100,424 (2016: US\$ 183,120), fees for other assurance services amounting to US\$ 13,496 (2016: US\$ nil), tax advisory services amounting to US\$ 1,295 (2016: US\$ nil) and other non-audit services amounting US\$ 16,016 (2016: US\$ 38,687).

(ii) Directors' fees comprise of amounts attributable to independent non-executive directors of the Company. As at 31 December 2017 and 2016, there were 2 and 3 independent non-executive directors respectively.

7. Finance cost

	2017 US\$	2016 US\$
Interest on bonds	(73,688,000)	(62,206,000)
Bond issuance cost (i)	(14,002,251)	(5,978,174)
Interest expense on loan payable	(3,065,024)	(2,731,563)
	<u>(90,755,275)</u>	<u>(70,915,737)</u>

(i) This includes the annual amortization expense, those costs that are expensed directly and any write offs.

8. Other (expenses)/income, net

	2017 US\$	2016 US\$
Loss on sale of treasury shares (i)	(9,777,520)	-
Foreign exchange gain/(loss)	593,500	(185,405)
Other income, net (ii)	1,361,075	1,215,400
Other (expense)/income(net)	<u>(7,822,945)</u>	<u>1,029,995</u>

(i) On 15 June 2017, the Company sold 3,988,206 of its GDRs to its subsidiary Raftan Holding Ltd for a total consideration of US\$38,725,480, generating a loss of US\$9,777,520.

(ii) Other income includes an amount of US\$1,420,800 (2016: US\$1,420,800) which was reimbursed from the depository of GDRs.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

9. Taxation

On 27 December 2017, the Company transferred its seat from Luxembourg to Cyprus. Up to the date of the transfer of its seat and tax residency, the Company was subject to tax in accordance with the applicable general tax regulations prevailing in Luxembourg.

According to the Luxembourg tax legislation, the Company's taxable income was subject to a cumulative Corporate Income Tax (CIT) of 22,47%, being a combination of CIT at 21% and a 7% solidarity surtax on CIT. Calculated broadly on the same basis as the CIT a Municipal Business Tax is also levied by the city of Luxembourg at the rate of 6.75%. Dividends and capital gains were generally exempt from CIT. No taxation arises for either 2017 or 2016 because of the exemption provisions applicable on the Company's income, resulting in taxable losses.

The authorities in Luxembourg have not yet issued assessments in respect of all the years that the Company was subject to tax in Luxembourg. The Company expects to be in a cumulative net taxable loss position – for which no deferred tax asset has been recognised - and that no liabilities are expected to arise as a result of the seat transfer.

Following the transfer of seat and tax residency, the Company became Cyprus tax resident and as from 1 January 2018 is taxed under the provisions of the Cyprus Tax Laws. The Company will be subject to CIT on taxable profits at the rate of 12.5%. Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from CIT. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%. The Company expects that the Company's dividend will be exempt from defence contribution and that its interest income from the loans granted to related companies will be taxed under and be exempt from defence contribution.

10. Dividends paid

On 14 March 2017, the Board of Directors of the Company approved the payment of an interim dividend of US\$ 0.7492 per share, amounting to US\$ 80,000,920, which was paid to the shareholders.

11. Investments in subsidiaries

	2017 US\$	2016 US\$
Balance as at 1 January	406,822,959	399,880,208
Additions(i)(ii)(iii)	663,952	6,942,751
Balance as at 31 December	<u>407,486,911</u>	<u>406,822,959</u>

The details of subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2017 Holding %	2016 Holding %
Raftan Holding Limited	Cyprus	Holding of investments, provision of finance to other group companies	99.99	99.99
MHP B.V.(iii)	Netherlands	Chicken meat processing	100.00	100.00
Starynska Ptahofabryka (*) (i)	Ukraine	Breeder farm	0.25	0.25
Zernoproduct (*) (ii)	Ukraine	Grain cultivation	0.32	0.64
Eledem Investments Limited	Cyprus	Holding of investments, provision of finance to other related companies	100.00	100.00
Urozhay NVF	Ukraine	Grain cultivation	<u>0.5</u>	<u>0.5</u>

(*) Starynska PF and Zernoproduct are 100% owned by MHP Group

(i) On December 27, 2016, the Company became the legal and beneficial owner of 1,000,370 shares in Starynska Ptahofabryka, acquired for an amount of US\$ 4,649,706, representing 5.00 % of its issued share capital. The consideration was satisfied through the transfer of 531,395 GDRs held by the Company. Raftan Holding Ltd, a wholly owned subsidiary of the Company, held the remaining 95.00 % of the shares.

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for the year ended 31 December 2017

11. Investments in subsidiaries (Cont'd)

Following the above transaction and the before the end of the year 2016, in the context of an internal Group restructuring, Raftan Holding Ltd increased its indirect investment in Starynska Ptahofabryka to 99.75% whilst the direct ownership of the Company was reduced to 0.25%.

(ii) In the context of an internal restructuring which took place during 2017, Raftan Holding Ltd increased its indirect investment in Zernoproduct from 99.36% to 99.68% whilst the direct ownership of the Company was reduced to 0.32% from 0.64%.

(iii) During 2017 and 2016, the Company made a capital contribution to MHP B.V. for an amount of US\$ 663,952 and USD 2,293,044 respectively.

12. Loans receivable

	2017 US\$	2016 US\$
Loans receivable from subsidiary company (note 20.3) (i)	1,002,300,000	750,000,000
Loans receivable from indirect subsidiary company (note 20.3)		
	244,372	-
	<u>1,002,544,372</u>	<u>750,000,000</u>

(i) The loans granted to the subsidiary companies are denominated in United States Dollars, bear interest at the rates ranging from 8.6% to 9.35% per annum and are due for repayment between 2020 and 2024. The loans granted are unsecured.

Maturity analysis

The following tables sets out the contractual maturity of the loans. The tables have been drawn up based on undiscounted cash flows. The tables include both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the borrowings in the statement of financial position.

2017	Average effective interest rate %	Less than 1 year or on demand US\$	Between 2-5 years US\$	More than 5 years US\$	Adjustment US\$	Total US\$
Loans receivable (including accrued interest)	8.98%	46,179,968	611,233,596	769,682,932	(378,606,527)	1,048,479,969
		<u>49,179,968</u>	<u>611,233,596</u>	<u>769,682,932</u>	<u>(378,606,527)</u>	<u>1,048,479,969</u>

2016	Average effective interest rate %	Less than 1 year or on demand US\$	Between 2-5 years US\$	More than 5 years US\$	Adjustment US\$	Total US\$
Loans receivable (including accrued interest)	9.35%	21,536,078	978,242,466	-	(228,242,466)	771,536,078
		<u>21,536,078</u>	<u>978,242,466</u>	-	<u>(228,242,466)</u>	<u>771,536,078</u>

Fair values

The fair values of loans receivable approximate their carrying amount as at 31 December 2017.

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

13. Other receivables

	31 December 2017 US\$	31 December 2016 US\$
Accrued interest on loans receivable from subsidiary and indirect subsidiary companies (note 20.3)	45,935,597	21,536,079
Dividends receivable – Raftan Holding Limited (note 20.3)	35,796,638	63,152,800
Dividends receivable – Eledem Investments Limited (note 20.3)	5,950,000	-
Dividends receivable – Urozhay NVF (note 20.3)	163,646	168,925
Tax receivable	184,055	149,756
Other receivables	4,091	256,547
	<u>88,034,027</u>	<u>85,264,107</u>

The fair values of other receivables approximate their carrying amount as at 31 December 2017.

The exposure of the Company to credit risk and impairment losses if any, 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 2017 US\$	31 December 2016 US\$
Cash at bank	4,581,483	366,556
	<u>4,581,483</u>	<u>366,556</u>

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

The fair values of cash at bank approximate their carrying amount as at 31 December 2017.

15. Other financial assets

	31 December 2017 US\$	31 December 2016 US\$
Blocked cash at bank	2,533,676	4,195,600
	<u>2,533,676</u>	<u>4,195,600</u>

As of 31 December 2017, the Company held cash at bank in the amount of US\$ 2,533,676 (2016: US\$ 4,195,600) that were blocked serving as collateral to secure bank borrowings of subsidiaries of the Group (note 20.1).

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

NOTES TO THE FINANCIAL STATEMENTS

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16. Shareholders' equity

Share capital and share premium

As of 31 December 2017 and 2016 the authorized, issued and fully paid share capital of MHP SE comprised the following number of shares:

	<u>2017</u>	<u>2016</u>
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

As of 31 December 2017 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.

Out of the total 110,770,000 ordinary shares, 3,988,206 ordinary shares relate to the treasury shares sold by the Company to its subsidiary Raftan Holding Ltd.

Legal reserve

In accordance with the Luxembourg company law, the Company was required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve was not available for distribution to the shareholders.

Following the Transfer of Seat to Cyprus, there is no longer such requirement to maintain legal reserves. The Company has not yet decided how to apply this reserve.

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 non-controlling interest in indirect subsidiary company in the amount of US\$ 2,900,660. The difference between fair value of GDRs transferred and their carrying value, for the transaction referred to in note 11(i) amounting to US\$ 2,900,660 was recognized directly to other reserves.

Treasury shares

As of 31 December 2016, the Company had 3,988,206 treasury shares. On 1 April 2017, the Company sold its 3,988,206 GDRs (1 GDR corresponds to 1 share) to its subsidiary Raftan Holding Ltd for a total consideration of US\$38,725,480, generating a loss of US\$9,777,520. The receivable amount of US\$38,725,480 is shown as a deduction within equity under the classification of treasury shares.

17. Bond issued

	31 December 2017 US\$	31 December 2016 US\$
8.25% Senior Notes due 2020	495,600,000	750,000,000
7.75% Senior Notes due 2024	<u>500,000,000</u>	<u>-</u>
	995,600,000	750,000,000
Unamortized debt issuance costs	<u>(25,512,342)</u>	<u>(24,639,855)</u>
	<u>970,087,658</u>	<u>725,360,145</u>

As of 31 December 2017 and 31 December 2016 accrued interest on bonds issued was US\$15,371,366 and US\$15,125,000 respectively (see note 19).

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

17. Bonds issued (Cont'd)**7.75% Senior Notes**

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

Early redemption of 8.25% Senior Notes due in 2020 out of issue of 7.75% Senior Notes due in 2024, which were placed with the same holders and where the change in the net present value of the future cash flows discounted using the original effective interest rate was less than 10% was accounted as an exchange and thus, all the related expenses, including part of consent fees, were capitalized and will be amortized over the maturity period of the 7.75% Senior Notes due in 2024 in the amount of US\$ 9,830,000. Other related expenses, including part of consent fees, in the amount of USD 4,599,000 were expensed as incurred.

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: Ptahofabryka Peremoga Nova, Oril-Leader, Myronivsky Zavod po Vygotovlennyyu Krup i Kombikormiv, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Katerynopilsky Elevator, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Scylla Capital Limited, Raftan Holding Limited.

Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to Adjusted 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. 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.

8.25% Senior Notes

On 8 April 2013, MHP SE issued US\$ 750,000,000 8.25% Senior Notes due in 2020 at an issue price of 100% of the principal amount. US\$ 350,000,000 out of issued US\$ 750,000,000 8.25% Senior Notes were used to fund the early redemption and exchange of its existing 10.25% Senior Notes due in 2015.

The early redemption of the 10.25% Senior Notes due in 2015 out of the issuance of 8.25% Senior Notes due in 2020, which were placed with the same holders and where the change in the net present value of the future cash flows discounted using the original effective interest rate was less than 10% was accounted as an exchange. Thus all the related expenses, including part of consent fees, were capitalized and will be amortized over the maturity period of the 8.25% Senior Notes due in 2020 in the amount of USD 28,293,000.

Other related expenses, including part of consent fees, in the amount of US\$ 16,515,000 were expensed as incurred.

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: Ptahofabryka Peremoga Nova, Oril-Leader, Myronivsky Zavod po Vygotovlennyyu Krup i Kombikormiv, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Snyatynska Ptahofabryka, Katerynopilsky Elevator, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Scylla Capital Limited, Raftan Holding Limited, Merique Holding Limited.

Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to 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.

NOTES TO THE FINANCIAL STATEMENTS
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17. Bonds issued (Cont'd)

Consent solicitation

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

In relation to the Notes, the Company has, on the Consent Settlement Date, paid to those Holders from whom valid Consents were delivered and not revoked on or prior to the Consent Expiration Date and which Consents are accepted by the Company the Consent Payment of USD 12.50 for each USD 1,000 in principal amount of the Notes that were subject of the relevant Electronic Instructions.

Compliance with bond covenants

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

Weighted average effective interest

The weighted average effective interest rate on the Senior Notes is 9.25% per annum and 9.69% per annum for the year ended 31 December 2017 and 2016, respectively.

18. Loans payable

	31 December 2017 US\$	31 December 2016 US\$
Loans payable to subsidiary and indirect subsidiary companies		
Current portion	20,000,000	-
Non-current portion	57,363,883	56,280,143
	<u>77,363,883</u>	<u>56,280,143</u>

The loans payable are denominated in United States Dollars, bear interest ranging from 4.5% to 5.50% per annum and are repayable from 2018 to 2021.

Fair values

The fair values of loans payable approximate their carrying amount as at 31 December 2017.

19. Interest accrued

	31 December 2017 US\$	31 December 2016 US\$
Interest accrued on bonds issued	15,371,366	15,125,000
Interest accrued on loans payable to subsidiary and indirect subsidiary companies	7,145,189	4,080,165
	<u>22,516,555</u>	<u>19,205,165</u>

20. Related party transactions

Yuriy Kosyuk, the Company's Chief Executive Officer, owns 100% of the shares in WTI Trading Limited ("WTI"), which in turn directly owns a total of 59.8% of the total outstanding share capital of the Company (comprising 41,319,511 shares and 22,552,667 of the Company's global depositary receipts listed on the London Stock Exchange ("GDRs"), representing 38.7% and 21.1%, respectively, of the outstanding share capital of the Company).

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

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for the year ended 31 December 2017

20. Related party transactions (Cont'd)

20.1 Income from subsidiary and indirect subsidiary companies (Note 5)

	2017 US\$	2016 US\$
Dividends income	75,998,600	46,184,181
Interest income	82,240,953	72,750,000
	<u>158,239,553</u>	<u>118,934,181</u>

20.2 Expenses payable to subsidiary and indirect subsidiary companies (Note 7)

	2017 US\$	2016 US\$
Interest expense	3,065,024	2,731,563
	<u>3,065,024</u>	<u>2,731,563</u>

20.3 Receivables from related companies (Notes 12 and 13)

	31 December 2017 US\$	31 December 2016 US\$
Loans receivable from subsidiary and indirect subsidiary companies	1,002,544,372	750,000,000
Accrued interest on loans receivable from subsidiary and indirect subsidiary companies	45,935,597	21,536,079
Dividends receivable from subsidiary companies	41,910,284	63,321,725
Receivable from subsidiary on sale of treasury shares	38,725,480	-
Other receivables from related parties	38,390	117,248
	<u>1,129,154,123</u>	<u>834,975,052</u>

20.4 Payables to related companies (Note 18 and 19)

	31 December 2017 US\$	31 December 2016 US\$
Loans payable to subsidiary and indirect subsidiary companies	77,363,883	56,280,143
Interest accrued on loans payable to subsidiary and indirect subsidiary companies	7,145,189	4,080,165
Dividends payable to shareholder	-	36,359
Directors' fee payable	62,289	24,618
	<u>84,571,361</u>	<u>60,421,285</u>

Dividends payable to shareholder represent amount owed to WTI Trading Limited as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

21. Operating environment in Ukraine

In the recent years, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. In 2016-2017, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions.

In 2017, annual inflation rate amounted to 13.7% (2016: 12.4%). The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in real GDP smooth growth of around 2.1% (2016: 1.4%) and stabilization of national currency. From trading perspective, the economy was demonstrating refocusing on the European Union ("EU") market, which was a result of the signed Association Agreement with the EU in January 2016 that established the Deep and Comprehensive Free Trade Area ("DCFTA"). Under this agreement, Ukraine has committed to harmonize its national trade-related rules, norms, and standards with those of the EU, progressively reduce import customs duties for the goods originating from the EU member states, and abolish export customs duties during a 10-year transitional period. Implementation of DCFTA began on 1 January 2017. As a result, the Russian Federation implemented a trade embargo or import duties on key Ukrainian export products. In response, Ukraine implemented similar measures against Russian products.

In terms of currency regulations, the National Bank of Ukraine ("NBU") decreased the required share of mandatory sale of foreign currency proceeds from 65% to 50% from April 2017, increased settlement period for export-import transactions in foreign currency from 120 to 180 days from May 2017, and allowed companies to pay the 2013 (and earlier) dividends with a limit of USD 2 million per month from November 2017 (from June 2016, companies were allowed to pay dividends for 2014–2016 to non-residents with a limit of USD 5 million per month).

In March 2015, Ukraine signed four-year Extended Fund Facility ("EFF") with the International Monetary Fund ("IMF") that will last until March 2019. The total program amounted to USD 17.5 billion, while Ukraine has so far received only USD 8.7 billion from the entire amount. In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amount aimed to refinance the bonds due in 2019. The NBU expects that Ukraine will receive another USD 3.5 billion from the IMF in 2018. To receive next tranches, the government of Ukraine has to implement certain key reforms, including in such areas as pension system, anti-corruption regulations, and privatization.

Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently difficult to predict.

The management of the Company believes that the negative impact of the political and economic turmoil at the Ukrainian subsidiaries entities is reasonably limited due to the Ukrainian subsidiaries significant portion of export sales, its access to the international financial markets and the significant distance of its main production sites from any conflict zones.

22. Commitments and contingent liabilities

Blocked cash at bank

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, 2017 and made respectively between PJSC "Myronivsky Hliboproduct" as Borrower and Coöperatieve Rabobank U.A. as Lender.

As of 31 December 2017, the balance of the reserve accounts amounted to US\$ 2,533,676 (2016: US\$ 4,195,600).

Securities on the bank borrowings of the Group

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 15,242,056
- Deutsche Bank AG for an amount of EUR 2,481,620
- Ing bank N.V. bank for an amount of EUR 4,061,747
- LandesBank Berlin AG bank for an amount of EUR 6,664,903
- IFC bank for an amount of US\$ 73,750,000
- UkrSibbank for an amount of UAH 270,000,000
- EBRD for an amount up to US\$ 33,750,000
- EIB for an amount of EUR 25,529,000

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

22. Commitments and contingent liabilities (Cont'd)

Bonds (note 17)

The Senior Notes are secured by a first-ranking assignment of the Company's right under the Proceeds Loan with its subsidiary Eledem.

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

23. Events after the reporting period

On 5 March 2018, the subsidiary company, Raftan Holding Limited, declared dividends in the total amount of US\$ 81,000,000 to the Company.

In April 2018, the Company announced the issuance of US\$ 550,000,000 aggregate principal amount of 6.95% notes due 3 April 2026. The notes were issued by its newly established wholly owned subsidiary, MHP Lux S.A., a company incorporated in Luxembourg. As part of the transaction, US\$ 416,183,000 of existing 8.25% Senior Notes due in 2020 were redeemed and exchanged with the new issued notes.

On 6 March 2018, the Board of Directors of the Company approved the payment of an interim dividend of US\$ 0.7492 per share, equivalent to US\$ 80,000,920.