MHP

AGRO & INDUSTRIAL HOLDING

A LEADING INTERNATIONAL FOOD AND AGROTECH COMPANY

ANNUAL REPORT
AND ACCOUNTS 2022

CONTENTS

STRATEGIC REVIEW

WAR IN UKRAINE

THE MILITARY INVASION OF UKRAINE BY RUSSIAN FORCES BEGAN ON 24 FEBRUARY 2022, MARKING THE BEGINNING OF FULL-SCALE WAR ACROSS THE COUNTRY. AT THE TIME OF PUBLICATION OF THIS REPORT, THE WAR CONTINUES, INFLICTING DESTRUCTION ON UKRAINE'S INFRASTRUCTURE AND ITS POPULATION. MANY LIVES HAVE TRAGICALLY BEEN LOST, INCLUDING 58 MEMBERS OF OUR WORKFORCE KILLED IN ACTION AS OF THE DATE OF THIS REPORT; OUR THOUGHTS ARE WITH THE FAMILIES OF THESE PATRIOTIC COLLEAGUES.

The Group is managing successfully the significant risks and challenges caused by the sustained Russian attacks on Ukraine’s infrastructure and is currently operating at close to full production capacity.

At the time of publication, notwithstanding the significant general uncertainties inherent to the continued war, the management team sees a significant ongoing risk to operations due to the recurring attacks on the critical infrastructure of Ukraine which led to a number of disruptions in operations, particulary in the second half of 2022. The frequent attacks on infrastructure have continued in the first quarter of 2023.

For more information on the Group’s management of War-related risks see the Principal Risks and Uncertainties section on page 50 and the Audit & Risk Committee Report on page 127.

MHP’S RESPONSE TO THE WAR

The past year has demonstrated the tremendous resilience and agility of MHP’s business model and workforce. The Group’s ability to maintain operations and ensure stable production is also attributable to the steps rapidly implemented by the management team at the start of the War in areas including supply chain management and logistics.

Managing extreme uncertainty, ensuring the safety of the workforce, and maintaining operations and employment were the greatest challenges following the invasion. On 24 February 2022, the Group established three war-time priorities which remain unchanged today: ensuring the safety and wellbeing of our workforce; domestic food security; and supporting Ukraine and its people. At the same time, the Group put in place systems to ensure constant communication with all its stakeholders. Management teams were devolved to enterprises in the regions to provide effective leadership and role models, to boost morale, and to demonstrate courage and, above all, unity.

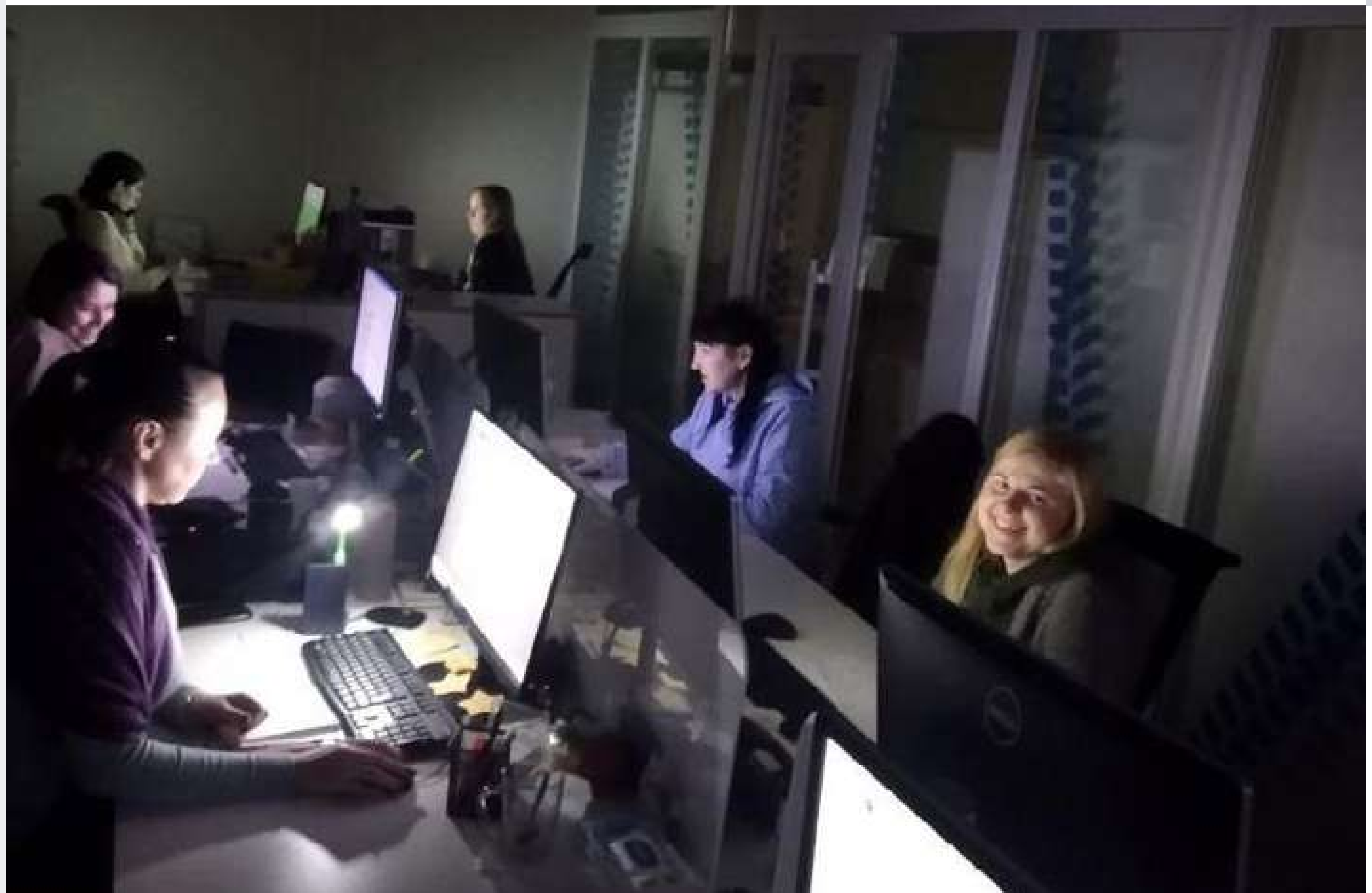
For an overview of the Board’s main areas of focus since the outbreak of War, see the Chair’s Introduction to Corporate Governance on page 114.

1 SAFETY AND WELLBEING OF OUR WORKFORCE

MHP's culture of looking after its people has never been more pertinent than over the past year. Since the outbreak of the War, the Group has spared no effort to ensure the safety and well-being of its workforce. MHP has (a) identified those most at risk, relocating approximately 600 staff and their families from dangerous locations to 'hubs' in safer areas (b) endeavored to provide a safe working environment for employees returning to work and (c) continued to offer stable employment to our workforce, committed to ensure Ukraine's food security.

Broader ongoing support includes packages of assistance to employees who have suffered because of military action; full coverage of treatment and rehabilitation costs in the event of injury caused by the hostilities; psychological support; and the establishment of children’s centres to enable employees to go to work. More information on support provided by the Group can be found in Growth Pillars 2 and 3 on pages 63 and 75.

MHP is continuing to pay wages in full to all employees seconded to the Ukrainian Army. At the time of publication, that number is over 1,700 people.



2 FOOD SECURITY AND HUMANITARIAN AID

Since the outbreak of War, the workforce has been united in undertaking every effort possible to ensure that Ukrainians have access to food now and in the future. MHP’s businesses and sales teams have continued to work and to assist partners in all regions, often in dangerous situations, operating large fleets of logistics vehicles. Adaptations to our business model included the establishment of new routes to market and two-way supply chains. For more information, please see the CEO’s Statement on page 18.

Working with volunteers and alongside NGOs, the Group has provided over 12,000 tonnes of poultry, other food products, and equipment pro bono to residents of war zones, communities, hospitals and maternity homes, charitable institutions, and internally displaced persons.

Following de-mining and the Ukrainian re-claiming of land, the Group completed the harvest on virtually all MHP’s land in 2022 (cropped land around 341,000 hectares compared with 351,400 hectares in 2021).

3 SUPPORT FOR UKRAINE AND ITS PEOPLE

The Group remains highly responsive to the Ukrainian population's needs. MHP has worked tirelessly in cooperation with NGOs and local authorities, and through the MHP Charitable organisation "MHP – Gromadi", to support the safety and wellbeing of the people of Ukraine through a range of cultural, social, and economic initiatives.

Support to date has included the purchase of modern ambulances and a tow truck for the evacuation of medical vehicles transporting wounded Ukrainian soldiers; the provision of refrigeration services for supermarkets; aid and support (including healthcare, access to social services and counselling) to more than 300,000 internally displaced persons (IDPs) from around 100 Ukrainian centres; the provision of the Group's KOKO-branded baby food and other hygiene products to 100,000 IDP children; the establishment of two IDP shelters in central and western Ukraine; and financial contributions towards the establishment of 75 bomb shelters in kindergartens, schools and hospitals across eight regions of Ukraine. The Group's National "Cinema for Victory!" initiative was launched in August 2022 with the objectives of boosting morale and providing support and encouragement to communities and IDPs. 1,306 film screenings were held in 2022 in 18 regions of Ukraine.

The Group also continues to support Ukraine's economy. To promote the sustained development of entrepreneurship during the War, MHP has provided business grants for start-ups and for the relocation of businesses to safer areas, and, in response to Russia's relentless attacks on Ukraine's energy infrastructure, funding for projects working to ensure local energy security. Working with the Ministry of Agrarian Policy and Food, the Group is supporting the development and implementation of business ideas for the development of agriculture in communities and food self-sufficiency. For more information on the broad support provided, see Growth Pillar 3 on page 75.

Key to the Group's economic support is the maintenance of our operations and workforce. Throughout the War, the Group has focussed on mobilising employees and maximising employment levels. This has been possible due to the tremendous engagement of our workforce and, often, the retraining of employees, for example, in logistics. The implementation of our adaptive approach to remuneration also enabled the Group to maintain maximum levels of activity at the enterprises. For more details, see Growth Pillar 3 on page 75.

WAR-RELATED LOSSES, DISRUPTIONS AND COSTS

At the time of publication, the Group has not suffered any material damage to its facilities, infrastructure and produce in Ukraine except for the destruction of a leased storage facility in Kvitneve village resulting in a loss of US$6 million (approximately 3,000 tonnes) of frozen poultry in March 2022. The "Ukrainian Bacon" (meat-processing) operations in the Donetsk region were suspended in April 2022 and subsequently transferred to other locations in Ukraine.

In the second half of 2022, MHP experienced a number of significant disruptions and operational issues within its business as a result of severe power outages in Ukraine caused by Russia's attacks on Ukrainian power generation and distribution infrastructure. These outages caused temporary instability of oilseed processing, poultry and silo operations, which the Company managed to mitigate equipping its key assets with diesel generators.

The Group has incurred substantial War-related costs. For the period ended 31 December 2022. These amounted to US$ 69 million, including community support donations, write-off of inventories and biological assets, and other War-related expenses.

THE GROUP HAS INCURRED SUBSTANTIAL WAR-RELATED COSTS OF

US$

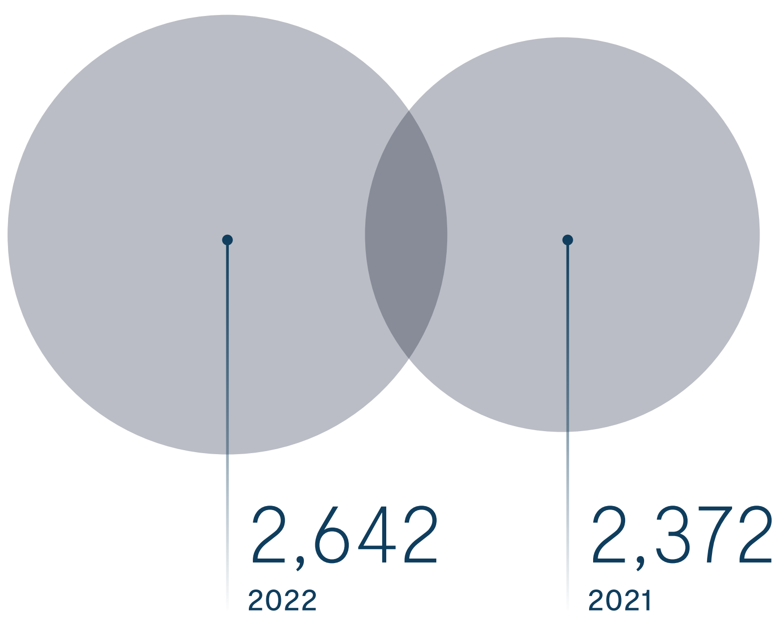
69 M[1]

[1] *Without loss on impairment of property, plant and equipment (section War in Ukraine)*

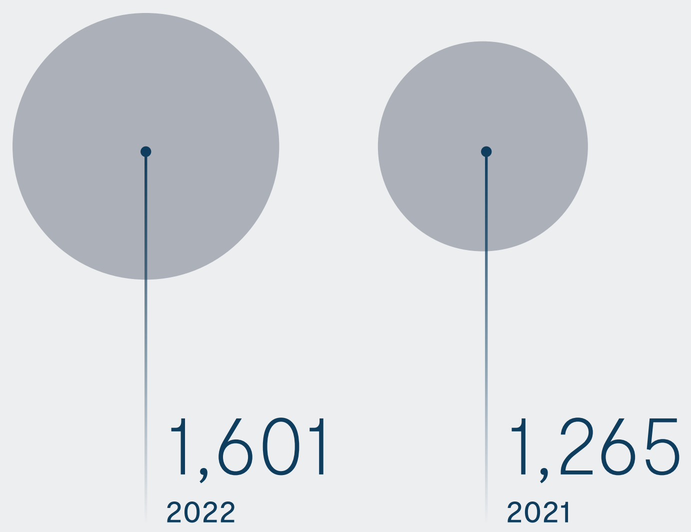
PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

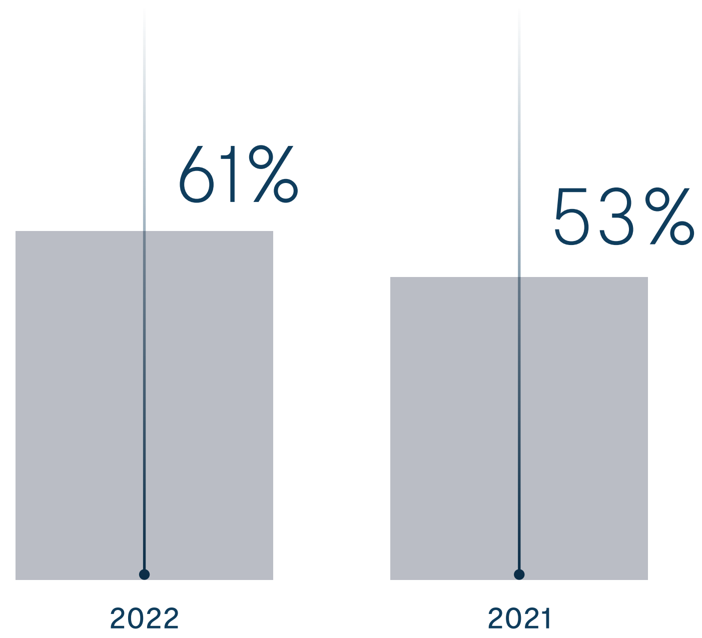
REVENUE
US$ million
+11% y/y



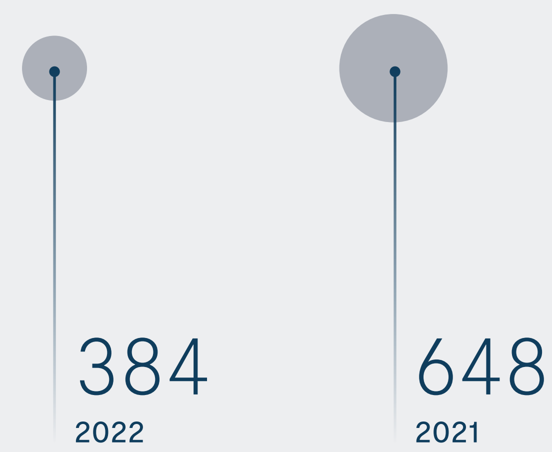
EXPORT REVENUE
US$ million
+26% y/y



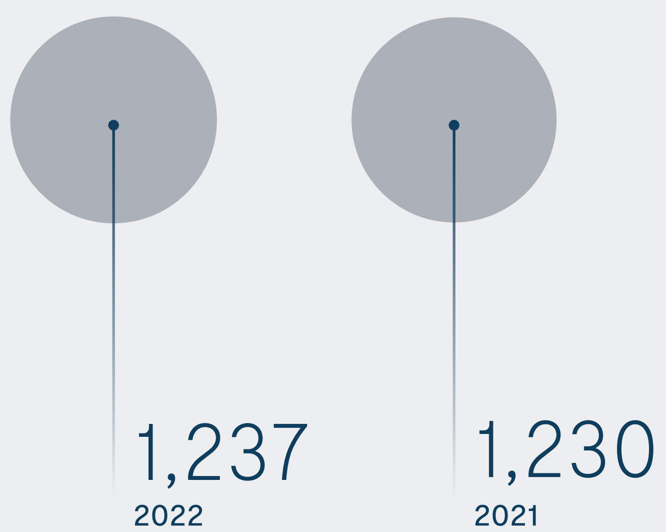
EXPORT REVENUE AS A % OF TOTAL REVENUE



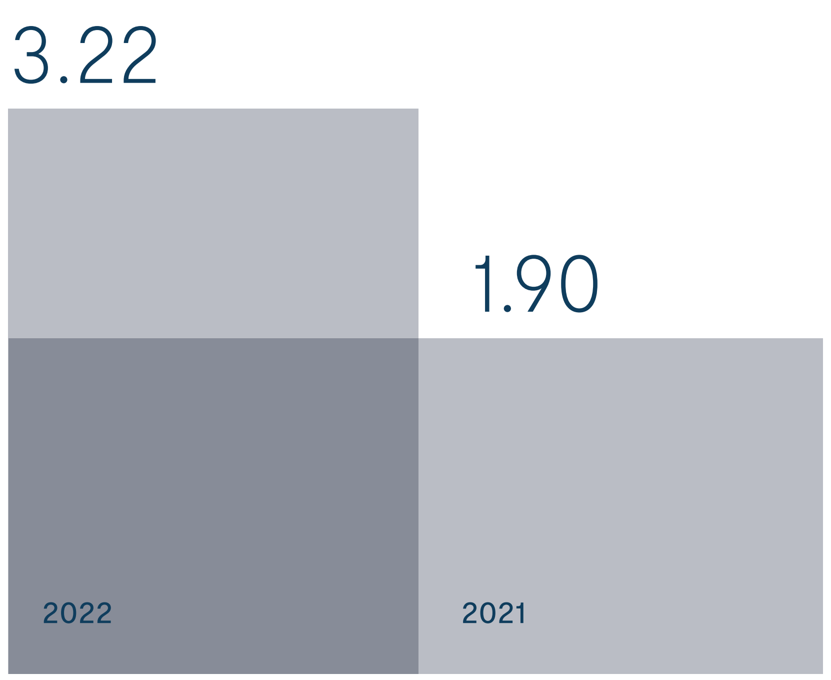
ADJUSTED EBITDA[1]
US$ million
–41% y/y



NET DEBT
US$ million



NET DEBT/LTM EBITDA RATIO



WAR-RELATED COSTS[2]
2022:
69
US$ million

2021: NIL

[1] Adjusted EBITDA is net of IFRS 16
[2] Without loss on impairment of property, plant and equipment (section War in Ukraine)

OPERATIONAL HIGHLIGHTS

RESILIENCE

The Group is operating at almost
100%
capacity utilisation despite War-related challenges

RESISTANCE

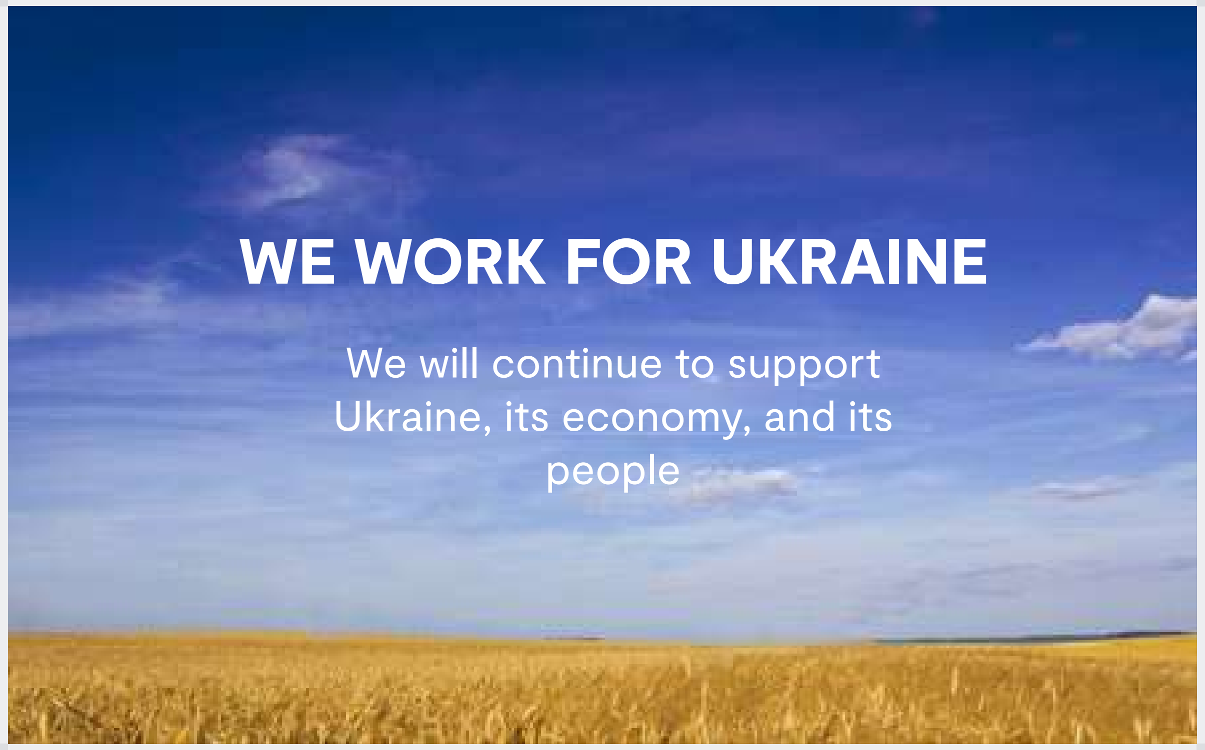
Our vertically integrated business model underpinned our robust performance

INNOVATION

Re-establishment of supply and export routes has enabled the Group to continue to export to over
70+
countries

SUPPORT FOR MOBILISED EMPLOYEES

1,700
people of our workforce mobilised to the Ukrainian army; MHP continues to pay their salaries in full



PARTNERSHIPS

Unprecedented ongoing support from bondholders, creditors, and suppliers

FINANCIAL SUPPORT

US$12.9M
paid in support of the elderly, mobilised employees, and their families

CARE FOR OUR WORKFORCE

Broad ongoing support for our
28,300
– strong workforce and their families

HUMANITARIAN AID

OVER
12,000
tonnes of poultry donated pro bono to Ukraine

US$28.4M
of funding provided for social projects (incl. response to War)

OUR COMMITMENT TO RESPONSIBLE BUSINESS CONTINUES

For detailed information on our approach to responsible business see our six Growth Pillars set out from page 54 onwards.

GREENHOUSE GAS EMISSIONS — UKRAINE

SCOPE 1 EMISSIONS, TONNES

–5% y/y

353,413
2022

373,673
2021

SCOPE 2 EMISSIONS, TONNES

–7% y/y

220,985
2022

237,776
2021

CARBON TRUST

Alltech ECO2 project finalised

Carbon Trust accreditation process underway

ENERGY MANAGEMENT — UKRAINE

TOTAL ENERGY USED FROM RENEWABLE SOURCES, TJ

STABLE

1,707
2022

1,691
2021

OF WHICH BIOGAS, TJ

STABLE

1,031
2022

1,065
2021

WATER USAGE

UKRAINE WATER USAGE

14.5 MILLION m^3

EUROPEAN OPERATING SEGMENT WATER USAGE

2.0 MILLION m^3

MHP AT A GLANCE

WE ARE MHP

MHP is a leading international food and agrotech company. The Group is focussed on developing and providing high quality, sustainable proteins, food products and culinary solutions that are safe and responsibly sourced.

The Group is the largest producer of poultry, culinary and processed-meat products, and grains and oils in Ukraine. It is also one of the leaders in poultry production and meat processing in the Balkans through its Perutnina Ptuj operations.

Since 2019, MHP has been transforming to a culinary company. Its vision is to be a world-leading sustainable food producer.

WE WORK FOR UKRAINE

Since the invasion of Ukraine by Russia in February 2022, our near-term purpose and strategy have evolved as we have adapted to the rapidly changing situation. Our immediate priority is to safeguard the security of our workforce and the people of Ukraine, and to work to ensure food security. Our long-term purpose and strategy remain unchanged.

For information on the Group’s response to the War, and on the support provided by MHP, see the War in Ukraine section on page 4 and Growth Pillars 2 and 3 on pages 63 to 77.

OUR PURPOSE AND STRATEGY

THE GROUP'S NEAR-TERM PURPOSE AND STRATEGY HAVE EVOLVED AND ADAPTED AS MHP HAS PLAYED A LEADING ROLE IN BOTH DOMESTIC AND INTERNATIONAL FOOD SECURITY AND THE PROVISION OF HUMANITARIAN AID DURING THE WAR IN UKRAINE. OUR LONG-TERM PURPOSE AND STRATEGY REMAIN UNCHANGED.

OUR PURPOSE

To provide our customers with high quality, sustainable proteins, food products and culinary solutions that are safe and responsibly produced.

Our Purpose drives everything we do: our strategy, our culture, and our approach to responsible business.

OUR STRATEGY

Our medium- to long-term strategic objectives remain unchanged.

TRANSFORMATION TO A CULINARY COMPANY

The continued development of value-added food products, supported by our state-of-the-art culinary research centre, and in collaboration with customers and leading culinary experts.

Development of retail and HoReCa segments including street food, dark kitchens, and virtual restaurants.

Strategic partnerships with food industry players, and investment in businesses that expand the Group's culinary expertise.

Client business development training for all sales teams.

INTERNATIONAL DIVERSIFICATION AND EXPANSION

The expansion of existing and entry into new export markets through market targeting and increased sales of higher margin, value-added products.

EXPANSION OF INTERNATIONAL SALES AND DISTRIBUTION NETWORK

Launch of new international sales branches and distribution offices, and the potential establishment of joint ventures.

BECOME THE UNDISPUTED LEADER IN THE AGRICULTURAL MARKET OF UKRAINE

Ensure high efficiency crop production through higher yields and optimisation of cost control, including the digitisation of production and harvesting processes.

Ensure the stability of the Group's landbank.

CONTINUOUS IMPROVEMENT AND INNOVATION

Maintenance of the Group's "continuous improvement" approach including optimising human productivity; high biosecurity standards; environmental standards; health and safety; and animal welfare practices, including the antibiotic-free programme.

PEOPLE AND WORKFORCE

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

EFFICIENCY OF BUSINESS PROCESSES

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

BRAND PROMOTION AND DEVELOPMENT

Continue to promote and develop MHP's strong brands, both domestically and internationally, through consumer-driven innovation, rigorous quality control, and the introduction of new products.

ALTERNATIVE ENERGY PROJECTS

Expand alternative energy projects including biogas, biomethane, and biomass with carbon capture and storage ("BECCS"), resulting in carbon sequestration].

M&A OPPORTUNITIES AND STRATEGIC PARTNERSHIPS

Continue to monitor and explore M&A opportunities and potentially acquire assets in the UK, EU, and MENA.

CULINARY TRANSFORMATION

Since 2019, MHP has been transforming from a raw materials provider to an international company specialising in the development of culinary solutions for its customers. This evolution reflects the accelerating changes in the food production landscape as consumer preferences shift to sustainable food choices and higher value-added products.

RESPONSE TO WAR

The dynamic situation in Ukraine presents both significant challenges and new opportunities. Strategic adaptations in response to the War have focussed upon logistics and supply lines. For more information see the War in Ukraine section and the CEO's Statement on pages 4 and 18 respectively.

OUR CULTURE

Our cultural identity and values drive the way we work, our behaviours and our decision making. They unite us.

COURAGE

INTEGRITY

TEAMWORK

ACCOUNTABILITY

TRANSPARENCY

MHP aims to build a culture where everyone's welfare, health and safety, and wellbeing matters within a workplace that is welcoming to all.

Our values and culture have been actively demonstrated during the War by the support our workforce has provided to the people of Ukraine and by the tremendous courage, teamwork, and resilience our people have shown throughout.

Growth Pillars pages 54 to 106

RESPONSIBLE BUSINESS

Our Purpose is directly linked to six Growth Pillars that guide us as we pursue our strategy.

STAKEHOLDER ENGAGEMENT
pages 59 to 62

OUR PEOPLE AND THEIR WELLBEING
pages 63 to 74

OUR ROLE IN SOCIETY AND OUR LICENCE TO OPERATE
pages 75 to 77

RESPONSIBLE FOOD PRODUCTION
pages 78 to 86

THE PLANET
pages 94 to 106

BUSINESS CONDUCT
pages 87 to 93

Growth Pillars pages 54 to 106

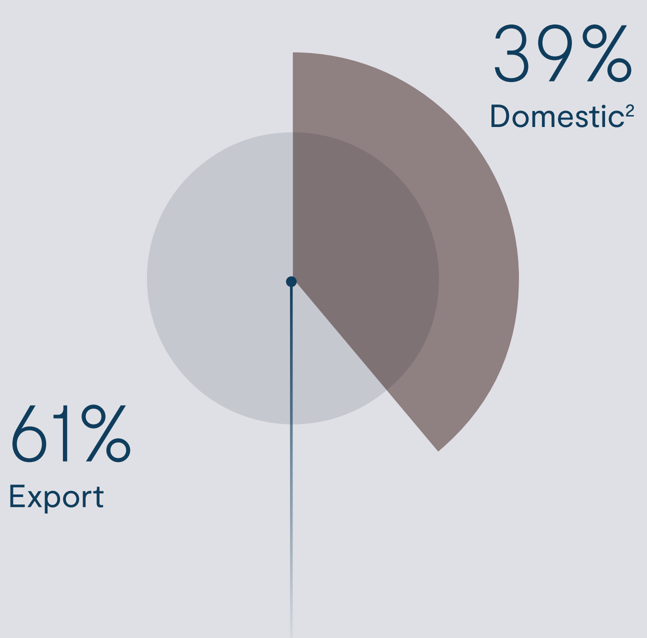
WHERE WE OPERATE

MHP is headquartered in Ukraine with operations in Ukraine and in the Balkans, and with distribution centres in the UAE, Saudi Arabia, the Netherlands[1] and the UK.

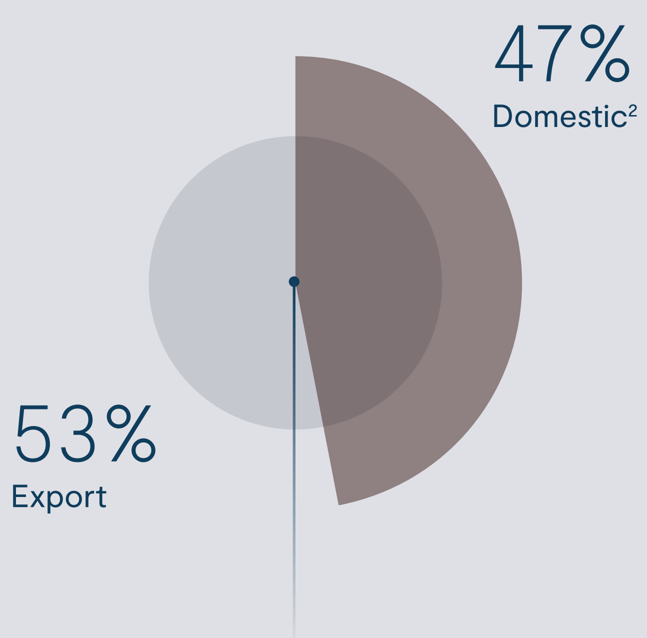
GROUP REVENUE BY DESTINATION

The Group has a strong position in the domestic market and diversified international markets, exporting to 72 countries, primarily in MENA, the EU and CIS.

For more information on exports see the CEO's Statement and the Operational and Financial Review on pages 18 and 38 respectively.



Group revenue by destination
2022



Group revenue by destination
2021

SHARE OF POULTRY EXPORT VOLUME, %

WE EXPORT TO
70+
COUNTRIES

[1] Operations in the Netherlands also include a cutting plant.
[2] Domestic revenue comprises revenue generated from sales by MHP Ukraine in Ukraine; and revenue generated from sales by Perutnina Ptuj in the Balkans.

OUR OPERATIONS

The Group is organised into and operates through four business segments.

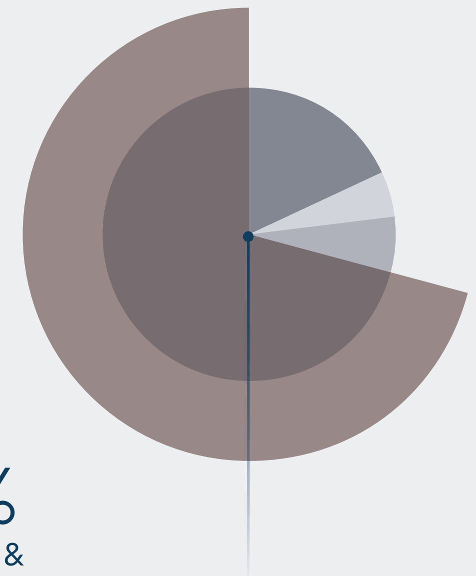
More detail on the products, brands and strategy of the business segments can be found in the Segment Overview on page 20.

For information on the performance of each business segment and the drivers behind the year-on-year trends please see the Financial and Operational Review on page 38.

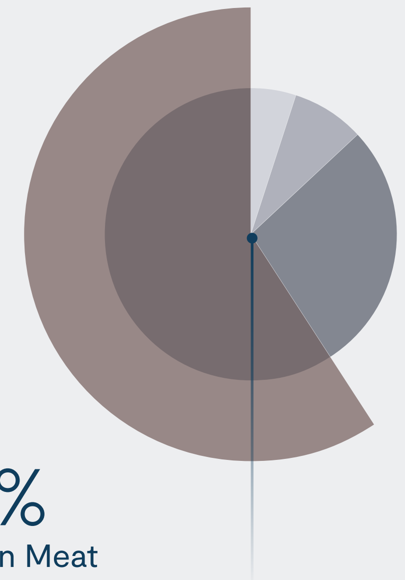
MHP has a vertically-integrated business model, owning and operating modern facilities at each of the key stages of the chicken meat production process and differentiating MHP from its peers.

See page 28 for more information on the Group's business model.

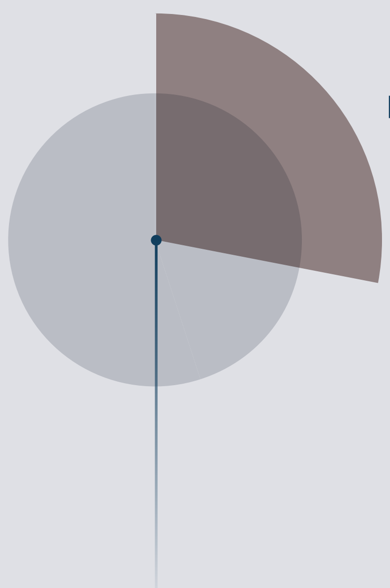
GROUP REVENUE BY BUSINESS SEGMENT 2022

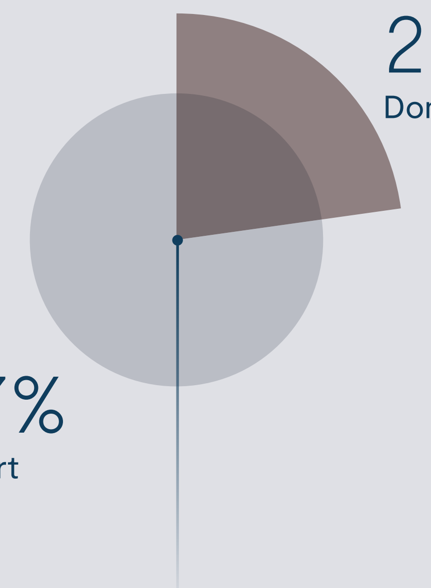


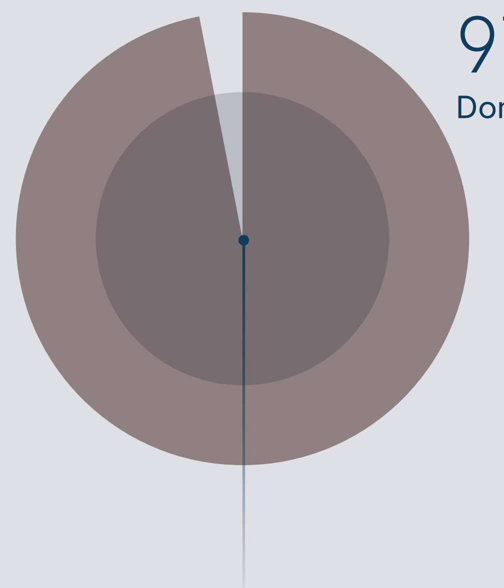
GROUP EXPORT BY PRODUCT 2022

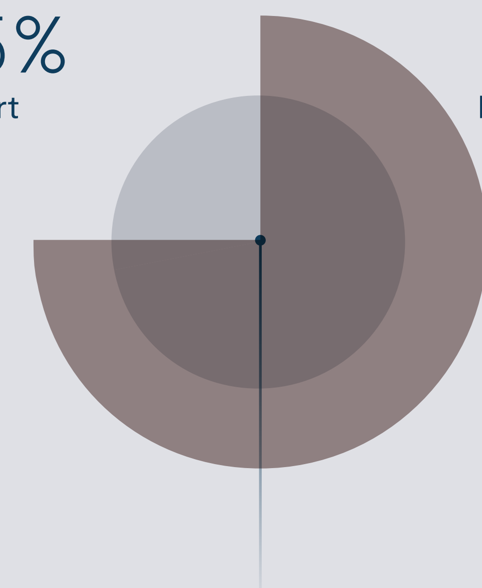


BUSINESS SEGMENT REVENUE BY DESTINATION 2022









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

[2] *For the European Operating Segment, domestic revenue comprises revenue generated from sales by Perutnina Ptuj in the Balkans.*

CHAIR'S STATEMENT

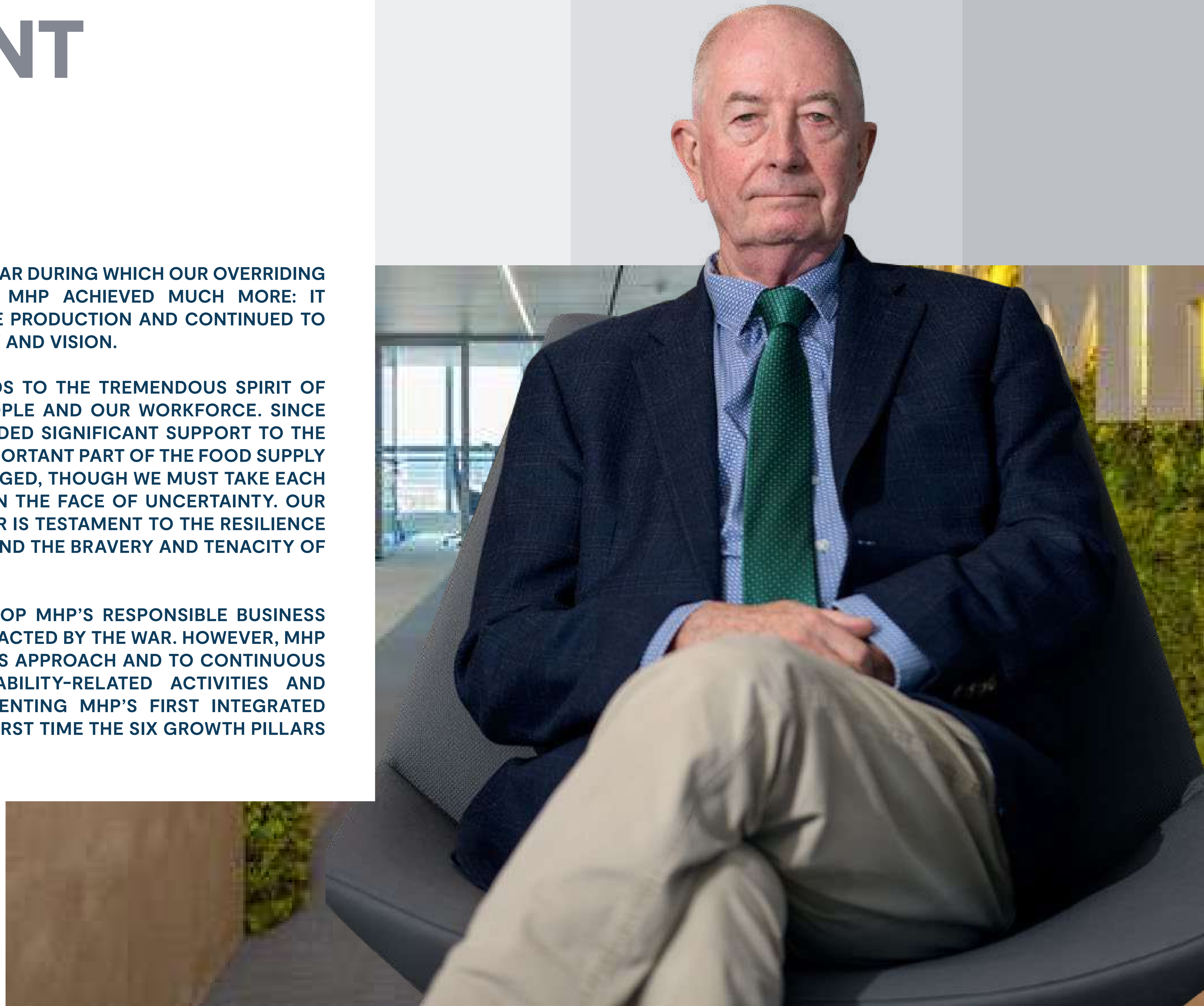
"

DEAR SHAREHOLDER

2022 WAS AN INTENSELY CHALLENGING YEAR DURING WHICH OUR OVERRIDING PRIORITY WAS TO SURVIVE. HOWEVER, MHP ACHIEVED MUCH MORE: IT MAINTAINED ITS OPERATIONS AND STABLE PRODUCTION AND CONTINUED TO INVEST, WHERE POSSIBLE, IN ITS STRATEGY AND VISION.

IT IS DIFFICULT TO DO JUSTICE IN WORDS TO THE TREMENDOUS SPIRIT OF UKRAINE AND THE COURAGE OF ITS PEOPLE AND OUR WORKFORCE. SINCE THE OUTBREAK OF WAR, MHP HAS PROVIDED SIGNIFICANT SUPPORT TO THE PEOPLE OF UKRAINE AND REMAINS AN IMPORTANT PART OF THE FOOD SUPPLY CHAIN. OUR STRATEGY REMAINS UNCHANGED, THOUGH WE MUST TAKE EACH DAY AS IT COMES AND SWIFTLY ADAPT IN THE FACE OF UNCERTAINTY. OUR ROBUST PERFORMANCE DURING THE YEAR IS TESTAMENT TO THE RESILIENCE AND AGILITY OF OUR BUSINESS MODEL, AND THE BRAVERY AND TENACITY OF OUR PEOPLE.

CLEARLY THE GROUP'S STEPS TO DEVELOP MHP'S RESPONSIBLE BUSINESS STRATEGY HAVE BEEN SIGNIFICANTLY IMPACTED BY THE WAR. HOWEVER, MHP REMAINS COMMITTED TO DEVELOPING ITS APPROACH AND TO CONTINUOUS IMPROVEMENT IN BOTH ITS SUSTAINABILITY-RELATED ACTIVITIES AND REPORTING. I HAVE PLEASURE IN PRESENTING MHP'S FIRST INTEGRATED REPORT IN WHICH WE SET OUT FOR THE FIRST TIME THE SIX GROWTH PILLARS OF OUR SUSTAINABILITY FRAMEWORK."



OUR PEOPLE

I want to express my heartfelt thanks to our people for their efforts and sacrifices. Many have placed themselves in very dangerous situations to achieve our shared goal of ensuring food security for Ukraine; many have learned new skills and retrained; all have demonstrated commitment and courage; many were mobilized.

In these extraordinary circumstances, I want to highlight the exceptional contribution from Yuriy Kosyuk, our founder and CEO. Yuriy has led from the top, 24/7, since the start of the war. His natural effervescence and optimism, combined with his limitless energy and drive, have had a tremendously positive impact on our employees, our management team, and our stakeholders; he has been a role model for Ukraine.

I also wish to extend my thanks to the non-executive members of the Board for their support and special contributions during wartime. There has been non-stop communication between the non-executives and the executive management team. The non-executives have been instrumental in rallying international support and in ensuring that the world is made aware of the grim realities of the situation in Ukraine in using their networks of international contacts to facilitate progress; and in boosting morale. More information on the Board's contribution and interaction with stakeholders can be found in the Sustainability and International Affairs Committee Report on page 135 and the Corporate Governance Report on page 116.

SUPPORT FROM OUR STAKEHOLDERS AND PARTNERS

I am extremely grateful for the support provided by the financial community and for their continued backing of MHP, which we hope will continue in the future taking into account challenges of the War. Of note was the unprecedented strong support from our bank lenders and our Eurobond holders during the consent solicitation process in March 2022. I am grateful too to the EBRD for its continued support in the form of an extension to the Group of a short-term facility of EUR 24 million in June 2022 as part of its Food Security Ukraine package, and for its more recent US$ 100 million short-term loan in February 2023 for PXF.

The Group has received generous and widespread support from many international partners and stakeholders. It is, of course, not practicable in this forum to mention all these contributions. That said, I would like to briefly note the support from AllTech E-CO2 and BASF, namely in helping with our environmental development projects and enzymes and vitamins pro bono supply earlier this year in order to help MHP during the war time.

As part of our commitment to effective communication with all our stakeholders during such challenging times, we have, since April 2022, published monthly operational trading updates in addition to our 'normal' reporting schedule. For more information on our engagement with stakeholders, see Growth Pillar 1 on page 59.

FOLLOWING THE GROUP'S ROBUST FY 2022 PERFORMANCE AND TREMENDOUS EFFORTS TO MAINTAIN OPERATIONS, PRODUCTION AND SALES VOLUMES, THE GROUP IS FUNDED TO MAINTAIN OPERATIONS AND BUSINESS CONTINUITY.

FY 2022 PERFORMANCE

Despite the very significant and ongoing War-related challenges, the Group reported a relatively robust performance for the FY 2022 with revenue of US$ 2,642 million, up 11% y/y, and EBITDA of US$ 384 million, down 41% y/y. The decline in profitability was driven by an 13% decrease in USD terms in Ukraine poultry meat prices in Ukraine including an 8% decline in export sales volumes offset partly by a 40% increase in export prices; and by a 26% decline in harvest volumes mainly due to unfavourable weather conditions during the summer and autumn harvesting seasons. For detailed commentary on the financial results and our outlook for what will be another challenging year in 2023 see the Financial and Operational Review on page 38.

FINANCIAL POSITION

Following the Group's robust FY 2022 performance and tremendous efforts to maintain operations, production and sales volumes, the Group is funded to maintain operations and business continuity. Given the ongoing military hostilities and sustained attacks on Ukraine's energy infrastructure, the outlook still remains highly uncertain. More information on the Group's financial position, cash flow, debt structure and liquidity can be found in the Financial and Operational Review on page 38.

CORPORATE GOVERNANCE

The Group recognises the importance of strong corporate governance in line with good international practice and aims to comply with the requirements of the UK Corporate Governance Code 2018 (the "UK Code") to the extent practicable. Despite the War, MHP has continued to develop its approach to corporate governance. Following consideration during the year, the Group has drafted a Diversity Statement which is due to be approved by the Board in 2023. This Statement sets out our commitment to creating an equal and inclusive working environment for people of all backgrounds. In 2022, we updated the Group's Ethics and Compliance Programme to manage effectively the new challenges presented by the Russian invasion. More information can be found in Growth Pillar 5: Business Conduct on page 87.

CORPORATE GOVERNANCE (CONTINUED)

On 7 March 2023, we were delighted to announce the appointment of a new Independent Non-Executive Director. Mr. Oscar Chemerinski brings with him extensive experience in agribusiness, emerging markets, risk management, sustainability and business strategy. Following Mr. Chemerinski's appointment, and at the time of publication, the Board comprises four Independent Non-Executive Directors and four Executive Directors, including the Executive Chair.

PLANET

MHP aims to conduct its activities in an environmentally responsible manner and to meet the global challenges presented by climate change. Our green transformation vision and decarbonisation process were put in place before the War. Clearly, progress has slowed, but in 2022 we have reported lower greenhouse gas emissions year-on-year as a result of energy efficiency measures which are carried out as part of the implementation and requirements of the ISO 50001 energy management standard.

Our Net Zero 2030 target remains. However, we must acknowledge that 2030 is a potentially moveable goal in the current circumstances: if there is a relatively near-term resolution to the War, 2030 may prove achievable. If, however, the war continues for a longer period then realisation may be pushed back. The potential importance of the Ukrainian reconstruction phase in the achievement of Net Zero cannot be underestimated. Despite setbacks, we have made progress during 2022. The Carbon Trust accreditation process is now underway: a remarkable achievement in the challenging circumstances and one which demonstrates the Group's desire to meet its Net Zero target as soon as practicable. The Group continues to use biogas to produce electricity, industrial steam, and heating. It is also integrating energy storage technology and looking to roll this out more widely, as well as investing in biomethane projects. In addition, for the first time, this Report discloses information in line with the recommendations of the Taskforce on Climate Related Financial Disclosure ("TCFD"). For TCFD and more information on our progress and our work with the Carbon Trust, see Growth Pillar 6 on page 94.

DIVIDENDS

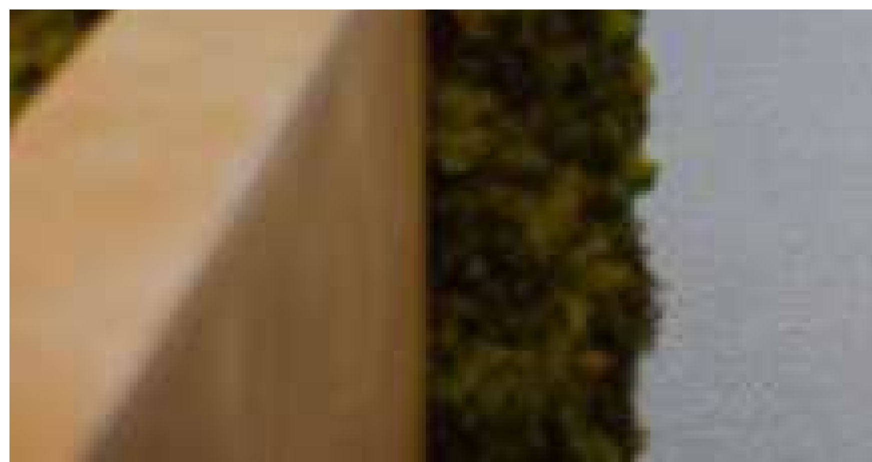
Given the uncertainties of War, and the resulting need to preserve liquidity to support the Group's ongoing business operations and sustain the population of Ukraine, the Directors have decided not to declare a final dividend for the 2022 financial year.

GLOBAL PARTNERSHIPS AND DEVELOPMENTS

We continue to monitor global developments and potential opportunities to accelerate and expand our culinary transformation, particularly in the UK, EU, and MENA. A key tenet of our stated strategy has been supplementing organic growth with acquisitions, an approach borne out by the success of the integration of Perutnina Ptuj from 2019. That said, whilst international expansion remains on our agenda, it has inevitably had to take a back seat during the War. However, we have continued to make progress: following the opening of two direct sales branches in Saudi Arabia in 2021, and in line with our continued investment in the region, in February 2023 we announced the signing of a memorandum of understanding ("MoU") with Tanmiah Food Company, one of Saudi Arabia's leading producers of poultry and other processed-meat products. The MoU is the first step in the establishment of a joint venture, the aim of which will be to improve food security in the Kingdom. For more information on strategy, including future partnerships and alliances, see the Purpose and Strategy section on page 11.

While MHP has not been directly affected, outbreaks of Avian Influenza ("AI") in both commercial and wild birds continue to occur on an unprecedented scale across Europe and the United Kingdom. These outbreaks will continue to present significant challenges for the global poultry industry and coordinated inter-governmental management of these issues will be important for 2023. For more information, see the Sustainability and International Affairs Committee Report on page 135.

DR JOHN RICH Executive Chair, MHP Board
11 April 2023



CEO'S STATEMENT

"

MHP IS UNITED IN WORKING FOR UKRAINE. RECOGNISING THE GROUP HAS A KEY RESPONSIBILITY FOR ENSURING THE FOOD SECURITY OF THE COUNTRY, NOW AND IN THE FUTURE, I WANT TO THANK OUR PEOPLE FOR THEIR TIRELESS EFFORTS AND COURAGE: THE COURAGE TO WORK; THE COURAGE TO MAKE DECISIONS IN CONDITIONS OF COMPLETE UNCERTAINTY; THE COURAGE TO DEVELOP AND LEARN; THE COURAGE TO START SOMETHING NEW IN SUCH CHALLENGING TIMES. OUR WORKFORCE HAS GONE ABOVE AND BEYOND THE CALL OF DUTY TO DELIVER UPON OUR SHARED GOALS.

ASSISTANCE TO THOSE WHO ARE IN NEED COPING WITH CHALLENGES OF THE WAR: DISPLACED FAMILIES, ORPHANS, RETIRED, HOSPITALS AND SUPPORT FOR SOCIAL PROJECTS WAS ALSO ONE OF OUR MAIN PRIORITIES SINCE THE BEGINNING OF THE WAR IN UKRAINE.

OUR ROBUST 2022 PERFORMANCE REFLECTS THE RESILIENCE OF THE GROUP. WE CONTINUE TO DELIVER UPON OUR STRATEGY, ADAPTING, WHERE NECESSARY, TO THE CHALLENGES OF WAR. 2023 IS SET TO BE ANOTHER DIFFICULT YEAR: WE WILL CONTINUE TO MONITOR THE RISKS AND MANAGE UNCERTAINTY, BUT WE WILL CONTINUE MOVING FORWARD.

MHP'S TRANSFORMATION TO A CULINARY COMPANY BEGAN IN 2019 AND CONTINUES. OUR TRANSFORMATIVE MINDSET AND COLLECTIVE WILLINGNESS TO EMBRACE NEW CHALLENGES AND ESTABLISH NEW WAYS OF DOING THINGS IS NOW DEEPLY ROOTED IN THE GROUP'S DNA, AND HAS PREPARED US WELL FOR THE CURRENT UNEXPECTED WARTIME CHALLENGES."

OPERATIONAL REVIEW

When Russia invaded Ukraine, we immediately set out our priorities: to care for our people, to maintain food security, and to support Ukraine. Offline business needs offline leadership, and, with our management teams, I went direct to our enterprises to demonstrate resilience, unity, and our will to win, and to reorganise business processes. With constant communication channels in place, the provision of psychological support, the uninterrupted payment of stable wages, and Group Management by their sides, we were able to help our people gradually adjust to the new realities. We transformed businesses processes in response to war-related operational challenges more quickly than other companies in the market.

Operational challenges were very significant: the mobilization of employees; the disruption of supply chains; a temporary decrease in the supply of some goods, including vitamins and minerals to produce feed, and plant protection goods including pesticides; the physical destruction of energy and transport infrastructure; and the temporary occupation of some territories. Persistently high energy prices and record-high inflation in partner countries has also fueled price pressures in Ukraine.

Our strategy remains unchanged but rapid adaptations were made to our business model enabling us to maintain operations and production. Our focus was on logistics: by the end of April 2022, we had substantially increased the number of trucks in operation making it possible to transport by road products previously carried by rail or by sea. Our logistics teams and drivers worked tirelessly, often waiting for very prolonged periods at Ukraine's borders; our sales teams continued to work; we constantly communicated and cooperated with domestic and international partners, including distributors. Everything to ensure food security for Ukraine's population.

WHEN RUSSIA INVADED UKRAINE, WE IMMEDIATELY SET OUT OUR PRIORITIES: TO CARE FOR OUR PEOPLE, TO MAINTAIN FOOD SECURITY, AND TO SUPPORT UKRAINE.

The establishment of new routes to market enabled the continuation of exports. International agreements also facilitated routes and removed restrictions. On 22 July 2022, the Black Sea Grain Initiative was signed, putting in place procedures to safely export grain and vegetable oils from certain ports in Ukraine. In Europe, we are grateful for economic support under the Free Trade Agreement in the form of the lifting of quotas and the removal of tariffs on Ukrainian produce imported into the EU and Great Britain. At the time of publication, the Group is exporting to over 70 countries worldwide, a significant achievement in the circumstances.

OUR CULINARY TRANSFORMATION

Our transformation to a culinary company is fundamental and continued despite setbacks. This progress is testament to the determination and efforts of our Management Team, many of whom are new to the Company and all of whom share a developmental mindset and a focus on new opportunities. At the outbreak of War in February 2022, we stopped product development to focus on providing the most necessary and basic foods to domestic markets. Our culinary centre in Kyiv operated as a humanitarian hub during this time. However, from the end of March 2022, we resumed development and have since continued to innovate. That same month, we launched our own range of baby food under our "KOKO" brand, produced from our antibiotic- and growth hormone-free "Nasha Ryaba" chicken. At the beginning of the summer, we launched a frozen semi-ready-to-eat pizza. We will continue to evolve the food culture in Ukraine, offering more high-quality and tasty convenience, ready-to-cook and ready-to-eat products, giving consumers the opportunity to direct their time towards other activities. For more detailed information on our transformation to a culinary company, including the development of routes to market and the Group's culinary "ecosystem", see the Poultry & Related Operations Segment Overview on page 20 and Growth Pillar 4: Responsible Food Production, page 84.

OUR CULTURE AND VALUES

Our culture and values drive the way we work, our behaviours, and our decision making. They unite us. Both have been actively demonstrated during the War by the courage of our workforce, and the humanitarian aid and support provided to the people of Ukraine. We have never been more vividly aware of who we are. For this reason, we have started the process of officially forming the Group's Values. This project continues with the active participation of the Management Team, and I look forward to updating you on this process.

YURIY KOSYUK
CEO and Founder, MHP
11 April 2023

POULTRY & RELATED OPERATIONS

STRATEGY

The Segment's strategy is focussed on both international and domestic markets as the Group continues its transformation to a culinary company.

EXPORT MARKETS

International diversification and market targeting, combined with the development of both routes to market and value-added product ranges.

DOMESTIC MARKETS

The development and production of more value-added and further processed primary and cooked products and the evolution of routes to market through retail, HoReCa, modern trade and franchises.

For more information see Purpose and Strategy on page 11.

PRODUCTION FIGURES[1]

PRODUCT	2022	2021
Chicken meat produced, tonnes	**697,071**	754,387
Hatching eggs, million	**544**	563
Sunflower oil, tonnes	**318,202**	212,425
Soybean oil, tonnes	**44,620**	47,493
Mixed fodder, tonnes	**1,958,128**	1,920,607
Biogas, MW	**17**	17

[1] *For more information on the Segment's performance and year-on-year trends, please see the Financial and Operational Review on page 38.*

CUSTOMERS

Supplies products to a number of nationwide supermarket chains including Fozzy, Metro Cash & Carry, ECO, Novus and Auchan.

The Segment also produces and sells vegetable oils, mainly to international traders. This is an important source of hard currency revenue.

OPERATIONS

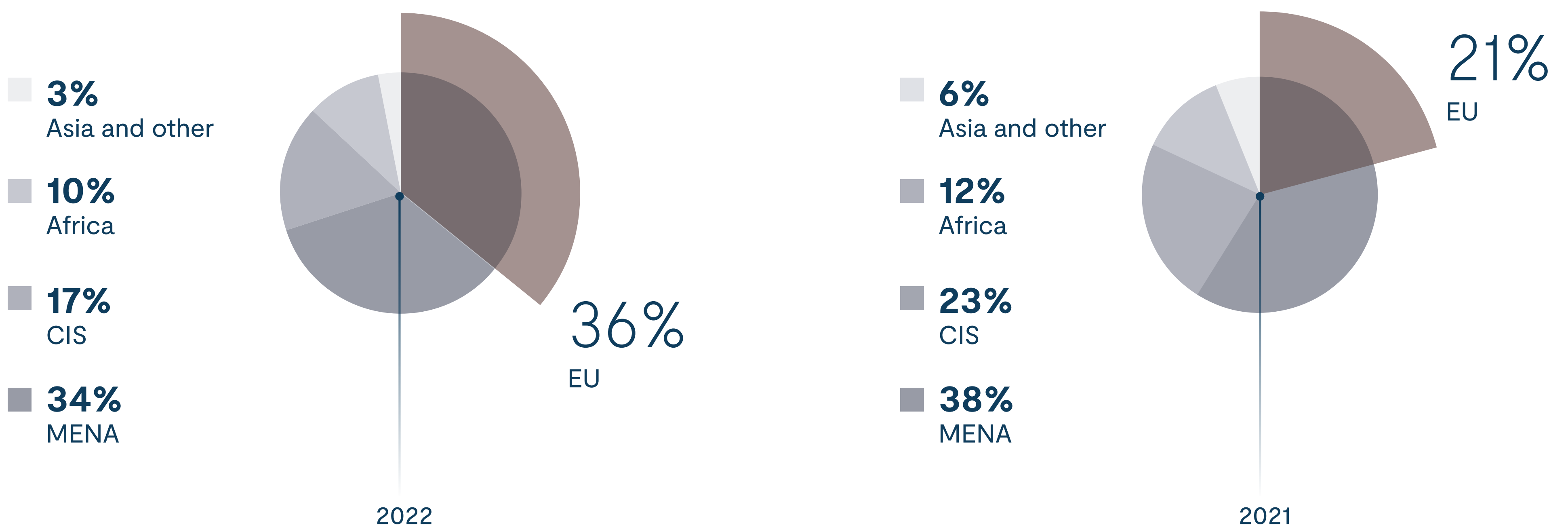
Processes and sells chicken meat (fresh and frozen, whole and cuts); pre-prepared and culinary products (marinated chicken, and ready-to-eat and ready-to-cook convenience food, including restaurant-grade products); vegetable oils (sunflower and soya); and mixed fodder.

Our operations support the circular economy with by-products used to produce biodiesel, biogas, culinary fats, fodder and natural fertilisers.

*For more information on our **business model see page 28.***

Operations include three chicken meat complexes, two breeding complexes, three sunflower oil plants, one soybean crushing plant, three feed mills and two biogas complexes.

POULTRY EXPORT VOLUMES BY REGION IN TONNES, %



CULINARY TRANSFORMATION

OUR TRANSFORMATION TO A CULINARY COMPANY CONTINUES DESPITE SETBACKS AND WAR-RELATED CHALLENGES.

PRODUCT DEVELOPMENT LED BY OUR CULINARY CENTRE

Development is focussed on ready-to-eat (“RTE”) and ready-to-cook (“RTC”) products and the application of modern technologies. This is led by our Culinary Centre in Kiev which is an important platform for B2B, HoReCa and B2C development, and enables MHP to undertake cutting-edge R&D and to bring together players from across the food industry.

The Centre includes five demonstration kitchens; an industrial kitchen; a technology workshop; a specially equipped workshop for pizza production; a sensory analysis laboratory; and a studio kitchen. In February 2022, we launched LaStrava's ‘restaurant-grade’ RTE meals: these are produced using high-pressure processing (“HPP”) technology which allows storage of prepared dishes in chilled form for up to 56 days without preservatives. MHP is the only company in Ukraine using this expertise.

ROUTES TO MARKET

Our focus on changing consumer preferences and the sale of food from franchised and owned stores close to the consumer continues. At the end of 2022, 179 “MeatMarket” convenience stores were in operation, embodying the “MeatMarket 2.0” or “food experience” concept launched in July 2021; and 98 “DonerMarket” gyro fast food stores selling doner, shawarma and other street food. At the same time, we have been upgrading the format of our existing and extensive network of “Nasha Ryaba” retail stores to one of “fresh food”.

Immediately following the outbreak of War, a third of our existing network of stores was lost in occupied and de-occupied territories. Despite these setbacks, our franchisees have continued to work and to open new stores. At the end of 2022, additional 284 new format stores have been operational.

STRATEGIC PARTNERSHIPS

We continue to develop strategic partnerships with players in the food industry with the goal of bringing MHP closer to the customer. One such partner is Glovo, for which MHP is the only supplier of semi-finished products for their virtual (delivery or pick-up only) restaurants. Progress continued with an order for new concepts in March 2022, and the supply of RTC products for their kitchens from May 2022. MHP is now supplying these products for Glovo’s operations outside Ukraine. We also continue to invest in businesses that expand our culinary expertise and product portfolio.

For more information on the financial and operational performance of Poultry and Related Operations see page 20.

RETAIL OUTLETS

1,522

retail outlets (owned and franchised)

CULINARY SOLUTIONS

Development of ready-to-cook and ready-to-eat products

CULINARY EXPERTS

Leading culinary experts of Ukraine are responsible for culinary direction and product development

MHP'S CULINARY ECOSYSTEM

CULINARY CENTRE

MHP's state-of-the-art and unique Culinary Centre facilitates innovation and brings together players from the HoReCa industry

PARTNERSHIPS

Strategic partnerships with food industry players

INVESTMENTS

Investments in businesses that expand the Group's culinary expertise

MAJOR BRANDS

Meat — Chilled
Ukraine
- Whole
- Parts
- Minced
- Sliced
- Ready to eat

Meat & Culinary — Chilled, Frozen
Ukraine & Export
- By-products
- Whole
- Parts
- Minced

Meat — Chilled
Ukraine
- By-products
- Whole
- Minced
- Formed

Meat & Culinary — Chilled, Frozen
Ukraine
- Whole
- Parts
- Marinated
- Formed

Meat — Frozen
Export
- Whole
- Parts

Meat — Chilled
Ukraine
- Parts

Meat, Culinary, Vegetable and Convenience — Chilled, Frozen
Umbrella food solution for HoReCa
- Whole
- Parts
- Minced
- Sous vide
- Food solutions

Meat & Convenience — Frozen
Export
- Whole
- Parts
- Marinated
- Minced
- Formed
- Ready to cook

Meat, Culinary, Vegetable and Convenience — Chilled, Frozen
- Ready to cook
- Ready to eat

Umbrella food solution for HoReCa
- Supplementary products (e.g. mustard, mayonnaise, ketchup)

Processed meat — Chilled
Ukraine
- Sausages
- Smoked Chicken
- Pate

Processed meat — Chilled
Ukraine
- Ready to eat
- Ready to cook

Processed meat Convenience — Chilled, Frozen
Ukraine
- Ready to eat
- Ready to cook

Meat — Chilled, Frozen
Ukraine & Export
- Parts
- Minced
- By-products
- Ready to eat
- Formed

Convenience — Frozen
Ukraine
- Ready to cook

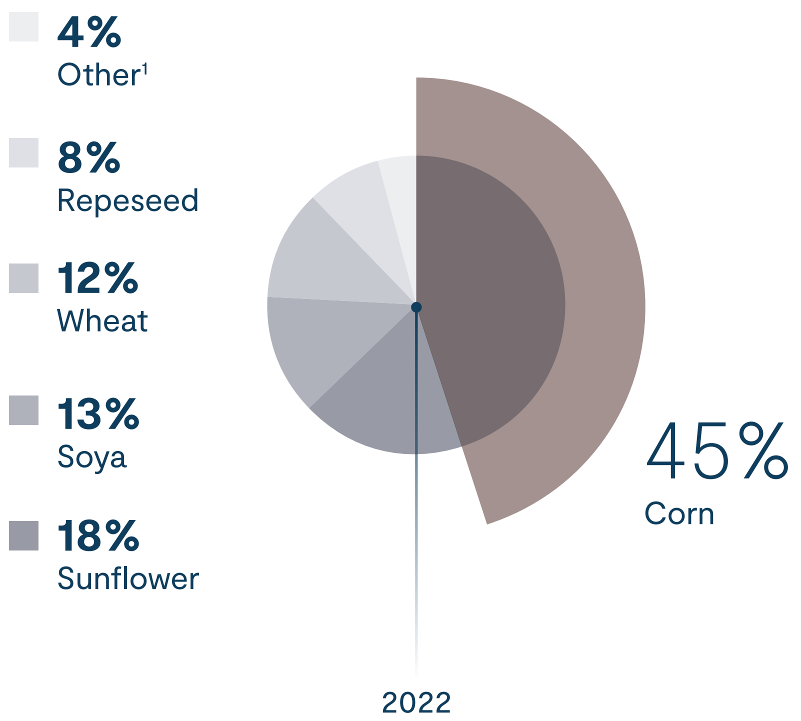
Convenience — Chilled
Ukraine
- Baby food

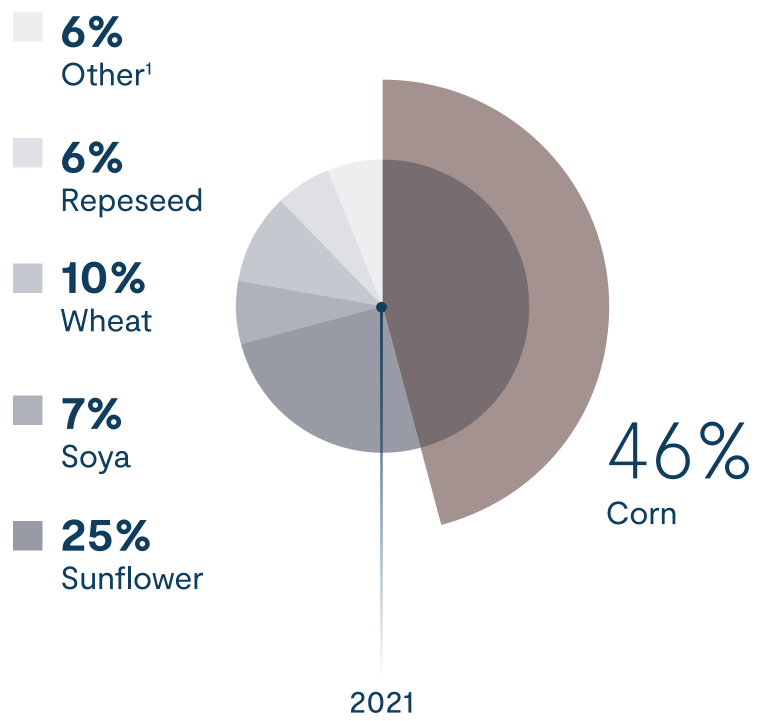
Convenience — Dried meat
Ukraine
- Ready to eat
- Snacks

Convenience — Dried meat
Ukraine
- Ready to eat
- Snacks

GRAIN GROWING OPERATIONS

CROPPED AREA, HECTARES, %





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

STRATEGY

The Group aims to become the undisputed leader in the agricultural market in Ukraine and a pioneer in sustainable agriculture.

Central to the achievement of these goals is increasing the Segment's profitability by ensuring high efficiency crop production (through higher yields and optimisation of cost control), as well as improving resource management strategies and ensuring the stability of the landbank.

This will be achieved through innovation, the upgrading of agricultural machinery, and the use of technology including Artificial Intelligence ("AI") and machine-learning algorithms for real-time analysis, forecasting and facilitation of decision making.

LANDBANK

MHP leases agricultural land located primarily in the highly fertile black soil regions of Ukraine.

In 2022, MHP's total landbank constituted approximately 362,000 hectares ("ha") of land, representing one of the largest land portfolios in Ukraine. Despite the War, the Group was able to complete the harvest on virtually all of its land in 2022.

OPERATIONS

MHP is one of the leading grain cultivation businesses in Ukraine.

The Segment grows corn, sunflower and soybean as well as other grains including rape and wheat, both for fodder production to support the Group's chicken production, and to export for sale to third parties.

In 2022, MHP harvested 340,748 ha of land, yielding 1,934,647 tonnes of grain, a decrease of 26% year-on-year mainly driven by unfavourable weather conditions during the summer and autumn harvest seasons. For more detailed information on Segment performance and year-on-year trends, see the Financial and Operational Review on page 38.

Grain storage facilities totalled 1,605,918 m^3 with a capacity of 1,131,600 tonnes (in plastic bags).

MEAT-PROCESSING & OTHER AGRICULTURAL OPERATIONS

PRODUCTION FIGURES, TONNES

PRODUCT	2022	2021
Convenience food	**24,365**	21,584
Processed meat	**14,323**	34,329

For more information on the financial and operational performance of Meat-Processing & Other Agricultural Operations see page 42.

STRATEGY

The Segment will continue to focus upon its core meat-processing operations and the evolution of its route-to-market strategy through retail, HoReCa, modern trade and franchises.

BRANDS

The Segment's major brands are shown on page 23, alongside the major Poultry & Related Operations brands.

OPERATIONS

MHP produces and sells sausage, salami, convenience foods and produce from cattle and dairy operations.

It incorporates two facilities for the production of prepared meat products, a number of cattle farms and a beef-processing facility.

The meat-processing operations are the Segment's core business and an important driver of the Segment's profitability.

MHP is one of the leading players in the highly fragmented meat-processing market in Ukraine.

WAR AFFECT

One of the meat- processing facilities was "Ukrainian Bacon". As hostilities in the Donetsk region intensified, MHP has decided to temporarily suspend operations of "Ukrainian Bacon" (meat-processing operations, c.34,000 tonnes annual capacity, Kramatorsk district, Donetsk region). Despite the difficulties encountered during the War, MHP has operated "Ukrainian Bacon" for more than a month (March 2022). The supply of raw materials from the Company's poultry production facilities was necessary to continue the production of finished value-added products (convenience food, sausages, pate).

MHP has asked its employees (over 1,900 people) and their families to move to safer regions of Ukraine. Some employees were redeployed to other MHP production facilities.

MHP was working actively on the commissioning of similar production sites at MHP facilities in order to continue to provide Ukrainians with high-quality products under its "Bashchynsky" brand, which were originally produced at "Ukrainian Bacon". However, such commissioning required additional time and resources.

EUROPEAN OPERATING SEGMENT (PERUTNINA PTUJ)

EUROPEAN OPERATING SEGMENT PRODUCTION FIGURES

PRODUCT	2022	2021
Chicken meat produced, tonnes	**124,040**	111,973
Processed meat products, tonnes	**43,938**	41,411
Hatching eggs, million	**78.2**	75.4
Mixed fodder, tonnes	**255,000**	229,600
Biogas, MW	**1**	1

*For information on the financial and operational performance of **European Operating Segment see page 37.***

OPERATIONS

The European Operating Segment comprises 100% of Perutnina Ptuj ("PP"), a leading poultry and processed-meat producer in the Balkans.

It has production assets in Slovenia, Croatia, Serbia, Bosnia and Herzegovina, and distribution companies in Austria, North Macedonia and Romania. It supplies products to 18 European countries.

Investment in the Serbian facilities continued during the year, and will total EUR 30 million by 2025e, with capex focussed on the establishment of broiler farms, the modernisation of the slaughterhouse, and the construction of a processing plant and hatchery.

INVESTMENT IN OUR SERBIAN FACILITIES CONTINUES, AND WILL TOTAL

30 EUR MILLION

BY 2025E

STRATEGY

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

Over the past year, the Segment has accelerated its culinary transformation, establishing and increasing production of new value-added products.

BRANDS

P Group 1905

MEAT	MEAT PRODUCTS	MEAT PRODUCTS
Perutnina Ptuj	Jata®	Perutnina Ptuj
MEAT PRODUCTS	**MEAT PRODUCTS**	**FEED**
Topiko	poli	agronatur
		SERVICES

BRANDS

Perutnina Ptuj

Meat

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

Meat

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

Meat

Piknik
Cut and pre-seasoned fresh poultry products

Meat

Međimursko pile
Croatian, antibiotic-free, fresh poultry products

Meat Products

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

Meat Products

Slim & Fit
Low-fat poultry products

Meat Products

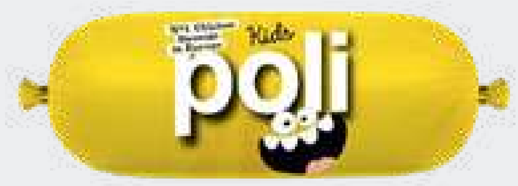
Golica
Traditional Slovenian chicken franks

poli

Classic

Poli Classic

Ham



Poli Kids Chicken Breast

Classic

Poli Light

Paté

Poli Paté

Paté

Poli Kids Paté

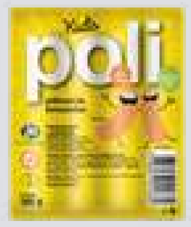
Classic

Poli Vegetables

Franks

Poli Dog

Franks



Poli Kids

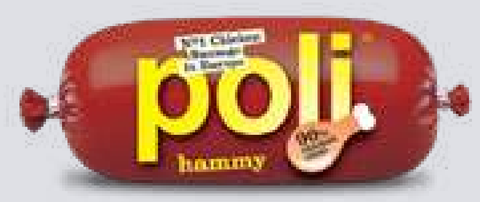
Classic

Poli Cheese

Convenience

Poli Rolls

Ham



Poli Hammy

Convenience

Poli Pizza Classic

OUR BUSINESS MODEL IN 2022

HOW WE GENERATE REVENUE

POULTRY & RELATED OPERATIONS SEGMENT

We produce and sell chicken meat (fresh and frozen); culinary products; vegetable oils (sunflower and soybean); and mixed fodder.

US$ 1,887 MILLION REVENUE

697,071 TONNES OF POULTRY PRODUCED

GRAIN GROWING SEGMENT

We grow crops for fodder production and for sale to third parties.

US$ 158 MILLION REVENUE

1.9M TONNES OF CROPS PRODUCED

EUROPEAN OPERATING SEGMENT*

We produce and sell chicken meat and processed poultry meat products.

US$ 464 MILLION REVENUE

124,040 TONNES OF POULTRY PRODUCED

* *Perutnina Ptuj's results are classified as the European Operating Segment*

MEAT-PROCESSING & OTHER AGRICULTURAL SEGMENT

We produce and sell sausages; processed and cooked meat; convenience foods; and produce from cattle and dairy operations.

US$ 134 MILLION REVENUE

32,443 TONNES OF MEAT PRODUCTS PRODUCED

HOW WE CREATE VALUE

1 TRANSFORMATION TO A CULINARY COMPANY

The transformation from a raw materials provider to an international culinary company enables the Group to grow its market as it responds to customer demand for value-added products.

2 RESPONSIBLE BUSINESS

MHP has a group-wide responsible business model.

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

Sustained CAPEX and R&D programmes have enabled consistent efficiency improvements and cost controls, developed and maintained product quality, and ensured high standards of product safety. The Company continues to look for dynamic and innovative ways to develop its production and agricultural processes to improve efficiency, drive down costs and reduce its environmental impacts.

6 SUPPORT FOR UKRAINE

Continued to serve Ukraine and the world with poultry products, vegetagle oils and grains in a War environment, cooperating with international partners and strongly supporting communities on the ground.

5 SUSTAINABLE FINANCIAL HEALTH

Our businesses have a consistent track record of strong revenue, efficient costs and positive cash generation providing a solid platform for value creation.

4 INTERNATIONAL MARKETPLACE

MHP is always looking at new initiatives on product development and for new markets for its products, and now sells to over 70 countries.

OUR ASSETS

OUR PEOPLE

We have a highly skilled and knowledgeable workforce (2022 MHP Group: 32,545 employees), an experienced, strong and innovative management team and we are committed to continuously investing in training and development.

BUSINESS CULTURE

We strive to create a business culture in which our employees feel empowered to make quick decisions to capitalise on market opportunities and gain competitive advantage.

OWN RETAIL IN UKRAINE AND AT PP

MHP and PP are continuing to grow and develop their retail operations both in Ukraine and The Balkans/EU.

VERTICALLY-INTEGRATED STRUCTURE

Our vertically-integrated structure structure differentiates us from our peers and enables us to reduce our dependence on third-party suppliers and our exposure to raw material price volatility. It also ensures the maintenance of strict biosecurity and quality standards throughout the production process.

STRONG BRANDS

Our brands have high market recognition with a reputation for quality, enabling products to be sold at premium prices.

MODERN AND EFFICIENT PRODUCTION ASSETS

Extensive investment has enabled us to employ modern, state-of-the-art production assets. The Company believes that its chicken complexes are amongst the most efficient in the world.

BIOGAS
17 MW
2 complexes

MHP

LAND	SUNFLOWER AND SOYBEAN PROTEIN	FODDER PRODUCTION	BREEDING	HATCHING	POULTRY PRODUCTION	SLAUGHTER-HOUSES	MEAT-PROCESSING	DISTRIBUTION	RETAIL
Land on long-term lease in Ukraine with a harvest of 1.9 M tonnes of grain in 2022	44,620 tonnes of soybean oil produced,	3 production facilities	2 breeding complexes with 544 M hatching eggs produced in 2022	3 vertically-integrated poultry complexes, from hatching to rearing and processing			1* production facility	9 distribution centers in Ukraine	
362,000 hectares	318,202 tonnes of sunflower oil produced	>1.9 M tonnes of mixed fodder produced	100% in-house production	100% in-house production	8.1 M per week	100% in-house production	38,688 tonnes	403 vehicles	1,526 Franchise outlets

PERUTNINA PTUJ

LAND	SUNFLOWER AND SOYBEAN PROTEIN	FODDER PRODUCTION	BREEDING	HATCHING	POULTRY PRODUCTION	SLAUGHTER-HOUSES	MEAT-PROCESSING	DISTRIBUTION	RETAIL
3,950 hectares	1,317 tonnes of soybean oil	c.255,000 tonnes of mixed fodder produced	99% in-house production	86% in-house production	1.2 M per week	100% in-house production	43,938 tonnes	38 vehicles	18
Land on long-term lease in the Balkans	Soybean oil, 1 facility in Serbia	3 facilities in Slovenia, 1 in Croatia and 1 in Serbia	4 locations, 80 M hatching eggs produced (Slovenia, Croatia, Bosnia & Herzegovina and Serbia)	Hatchery of day old chicken: 4 locations (Slovenia, Croatia, Bosnia & Herzegovina and Serbia)	4 locations 8% in-house production (Slovenia, Croatia, Bosnia & Herzegovina and Serbia)	5 facilities (2 in Slovenia, 1 in Croatia, 1 in Bosnia & Herzegovina, 1 in Serbia)	6 production facilities	1 distribution centres in Ukraine	

BIOGAS
1 MW
1 complex

** due to severe hostilities in Donetsk region, MHP had to cease operations at "Ukrainian Bacon" since April 2022*

01

STRATEGIC REVIEW

BUSINESS REVIEW

03

GOVERNANCE

04

FINANCIAL STATEMENTS

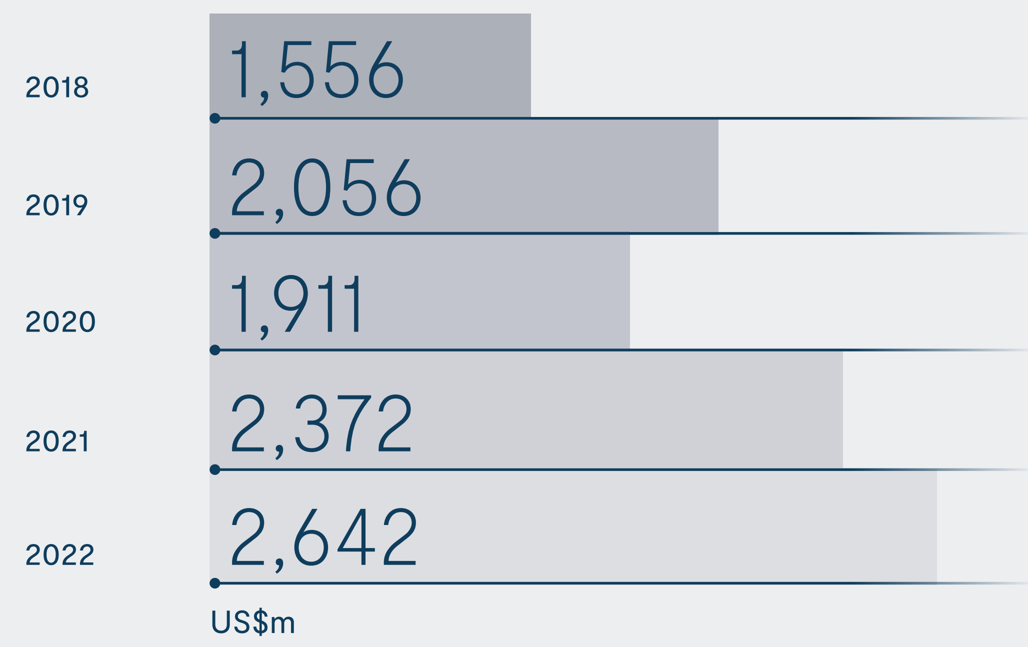
05

SHAREHOLDER INFORMATION

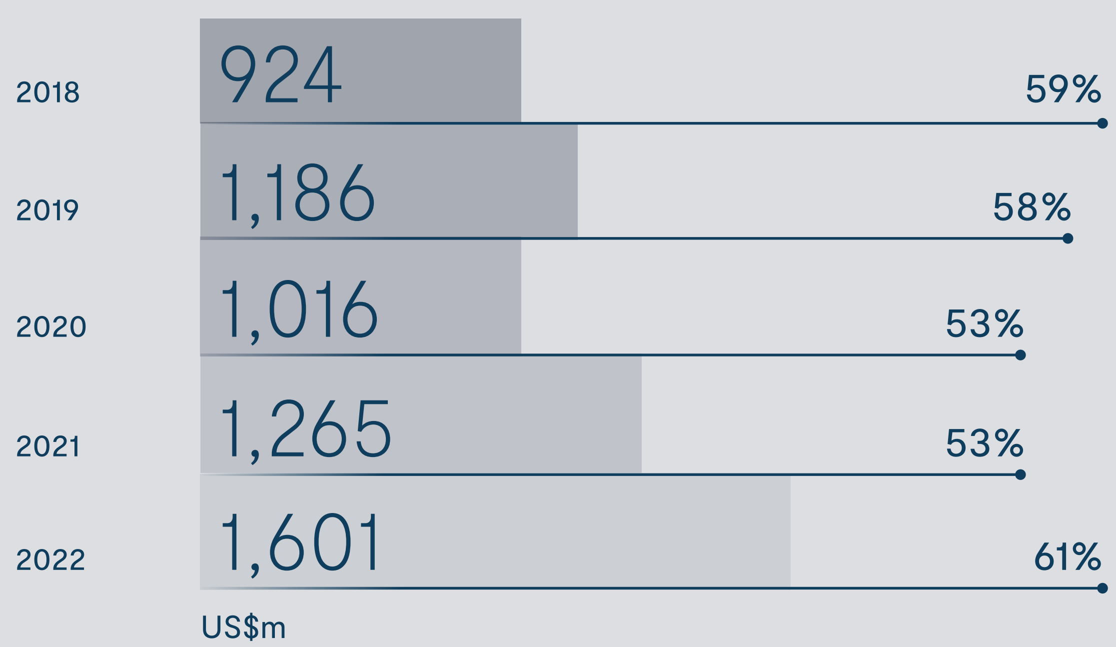
KEY PERFORMANCE INDICATORS

WE MONITOR PROGRESS AGAINST THE DELIVERY OF OUR STRATEGIC GOALS USING SEVERAL FINANCIAL KEY PERFORMANCE INDICATORS (“KPIS”). EACH KPI PROVIDES A WAY OF MEASURING ELEMENTS OF OUR STRATEGY. OUR STRATEGY IS FOCUSSED UPON THE MEDIUM TO LONG TERM AND THEREFORE WE CONSIDER HOW WE HAVE PERFORMED OVER A NUMBER OF YEARS, SHOWING THE KPIS FOR THE LAST FIVE YEARS. OUR PERFORMANCE IN 2022 WAS SIGNIFICANTLY IMPACTED BY THE WAR IN UKRAINE.

GROUP REVENUE



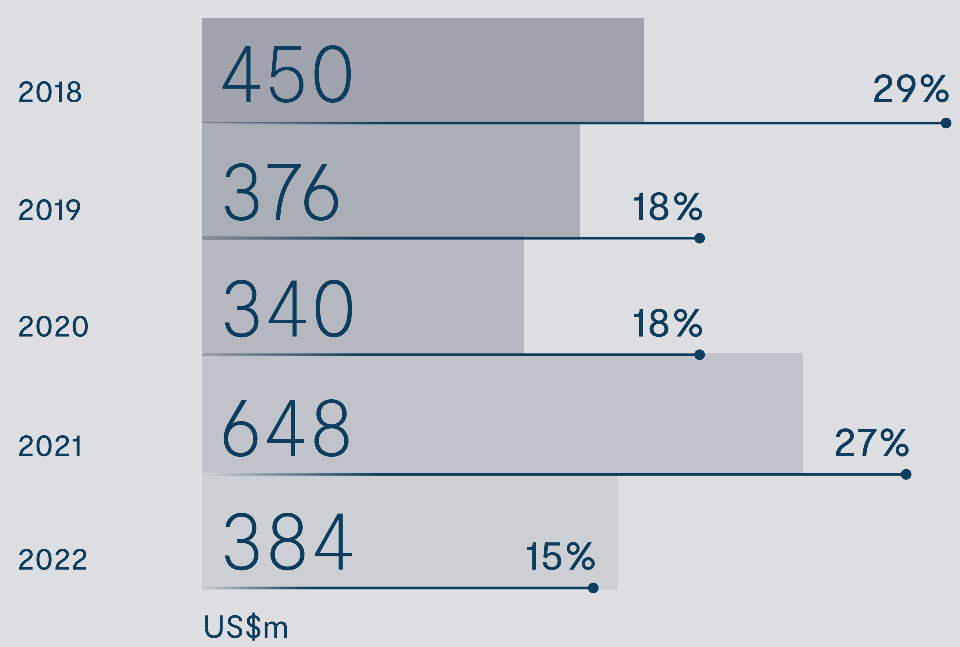
GROUP EXPORT REVENUE



Export Revenue, US$m

% of total revenue

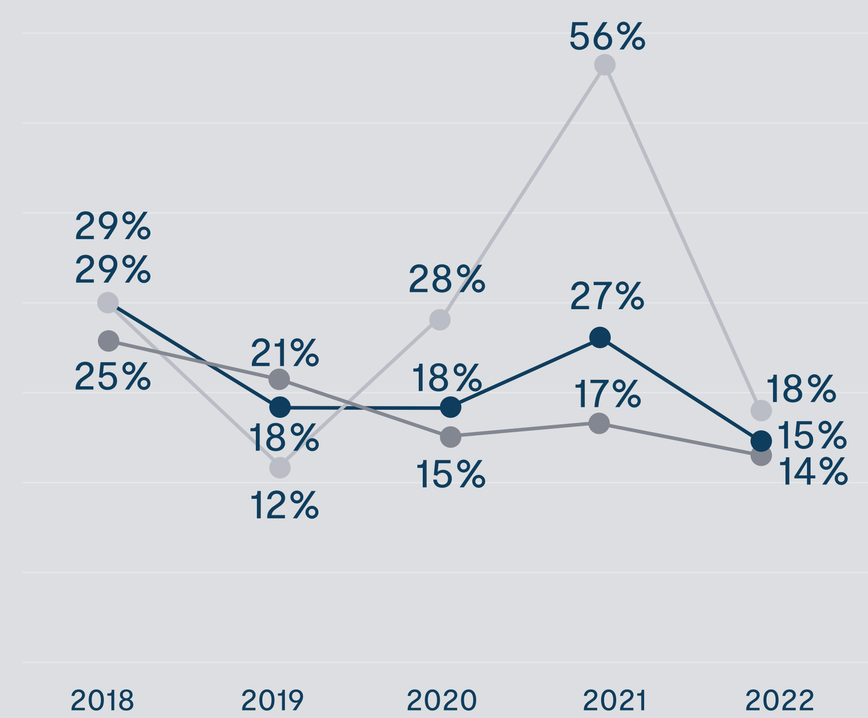
GROUP ADJUSTED EBITDA[1]



Adjusted Group EBITDA[1], US$m

Adjusted Group EBITDA margin[1], %

ADJUSTED EBITDA MARGIN[1]



Adjusted EBITDA margin[1] (Poultry & Related Operations), %

Adjusted EBITDA margin[1,2] (Grain Growing Operations), %

Group Adjusted EBITDA margin[1], %

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

KEY PERFORMANCE INDICATORS

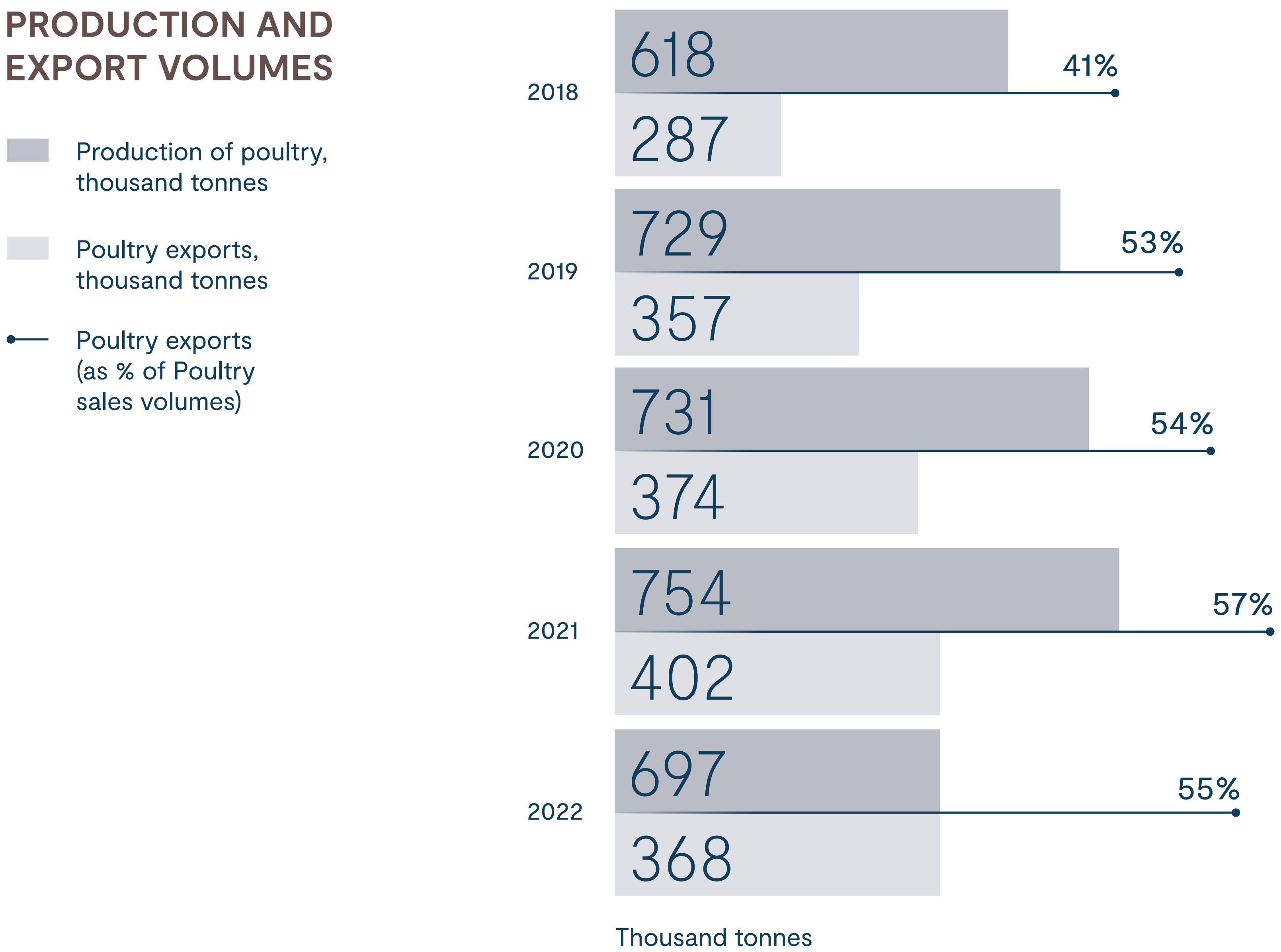
REVENUE, US$M	EXPORT REVENUE, US$M	ADJUSTED EBITDA, US$M
	HOW WE CALCULATE IT	
As reported.	Revenue to destinations outside country of production.	Adjusted EBITDA is defined as profit before tax, net finance costs, depreciation and amortisation, net after-tax exceptional and non-recurring items, net foreign exchange loss, and net other expenses.
	WHY WE MEASURE IT	
To ensure we are successful in growing the business.	To ensure we are delivering on our strategy of international expansion in turn leading to additional hard currency revenue. Export revenue provides MHP with a natural hedge against local currency volatility.	To track the underlying performance of the business.
	2022 PROGRESS	
Revenue was up 11% y/y mainly driven by a substantial increase in sunflower oil sales.	Export revenue was up 26% y/y mainly driven by increased sales of chicken meat and vegetable oils.	Adjusted EBITDA (net of IFRS 16) was down 41% y/y mainly due to the impact of US$ 69 million of War-related expenses which offset the price increases in export markets; adjusted EBITDA margin (net of IFRS 16) decreased from 27% to 14%.
	STRATEGY IN WAR	
The Company's strategy remains unchanged but rapid adaptations were made to our business model enabling us to maintain operations and production, with a particular focus on logistics.	In response to logistics challenges in shipping to some export markets, the strategy for export sales was focussed on increasing access to markets such as the EU and UK, while adapting logistics arrangements so as to continue to meet the needs of our other export markets including MENA and CIS.	Following the Russian invasion, there was an immediate shift of strategy to focus on survival of the business by adapting supply chains in order to maintain production and distribution, while managing the inevitable increase in costs.
	CHANGE TO KPI	
KPI unchanged y/y.	KPI unchanged y/y.	KPI unchanged y/y.

KEY PERFORMANCE INDICATORS BY SEGMENT

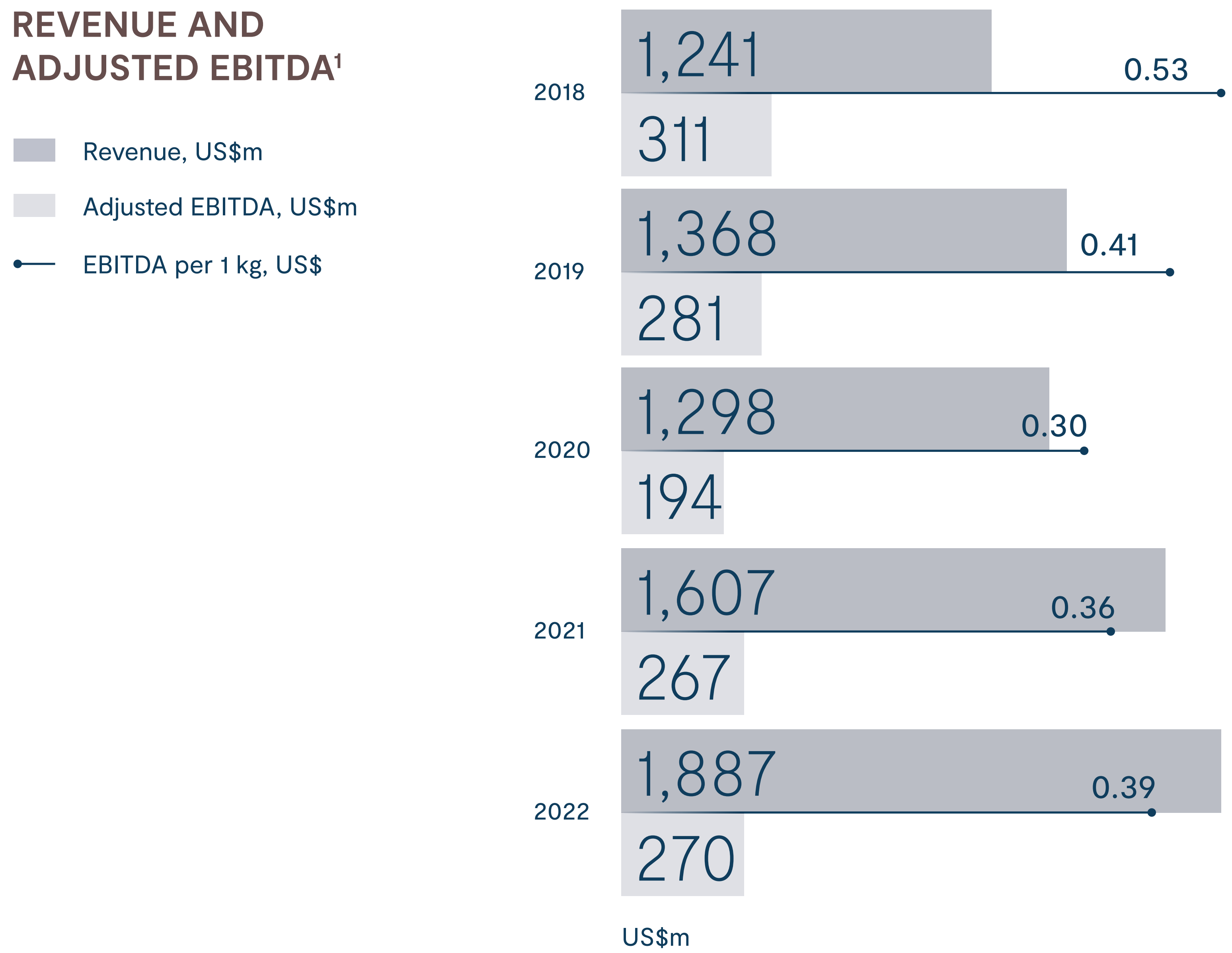
THE GROUP IS UNDERPINNED BY ITS VERTICALLY-INTEGRATED BUSINESS MODELS, ITS EXPERIENCED MANAGEMENT TEAM AND ITS DIVERSIFIED DOMESTIC AND INTERNATIONAL MARKETS. ALL OF THESE FACTORS CONTRIBUTED TO THE GROUP'S ROBUST PERFORMANCE DURING THE YEAR, BUT NEVERTHELESS PERFORMANCE IN 2022 WAS SIGNIFICANTLY IMPACTED BY THE WAR IN UKRAINE.

POULTRY AND RELATED OPERATIONS

PRODUCTION AND EXPORT VOLUMES



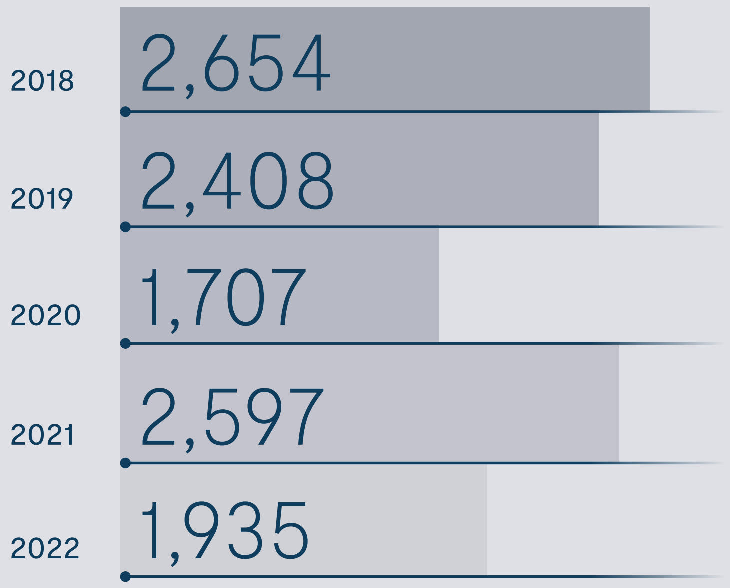
REVENUE AND ADJUSTED EBITDA[1]



[1] *Adjusted EBITDA is net of IFRS 16*

GRAIN GROWING OPERATIONS

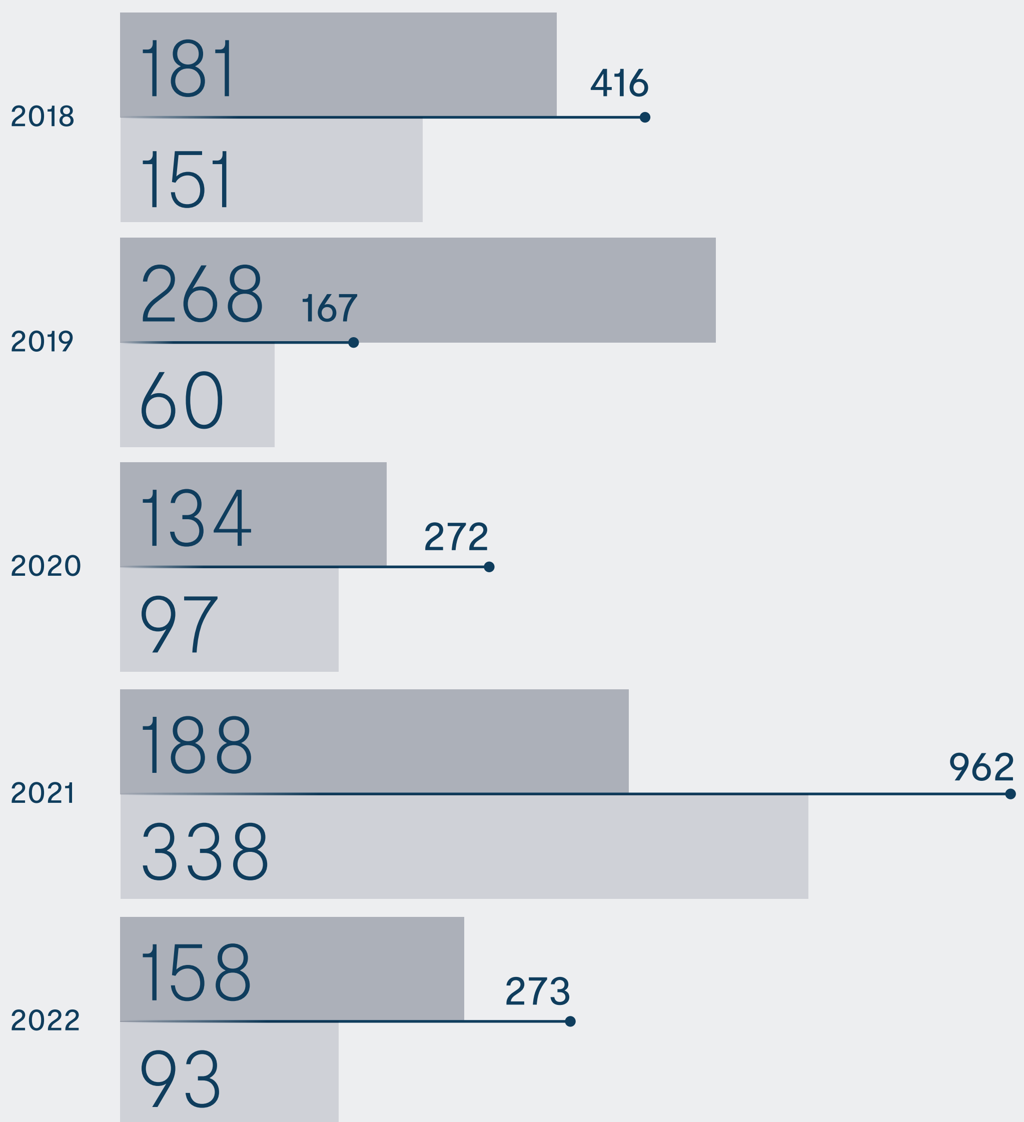
PRODUCTION OF GRAINS



Thousand tonnes

REVENUE AND ADJUSTED EBITDA[1]

- Revenue, US$m
- Adjusted EBITDA, US$m
- Adjusted EBITDA per ha, US$

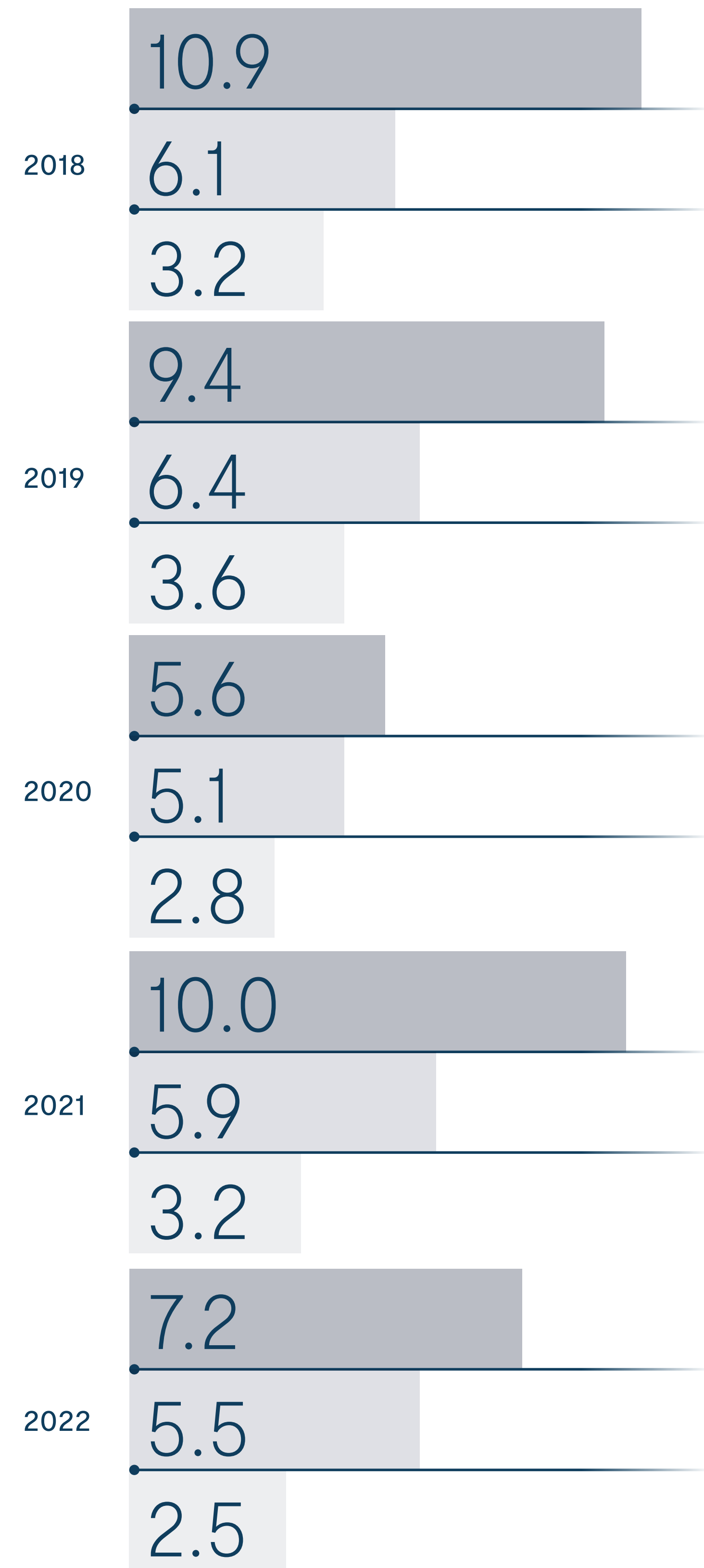


US$m

[1] *Adjusted EBITDA is net of IFRS 16*

YIELDS

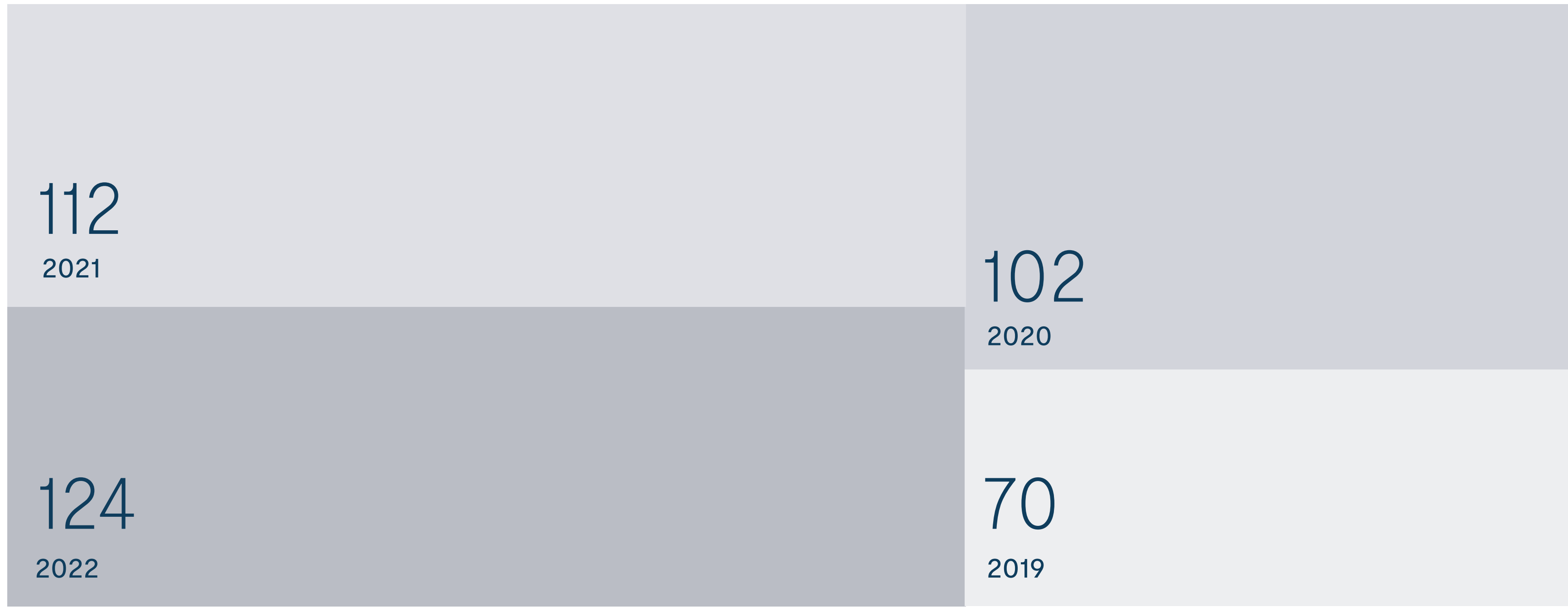
- Corn
- Wheat
- Sunflower



Tonnes per hectare

EUROPEAN OPERATING SEGMENT (PP)

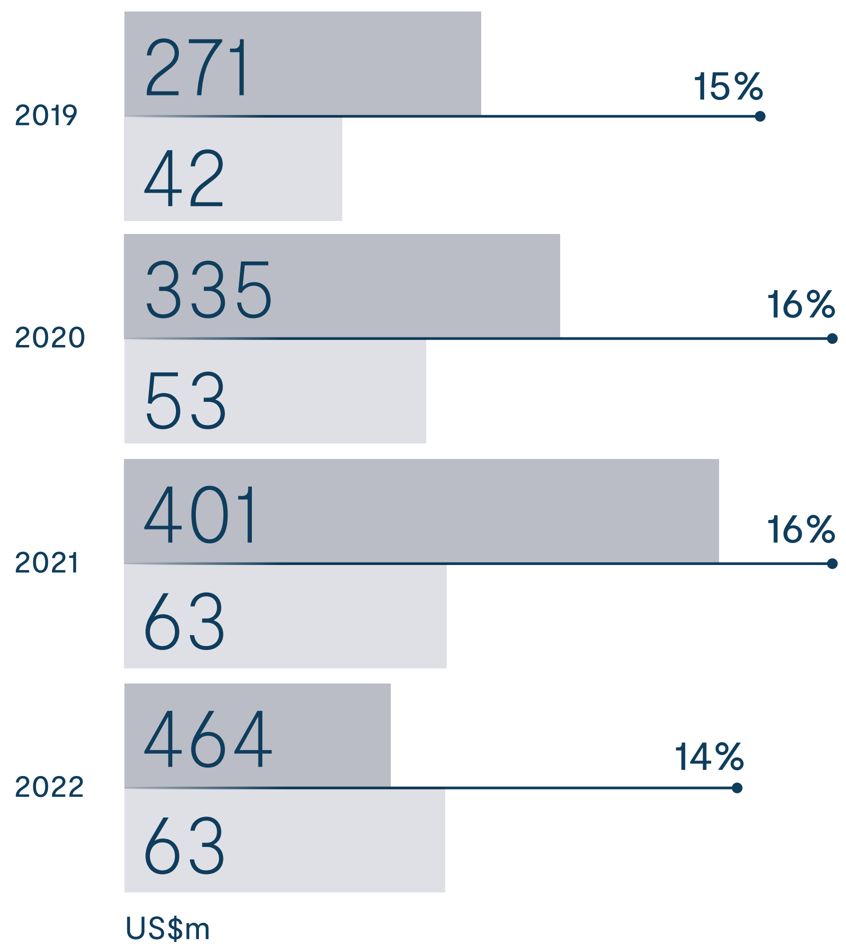
PRODUCTION OF POULTRY, THOUSAND TONNES[1]



PRODUCTION OF MEAT-PROCESSING PRODUCTS, THOUSAND TONNES[1]

REVENUE AND ADJUSTED EBITDA[2]

Revenue, US$m
Adjusted EBITDA[2], US$m
Adjusted EBITDA margin[2], %



ADJUSTED EBITDA MARGIN[2]

14%

IN 2022

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

FINANCIAL AND OPERATIONAL REVIEW

OPERATIONAL HIGHLIGHTS

POULTRY PRODUCTION VOLUMES IN UKRAINE DECREASED BY 8% Y/Y TO

697,071

TONNES

(2021: 754,387 tonnes)

Poultry production volumes for PP increased by 11% y/y to 124,040 tonnes (2021: 111,973 tonnes).

MHP'S AVERAGE CHICKEN MEAT PRICE INCREASED BY 17% Y/Y TO

US$ 1.95

PER KG

(2021: US$ 1.67 per kg) excluding VAT.

The average price of poultry meat produced by PP also increased by 25% to EUR 3.24 per kg (2021: EUR 2.59 per kg).

CHICKEN MEAT EXPORT VOLUMES FROM UKRAINE DECLINED BY 8% Y/Y TO

368,379

TONNES

(2021: 402,388 tonnes)

FINANCIAL HIGHLIGHTS

REVENUE INCREASED BY 11% Y/Y TO

US$ 2,642

MILLION

(2021: US$ 2,372 million)

mainly driven by an increase in poultry export prices y/y and by an increase in sunflower oil sales volumes, partly offset by lower poultry volumes due to the effects of War and export logistics.

EXPORT REVENUE INCREASED BY 26% Y/Y TO

US$ 1,601

MILLION

(2021: US$ 1,265 million, 53% of total revenue)

representing 61% of total Group revenue, driven by an increase in poultry export prices y/y and higher sunflower oil volumes.

OPERATING PROFIT DECREASED BY 49% Y/Y TO

US$ 255

MILLION

(2021: US$ 503 million)

and operating margin decreased from 21% to 10%.

ADJUSTED EBITDA (NET OF IFRS 16) DECREASED BY 41% Y/Y TO

US$ 384

MILLION

(2021: 648 million)

mainly due to the impact of US$ 69 million of War-related expenses which offset the price increases in export markets; adjusted EBITDA margin (net of IFRS 16) decreased from 27% to 15%.

NET LOSS OF

US$ 231

MILLION

(2021: profit of US$ 393 million)

primarily reflecting a US$ 365 million non-cash foreign exchange loss in 2022 (2021: US$ 40 million foreign exchange gain).

FINANCIAL OVERVIEW

(in mln. US$, unless indicated otherwise)	2022	2021	% change[1]
REVENUE	**2,642**	**2,372**	**11%**
IAS 41 standard (loss)/profit	(128)	185	-169%
GROSS PROFIT	**608**	**745**	**-19%**
Gross profit margin	23%	31%	-8 pps
War-related expenses	(69)	—	n/a
OPERATING PROFIT	**255**	**503**	**-49%**
Operating profit margin	10%	21%	-11 pps
ADJUSTED EBITDA	**443**	**709**	**-38%**
Adjusted EBITDA margin	17%	30%	-13 pps
ADJUSTED EBITDA (NET OF IFRS 16)	**384**	**648**	**-41%**
Adjusted EBITDA margin (net of IFRS 16)	15%	27%	-12 pps
NET (LOSS)/PROFIT	**(231)**	**393**	**-159%**
Net (loss)/profit margin	-9%	17%	-26 pps

[1] *pps – percentage points*

SEGMENT PERFORMANCE

POULTRY AND RELATED OPERATIONS SEGMENT

PRODUCTION AND PRICES

	2022	2021	% change[1]
POULTRY **Sales volume[1], third party, tonnes**	**665,975**	**704,010**	**-5%**
Export sales volume, tonnes	368,379	402,388	-8%
Domestic sales volume, tonnes	297,596	301,622	-1%
Export sales, % of total sales	55%	57%	- 2 pps
Average price per 1 kg net of VAT, US$	**1.95**	**1.67**	**17%**
Average price per 1 kg net of VAT, UAH (Ukraine)	47.01	45.37	4%
Average price per 1 kg net of VAT, US$ (Ukraine)	1.45	1.66	-13%
Average price per 1 kg net of VAT, US$ (export)	2.33	1.67	40%
SUNFLOWER OIL Sales volume, third party, tonnes	**272,807**	**207,240**	**32%**
SOYBEANS OIL Sales volume, third party, tonnes	**40,845**	**45,209**	**-10%**

[1] *Total poultry sales include domestic sales, export sales and sales of culinary products; data for 2021 has been adjusted in line with this approach*

CHICKEN MEAT

The total volume of chicken meat sold to third parties in 2022 decreased by 5% to 665,975 tonnes (2021: 704,010 tonnes) mainly due to logistical challenges for export sales and lower demand in Ukraine due to the effects of the War.

Driven by War-related news and challenges as well as by seasonality, in Q2 2022 poultry prices increased significantly. However, from September 2022, due to changes in the economic environment in the EU and UK and increased competition in the MENA region, poultry prices across all export markets (MENA, EU and CIS) from September 2022 started to decline sharply, which resulted in an 11% q/q decrease in price in Q4. Current prices remain substantially lower than in Q3 2022. Moreover, MHP has, since March 2022, been facing significant y/y increase in its export logistics costs, unlike our international competitors which have considerably lower logistics costs.

VEGETABLE OIL

In 2022, MHP's sales of sunflower oil increased by 32% y/y (2021: 207,240 tonnes), mainly driven by an increase in production of sunflower cake (due to a change in the fodder recipe), which was substantially lower in Q4 2021 (when the fodder recipe was based more on soybean cake) as well as positive changes in logistics with faster ships turnaround.

Sales of soybean oil were 40,845 tonnes, 10% lower y/y, mainly as a result of lower production volumes of soybean cake required for the fodder recipe (substituted by sunflower cake since Q2 2022), and challenges associated with export logistics because of the War in Ukraine.

THE TOTAL VOLUME OF CHICKEN MEAT SOLD TO THIRD PARTIES DECREASED TO

665,975

TONNES

FINANCIAL RESULT AND TRENDS

(in mln. US$, unless indicated otherwise)	2022	2021	% change[1]
REVENUE	**1,887**	**1,607**	**17%**
Poultry and other	1,425	1,305	9%
Vegetable oil	462	302	53%
IAS 41 standard gain	13	14	-7%
GROSS PROFIT	**375**	**285**	**32%**
Gross margin	20%	18%	2 pps
War-related expenses	**(38)**	-	n/a
ADJUSTED EBITDA	**270**	**267**	**1%**
Adjusted EBITDA margin	14%	17%	-3 pps
Adjusted EBITDA per 1 kg (net of IAS 41) (US$)	0.39	0.36	8%

In 2022, revenue increased by 17% y/y driven by price increases in export markets, partly offset by lower sales volumes of meat.

Gross profit increased by 32% y/y to US$ 375 million. The increase was mainly driven by an increase in the price of chicken meat, and a higher sales volume and price of sunflower oil.

Adjusted EBITDA remained unchanged y/y, mainly due to the impact of War-related expenses (including donations, damages and assets write-offs) which offset the price increases in export markets.

[1] *pps – percentage points*

GRAIN GROWING OPERATIONS SEGMENT

In 2022, MHP harvested around 341,000 hectares of land in Ukraine and gathered around 1.9 million tonnes of crops, 26% less than in 2021, mainly due to unfavorable weather condition during the summer and the harvesting season in autumn. MHP's average yields remain well above the average for Ukraine for all crops due to operational efficiency and employment of best practices.

HARVEST RESULTS

	2022[1]		2021[1]	
	Production volume in tonnes	Cropped land in hectares	Production volume in tonnes	Cropped land in hectares
Corn	1,088,476	151,850	1,624,173	163,295
Wheat	224,391	40,711	216,007	36,773
Sunflower	159,357	62,585	279,822	88,256
Rapeseed	104,849	27,520	71,055	21,522
Soybean	109,240	44,953	57,208	22,879
Other[2]	248,334	13,129	348,590	18,715
TOTAL	**1,934,647**	**340,748**	**2,596,855**	**351,440**

[1] *Only land of Grain Growing Operations Segment.*
[2] *Including barley, rye, sugar beet, sorghum and other and excluding land left fallow as part of crop rotation.*

YIELDS

	2022[1]		2021[1]	
	MHP's average	Ukraine's average	MHP's average	Ukraine's average
	tonnes per hectare		tonnes per hectare	
Corn	7.2	6.6	10.0	8.0
Wheat	5.5[2]	4.1	5.9	4.6
Sunflower	2.5	2.2	3.2	2.5
Rapeseed	3.8[2]	2.9	3.3	3.0
Soya	2.4	2.4	2.5	2.7

[1] *MHP yields are net weight, Ukraine yields are bunker weight.*

FINANCIAL RESULT AND TRENDS

(in mln. US$ unless indicated otherwise)	2022	2021	% change
REVENUE	**158**	**188**	**-16%**
IAS 41 standard (loss)/gain	(142)	169	-184%
GROSS PROFIT	**105**	**336**	**-69%**
War-related expenses	(6)	—	n/a
Adjusted EBITDA	150	397	-62%
Adjusted EBITDA (net of IFRS 16)	**93**	**338**	**-72%**
Adjusted EBITDA (net of IFRS 16) per 1 hectare	273	962	-72%

The Grain Growing Operations Segment's revenue in 2022 was US$ 158 million (2021: US$ 188 million). The 16% y/y decrease was mainly attributable to the lower volumes sold as a result of the late finishing of the harvesting campaign, and lower yields of corn, sunflower and wheat.

IAS 41 standard loss in 2022 was US$ 142 million (2021: a gain of US$ 169 million), with the loss representing the net effect of the revaluation of agricultural produce (sunflower, corn, wheat and soya), as well as a revaluation of fields due to lower expected results from winter crops.

2022 Adjusted EBITDA (net of IFRS 16) of the Segment decreased by 72% y/y, mainly due to weaker harvest in 2022 compared to the one in 2021, as well as higher grain production costs due to increased prices for main raw materials.

IN 2022, MHP HARVESTED AROUND

341,000

HECTARES OF LAND IN UKRAINE

MEAT PROCESSING AND OTHER AGRICULTURAL OPERATIONS SEGMENT

Meat processing products	2022	2021	% change
Sales volume, third party tonnes	14,284	33,954	-58%
Price per 1 kg net VAT, UAH	99.06	82.20	21%

Sales volumes of meat processing products decreased by 58% y/y to 14,284 tonnes in 2022 (2021: 33,954 tonnes) driven by War-related challenges that resulted in the temporary suspension of production facilities at "Ukrainian Bacon" in the Donetsk region and the subsequent partial redeployment of its operations to Central Ukraine. The average price increased by 21% y/y to UAH 99.06 per kg in 2022, driven mainly by an increase in raw material prices (spices, packaging and other components).

Convenience food	2022	2021	% change
Sales volume, third party tonnes	18,159	18,857	-4%
Price per 1 kg net VAT, UAH	61.90	48.62	27%

Sales volumes of convenience food in 2022 decreased by 4% y/y to 18,159 tonnes (2021: 18,857 tonnes), mainly driven by significant disruptions in HoReCa (both KFC and McDonalds temporarily ceased operations in Ukraine in Q2 2022 because of the War). The average price in 2022 increased by 27% y/y to UAH 61.90 per kg, mainly driven by raw material price increases as well as a focus on increased sales of higher-margin products.

FINANCIAL RESULT AND TRENDS

(in mln. US$, except margin data)	2022	2021	% change[1]
REVENUE	**134**	**176**	**-24%**
Meat processing and convenience food	102	143	-29%
Other[2]	32	33	-3%
IAS 41 standard loss	(1)	(1)	0%
GROSS PROFIT	**15**	**17**	**-12%**
Gross margin	11%	10%	1 pps
War-related expenses	(5)	—	n/a
ADJUSTED EBITDA	**8**	**11**	**-24%**
Adjusted EBITDA margin	6%	6%	0 pps

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

The Segment's 2022 revenue decreased by 24% y/y to US$ 134 million. Adjusted EBITDA was US$ 8 million (2021: US$ 11 million), mainly due to the effects of the War and significant disruptions in demand for the HoReCa segment.

SALES VOLUMES OF MEAT PROCESSING PRODUCTS DECREASED TO

14,284

TONNES

SALES VOLUMES OF CONVENIENCE FOOD DECREASED TO

18,159

TONNES

EUROPEAN OPERATING SEGMENT (PP)

Poultry	2022	2021	% change
Sales volume, third party, tonnes	77,766	72,841	7%
Price per 1 kg net VAT, EUR	3.24	2.59	25%

In 2022, poultry sales volumes increased by 7% y/y to 77,766 tonnes. This was driven by increased production of chicken meat following the expansion of facilities in Croatia and Serbia. The average price of chicken meat increased by 25% y/y to EUR 3.24 (2021: EUR 2.59).

Meat processing products[1]	2022	2021	% change
Sales volume, third party, tonnes	43,277	40,366	7%
Price per 1 kg net VAT, EUR	3.09	2.78	11%

[1] *Includes sausages and convenience food*

Meat processing product sales increased by 7% y/y to 43,277 tonnes (2021: 40,366 tonnes). The average price of meat processing products increased by 11% y/y to EUR 3.09.

FINANCIAL RESULT AND TRENDS

(in mln. US$, except margin data)	2022	2021	% change y/y
REVENUE IAS 41 standard gain	**464** 2	**401** 3	**16%** -33%
GROSS PROFIT Gross margin	113 24%	106 26%	7% -2 pps
ADJUSTED EBITDA Adjusted EBITDA margin	65 14%	66 16%	-2% -2 pps
ADJUSTED EBITDA (net of IFRS 16) Adjusted EBITDA margin (net of IFRS 16)	63 14%	63 16%	0% -2 pps

[1] *pps – percentage points*

The European Operating Segment's revenue for 2022 increased by 16% y/y to US$ 464 million (2021: US$ 401 million), mainly driven by an increase in poultry sales volumes and prices.

2022 adjusted EBITDA (net of IFRS 16) was flat y/y at US$ 63 million (2021: US$ 63 million), with the adjusted EBITDA margin (net of IFRS 16) declining by 2 pps to 14%.

POULTRY SALES VOLUMES FOR THE EUROPEAN OPERATING SEGMENT INCREASED TO

77,766

TONNES

MEAT PROCESSING PRODUCT SALES AT THE EUROPEAN OPERATING SEGMENT INCREASED TO

43,277

TONNES

CURRENT GROUP CASH FLOW

(in mln. US$)	2022	2021
Cash from operations	**479**	**370**
Change in working capital	(341)	(245)
Net Cash from operating activities	**138**	**125**
Cash used in investing activities	**(174)**	**(100)**
Including: CAPEX[1]	(160)	(143)
Cash from financing activities	**57**	**35**
Total change in cash[2]	**21**	**60**

[1] Calculated as cash used for purchases of property, plant and equipment plus cash used for purchases of other non-current assets.
[2] Calculated as net cash from operating activities plus cash used in investing activities plus cash used in financing activities.

DEBT STRUCTURE AND LIQUIDITY

(in mln. US$)	31 December 2022	30 September 2022	31 December 2021
Total Debt[1 2]	**1,537**	**1,503**	**1,505**
LT Debt[1]	1,507	1,480	1,489
ST Debt[1]	182	168	126
Trade credit facilities[2]	(152)	(145)	(110)
Cash and bank deposits	(300)	(317)	(275)
Net Debt[1]	**1,237**	**1,186**	**1,230**
LTM Adjusted EBITDA[1]	384	404	648
Net Debt / LTM Adjusted EBITDA[1]	3.22	2.94	1.90

[1] Net of IFRS 16 adjustments: as if any lease that would have been treated as an operating lease under IAS 17, as was in effect before 1 January 2019, is treated as an operating lease for the purposes of this calculation. In accordance with covenants in MHP's bond and loan agreements, these data exclude the effects of IFRS 16 on accounting for operating leases.
[2] Indebtedness under trade credit facilities that is required to be repaid within 12 months of drawdown is excluded for the purposes of this calculation.

Cash flow from operations for 2022 amounted to US $479 million (2021: US$ 370 million). The higher cash generation compared to EBITDA is mainly attributable to a non-cash IAS 41 gain/(loss) on revaluation of crops that will be realized next year. Despite increase in Cash obtained from operations, MHP needed to invest it in working capital.

The investment in working capital is mostly related to:

- An increase in trade accounts receivable for sunflower oil due to longer settlement periods as a result of increased delivery periods as well as lower advances received for grains and meat;
- Higher volumes of oils as at the end of 2022 designated for sale as well as increased investments in fertilizers and fuel before the spring sowing campaign.

In 12M 2022 total CAPEX was 12% higher compared to 2021 and amounted to US$ 160 million. The increase in CAPEX year-on-year is mainly attributable to the expansion of operations and modernization of Perutnina Ptuj production facilities. (including facilities for environmental friendly production and compliance) as well as the War-resilience CAPEX (barges to facilitate exports, diesel generators etc).

As of 31 December 2022, MHP's cash and cash equivalents amounted to US$ 300 million. Net debt remained broadly stable y/y at US$ 1,237 million, compared to US$ 1,230 million as at 31 December 2021, but increased compared to US$ 1,186 as at 30 September 2022.

As of 31 December 2022, the share of long-term debt in the total outstanding debt remained unchanged at 98%.

The Net Debt / LTM adjusted EBITDA (net of IFRS 16) ratio was 3.22 as of 31 December 2022, higher than the limit of 3.0 defined in the Eurobond agreement.

To reiterate the principles underlying its approach to balance sheet structure and funding mix, the Company remains committed to maintaining a robust liquidity position as well as sustainable debt leverage.

The Company's debt management strategy extends to both its private and public debt instruments. While the Company's bond, loan and revolving credit facilities remain largely unchanged from before the War, the Company expects to manage its debt portfolio proactively in response to evolving market conditions, subject to the NBU restrictions.

CURRENCY RISK

As a hedge for currency risks, revenue from the exports of grain, sunflower and soybean oil, sunflower husks and chicken meat which, are denominated in US Dollars and Euros, are more than sufficient to cover debt service expenses. Export revenue for 12M 2022 amounted to US$ 1,601 million or 61% of total revenue (US$ 1,265 million or 53% of total sales in 12M 2021).

DIVIDENDS

Taking into account the current risks and uncertainties following the Russian invasion of Ukraine, and the resulting need to preserve liquidity to support the Company's ongoing business operations and to help sustain the population of the country, the Board of MHP has decided that no dividends are likely to be paid for as long as the war continues.

SUBSEQUENT EVENTS

FACILITY AGREEMENT WITH THE EBRD

In February 2023, the Group entered into a facility agreement with the European Bank for Reconstruction and Development (EBRD) in the amount of US$ 100 million (EBRD - US$ 90 million and a third party lender - US$ 10 million). The loan is for the purposes of financing the needs of the Poultry and Related Operations Segment. It is a seasonal loan, secured by sunflower seeds and oil stocks, with maturity in August 2023, and will be used to finance the purchase of sunflower seeds and other operational expenses associated with production of sunflower oil and related products. The loan includes a number of covenants and other terms and conditions, including a requirement that the Group maintain certain financial ratios consistent with those in the Group's Eurobond agreements. The loan also contains a number of reporting requirements.

APPOINTMENT OF A NEW NON-EXECUTIVE DIRECTOR

Mr. Oscar Chemerinski was appointed as an Independent Non-Executive Director at the EGM held on 7 March 2023.

FORWARD-LOOKING STATEMENTS

The 2022 Annual Report and Accounts might contain forward-looking statements that refer to future events or forecast financial indicators for MHP SE. Such statements do not guarantee that these are actions to be taken by MHP SE in the future, and estimates can be inaccurate and uncertain. Actual final indicators and results can considerably differ from those declared in any forward-looking statements. MHP SE does not intend to change these statements to reflect actual results.

MEASURES OF FINANCIAL PERFORMANCE

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

Adjusted EBITDA, LTM Adjusted EBITDA and Segment Adjusted EBITDA are presented in this Report because the Directors consider them to be important supplemental measures of the Group's financial performance. Additionally, the Directors believe these measures are frequently used by investors, analysts and stakeholders to evaluate the efficiency of the Group's operations and its ability to employ its earnings for the repayment of debt, capital expenditure and working capital requirements.

MHP defines Adjusted EBITDA as profit for the year before income tax expense, finance costs, finance income, depreciation and amortisation expense, impairment of goodwill and property, plant and equipment net foreign exchange gain/loss, and net other expenses. Depreciation and amortisation expenses are components of both cost of sales and selling, general and administrative expenses in the consolidated financial statements.

The introduction of IFRS 16 on Leases from January 2019 led to adjustments to the financial statements. MHP has chosen to present Adjusted EBITDA for 2021 and 2022 both before and after adjustment for IFRS 16.

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

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

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

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

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

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

RECONCILIATION OF NET DEBT

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

RECONCILIATION OF ADJUSTED EBITDA

US$ THOUSAND	2022	2021
(Loss)/profit for the year from continuing operations	**(230,937)**	396,795
Income tax	**(28,078)**	6,914
Finance cost	**154,705**	150,424
Finance income	**(6,033)**	(10,531)
Depreciation and amortisation expense	**158,906**	192,858
EBITDA	**48,563**	736,460
Impairment of goodwill and property, plant and equipment	**29,242**	10,607
Other expenses	**-**	2,867
Forex Loss/(Gain)	**365,018**	(40,466)
ADJUSTED EBITDA	**442,823**	709,468
ADJUSTED EBITDA (net of IFRS 16)	**383,926**	647,814

AS OF 31 DECEMBER 2022 AND 2021, NET DEBT WAS AS FOLLOWS:

US$ THOUSAND	2022	2021
Bank borrowings	**293,831**	225,062
Bonds issued	**1,382,981**	1,376,820
Lease obligations	**229,323**	281,250
Total debt	**1,906,135**	1,883,132
Cash and cash equivalents	**(300,489)**	(275,237)
Net debt	**1,605,646**	1,607,895
Effect of IFRS 16	**(216,607)**	(268,919)
Trade credit facilities	**(152,215)**	(110,086)
Net debt (net of IFRS 16)	**1,236,824**	1,228,890

SEGMENT PERFORMANCE

YEAR ENDED 31 DECEMBER 2022						
US$ THOUSAND	POULTRY & RELATED OPERATIONS SEGMENT	GRAIN GROWING OPERATIONS SEGMENT	MEAT-PROCESSING & OTHER AGRICULTURAL OPERATIONS SEGMENT	EUROPEAN OPERATING SEGMENT	ELIMINATIONS	CONSOLIDATED
External sales	1,886,814	157,612	134,099	463,501	–	2,642,026
Sales between business segments	55,234	338,425	470	–	(394,129)	–
Total revenue	**1,942,048**	**496,037**	**134,569**	**463,501**	**(394,129)**	**2,642,026**
SEGMENT RESULTS	**198,324**	**88,480**	**4,030**	**44,886**	**–**	**335,720**
Depreciation and amortisation	72,130	61,398	3,796	20,139	–	157,463
Segment adjusted EBITDA before unallocated expenses	270,454	149,878	7,826	65,025	–	493,183
Unallocated expenses						(51,803)
Unallocated depreciation and amortisation						1,443
ADJUSTED EBITDA						**442,823**

RISK MANAGEMENT

Since 24 February 2022, the environment in which MHP operates has changed significantly as a result of the Russian invasion of Ukraine. The Group now faces a wide range of substantive War-related challenges, which are subject to unpredictable and rapid change, so must continuously assess levels of risk and evaluate the actions required to protect its operations and market position. Failure to manage these issues could have a substantial adverse impact on our business, as we strive to maintain operations while achieving our strategic goals and delivering sustainable financial performance. Accordingly, we have continuously adapted our risk management processes and embedded these throughout the Company in order to align risk management, strategy and performance across all entities and enable agile decisions in response to the changing circumstances.

RISK OVERSIGHT

The Audit & Risk Committee monitors the effectiveness of the Company's risk management and control systems by means of regular updates from Management, reviews of the key findings of the external and internal auditors, and an annual review of the risk management process. Results are reported regularly to the Board, which has overall responsibility for risk management. The Internal Audit function provides objective assurance to the Management team and to the Audit & Risk Committee on the effectiveness of risk management and helps Management to continuously improve its risk management framework and processes.

RISK MANAGEMENT FRAMEWORK

The Company's approach to the identification and assessment of risks, and the response to risks, is based on best business practices and the international COSO (Committee of Sponsoring Organisations of the Treadway Commission) Enterprise Risk Management Framework. The COSO Framework enables us to identify, classify, assess and manage the risks that the Company faces in order to provide reasonable assurance regarding the achievement of the Company's strategy and objectives.

The implementation and functioning of our Risk Management Policy is supported by training programmes for management and employees that emphasise open communication, with every employee sharing responsibility for identifying and managing risks.

PRINCIPAL RISKS

War-related risks are by definition substantive and, in the extreme, could even be existential for the Company. While the war continues, these therefore are the most significant threats to MHP's business continuity and accordingly are profiled at the top of the following table of Principal Risks. As many of these risks are outside the Group's control, the ongoing crisis has driven MHP to become a more agile company, with systematic, fast-paced, and dynamic analysis of risks and consequent implementation of mitigating actions. This has forced the pace of development and change, enhancing the Company's ability and preparedness to respond to future challenges.

As an example of the Company's approach to risk mitigation, in the fourth quarter of 2022 a number of concerted missile attacks on Ukrainian power infrastructure caused significant disruption, resulting in prolonged energy shortages across the country. MHP's risk mitigation capabilities were demonstrated by the fact that, after a short break, its facilities were able to resume operations at near full capacity, with the intermittent national grid supply supported by MHP's own biogas plants backed up by diesel generators.

The principal risks the Group is facing are listed in the table below. The list is not exhaustive and additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, may also materially adversely affect our business, financial condition, or results. We therefore remain vigilant and proactive in identifying and mitigating risks to ensure the continuity of our operations.

THE PRINCIPAL RISKS AND UNCERTAINTIES THE GROUP IS FACING ARE SHOWN BELOW[1]

PRINCIPAL RISK	HOW WE MANAGE THE RISK
TOP 5 WAR-RELATED RISKS	
1. Missile attack on slaughter and production facilities or fodder complexes	**Energy disruption.** Adoption of a balanced energy mix composed of the national grid, electricity from MHP biogas plants, and back-up diesel generators. **Fire hazard.** Fire engines stationed in production areas; provision of uninterrupted water supply; contractual agreements with the State Emergency Services guaranteeing urgent arrival in case of fire. **Explosion hazard.** Development of strict procedures to avert the risk of explosion and minimise the potential impact. **Destruction/breakdown of equipment or processing and manufacturing facilities.** Increased warehousing of spare parts and equipment in storage facilities remote from production sites; reservation of funds for restoration of property; emergency reconstruction protocols for plant and other key facilities. **Production stoppage.** In the most severe situations, poultry breeding and hatching may be reduced and, where unavoidable, livestock thinned. **Financial impact.** The Company has modelled a number of scenarios and analysed potential cost reductions, operating an agile business strategy.
2. Interruption to electricity supply	**Meat Processing facilities.** Reduction of electricity consumption across the entire MHP supply chain. **Supply of products to customers.** Greater focus on chilled poultry meat products and planned expansion of European freezing capacity. **Payment processing centre/distribution centre.** Power generators are employed as back up in the case of supply outage or disruption.
3. Economic impact of the War on usual commercial levers	**Vigilant monitoring.** Monitoring all aspects of the markets in which MHP is present, coupled with production reduction scenarios and alternative options for receiving and processing payment transactions. **Sufficient credit lines.** Facilities were put in place prior to the invasion to cover liquidity risks.
4. Repeated blocking of grain exports by sea	**Contract performance.** Triggering of force majeure provisions, contract cancellation or changing delivery routes. **Increased cost of land delivery.** Agile delivery matrix utilising a mixture of trucks, rail and, where available, shipping.
5. Disruptions in supply of production raw materials and resources	**Supply contracts.** Network of reliable and diverse suppliers selected. **Petroleum stocks.** Increased through renting additional storage facilities. **Compound feed ingredients and additives.** Increased warehousing capacity to store raw materials in right conditions. Minimised travel time and loading / unloading time at transshipment centres and ports.

[1] *As of the date of the 2022 Annual Results release, 11 April 2023*

PRINCIPAL RISK	HOW WE MANAGE THE RISK
OTHER WAR-RELATED RISKS	
Loss of access to leased land, offices and production facilities in the occupied territories	This geopolitical risk is largely outside of MHP's control. Where possible, mitigating factors may include the relocation of operations.
Loss of storage facilities and stocks of produced goods and inventories	Adaptation of our business model, logistics and supply routes. Additional storage facilities.
Absence or loss of employees resulting in disruption of business processes	See Growth Pillar 2: Our People and Their Wellbeing on pages 63 to 74. Mitigations to ensure that employee welfare is protected and strengthened include: evacuating employees deemed most at risk from dangerous areas to safer "hubs"; ensuring no concentration of critical employees in one location, with back-up critical functions organised; training employees on defencive measures on how they to behave and protect themselves in the War; building of shelters for employees; providing physical and psychological support to employees; and changing motivation schemes to recognise and reward employees who ensure continuity of production and logistics.
Disruption of logistics routes in Ukraine	See CEO's Statement and Growth Pillar 2: Our People and Their Wellbeing on pages 18 and 63 respectively. Business planning was adjusted to a month-by-month, then three-month, then six-month process. Mitigating actions include: drawing on, training and/or re-skilling of volunteers, retailers, and drivers; expanding our fleet of trucks; adapting supply chains to the new constraints; actions to ensure adequate stocks of all critical resources.
Inability to conduct export activities	See CEO's Statement on page 18. Rapid adaptations to our business model and logistics routes. Detailed contingency plans have been designed and are in place to maintain exports using as many routes as are available at any point in time.
Potential cyber-attack, loss of data and disruption of business processes	See Growth Pillar 5: Business Conduct on pages 87 to 93. Detailed contingency plans have been designed to respond to cyber-attack and the potential unavailability of IT systems. Mitigations include the application of Microsoft's latest security solutions in MHP's cloud infrastructure to ensure that MHP's systems detect and respond to information security events that indicate a possible compromise.
BUSINESS RISKS	
Fluctuations in prices for grains and related products required for production input	MHP drives cost efficiency across all its businesses, supported by its vertically-integrated business model. MHP's grain growing operations produce internally 100% of the corn required for poultry feed production. The Company adopts different approaches for improving feed recipes and the structure of feed so as to optimise cost and increase the feed conversion ratio at the same time.
Fluctuations in demand for and market prices of chicken meat	Although adversely affected by the reduction in Ukraine's population during 2022, demand for chicken in the domestic market is expected to remain strong as chicken meat is the most affordable kind of meat from both a price and diet perspective. MHP products are available for purchase through different sales channels at all times and the Company offers competitive trade terms to its customers. MHP's domestic strategy and in particular its focus on higher value-add products are drivers for increasing the Company's profitability from chicken meat sales in Ukraine. In international markets, MHP continues to benefit from its strategy of geographic diversification of exports combined with product mix optimisation and a focus on customised products for new potential markets.
Failure to implement growth strategy and expansion into export markets	MHP has in place a long-term strategy for the Group's expansion into diversified export markets. In spite of War-related disruption to exports during 2022, MHP continues to export to over 70 international markets.
Outbreaks of Avian Influenza and other livestock diseases	To ensure the well-being of livestock at MHP's facilities, the Company has implemented high biosecurity standards and systems supplemented by a set of preventive veterinary-sanitary and hygiene measures.
Inefficient procurement and an increase in production costs	MHP strives to continually improve its procurement procedures and production processes. The procurement of strategic items is centralised with a high level of regulation and control. KPIs are set and are closely monitored with a view to decreasing the costs of production.

PRINCIPAL RISK	HOW WE MANAGE THE RISK
BUSINESS RISKS (continued)	
Occurrence of a material product quality or product safety incident	MHP prioritises product safety and quality in line with international best practice and applicable regulations. It maintains robust quality and safety management systems and has an excellent track record in this area.
Fluctuations in commodity prices such as gas, fuel and energy	MHP tightly monitors and controls its gas, fuel and energy costs. Energy price risks are mitigated by a priority focus on developing renewable sources of energy and a continued increase in the use of co-generation and alternative energy technology.
Lack of highly-qualified staff at strategic level and production enterprises	MHP works to maintain positive relationships with employees and strives to build upon its reputation as a high-quality, responsible employer of choice.
Inefficient procurement and an increase in production costs	MHP strives to continually improve its procurement procedures and production processes. The procurement of strategic items is centralised with a high level of regulation and control. KPIs are set and are closely monitored with a view to decreasing the costs of production.
ENVIRONMENTAL RISKS	
Global climate change	MHP endeavors to conduct all its activities in an environmentally-responsible manner and to meet the global challenges presented by climate change. A key tenet of the Company's Sustainable Environmental Policy is to become carbon neutral by 2030. In 2021, MHP partnered with an independent third party Alltech E-CO2 to audit greenhouse gas emissions and recomend measures to further reduce greenhouse gas emissions. There is also a target to achieve carbon accreditation with the Carbon Trust and develop a strategy for carbon neutrality in 2023.
Irrational water use	There is a range of preventive and monitoring approaches to ensure rational water consumption and to prevent pollution of surface waters and groundwater aquifers at MHP.
Deforestation and conversion of high-carbon lands into agricultural land, including drainage of peat bogs	MHP is committed to zero deforestation and zero conversion of high-carbon lands to agricultural land. MHP's Sustainable Environmental Policy sets a number of objectives to contribute to sustainable development of the country at all locations, where the Company has got its operations.
FINANCE RISKS	
Fluctuations in foreign exchange rates	The majority of MHP's borrowings are denominated in US$. The resulting exposure is effectively hedged by the generation of around 61% of total revenue in US$ in 2022 from the export of sunflower and soybean oils, chicken meat and grain. The hard currency revenue allows MHP to service dollar-denominated obligations subject to the NBU regulations.
Fluctuations in interest rates	MHP monitors its interest rate exposure and analyses the potential impact of interest rate movements on its net interest expenses. Of MHP's debt portfolio, 99% is at fixed interest rates, the majority being in the form of fixed-rate Eurobonds. Bank borrowings are mostly from foreign banks or Ukrainian subsidiaries of international banks at rates lower than those available from Ukrainian banks.
Credit risk	MHP has a diversified pool of customers. The amount of credit allowed to any one customer or group of customers, including supermarkets and franchisees, is strictly controlled. Credit risks are managed by security provisions included in agreements with customers. At foreign subsidiaries of MHP, an insurance company is involved to approve the credit limit and to insure against risk of non-payment.
Liquidity risk	MHP maintains efficient budgeting and cash management processes to ensure that adequate funds are available to meet its business requirements. MHP adopts a flexible CAPEX programme enabling capital projects to be deferred if necessary. MHP holds cash balances in hard currency on correspondent accounts.
Inefficient investments	MHP has developed and implemented procedures to ensure due process in this area. The Evaluation of Investment Projects procedure requires that the Investment Committee approves investment projects. All of the Company's investment projects are documented with a formal investment appraisal report and financial model which are jointly approved by the Investment Committee. All major investment decisions require approval by the Board.

PRINCIPAL RISK	HOW WE MANAGE THE RISK
STAKEHOLDER RELATIONS RISKS	
Local communities and NGOs	MHP is in regular dialogue with its local communities and other stakeholders in the regions in which it operates. The Company aims to conduct these relationships sensitively and with mutual respect.
Investor and other stakeholder relations	MHP maintains an experienced and well-resourced communications and investor relations team that is supported by a national and international network of professional advisors. The team ensures that information about the Company is distributed in a timely manner, is accurate and up-to-date. MHP also monitors external commentary about its activities to ensure that any inaccuracies are addressed promptly. A qualitative measurement of the Company's image is performed on a regular basis and monitored by its senior management team and the Board.
COMPLIANCE RISKS	
Legal and regulatory risk	MHP's management team actively monitors regulatory developments in the countries in which the Group operates.
Bribery and corruption	MHP maintains robust anti-bribery and corruption policies and procedures, including a Code of Ethical Conduct, which are regularly reviewed and monitored by the Audit & Risk Committee.
COMPLIANCE RISKS	
Failure to comply with the covenants under loan agreements	MHP has developed and follows control procedures to monitor compliance with covenants.
BUSINESS CONTINUITY RISK	
Failure of IT systems could materially affect MHP's business	A full set of measures has been implemented across the Company to reduce the risk of IT system failure. Detailed contingency plans have been designed to respond to cyber-attack and the potential unavailability of IT systems.

MHP'S GROWTH PILLARS

THIS SECTION OUTLINES THE ASPECTS OF MHP'S BUSINESS THAT HAVE BECOME A TOP PRIORITY SINCE THE INVASION ON 24 FEBRUARY 2022. THE CRISIS NECESSITATED A SWIFT REASSESSMENT OF MHP'S ESTABLISHED METHODS OF ADDRESSING THE SIX GROWTH PILLARS SET OUT BELOW. THIS LED TO SIGNIFICANT CHANGES, REFINEMENTS, REDESIGNS, AND THE INTRODUCTION OF VARIOUS DIFFERENT ACTIVITIES AND PROCESSES. AT THE SAME TIME WAS ACHIEVED AMIDST EXCEPTIONALLY DIFFICULT LOGISTICAL CHALLENGES, THE NEED TO CONTINUE BUSINESS OPERATIONS, AND THE URGENCY OF SAFEGUARDING MHP'S EMPLOYEES AND, WHERE APPROPRIATE, THE GENERAL PUBLIC. THROUGHOUT AT THE SAME TIME, THE GROUP ALSO CONTINUED TO PLAY ITS PART IN MAINTAINING THE COUNTRY'S FOOD SECURITY.

Despite these significant challenges, MHP has successfully advanced its established commitments and plans in several areas, such as addressing climate change, enhancing business conduct mechanisms, and offering opportunities for employee growth and development. These commitments and developments will remain a priority for MHP throughout the duration of the War and beyond.

Many aspects of MHP's vital work within Ukraine's local communities during the war in 2022 were and will continue to be conducted in partnership with the MHP-Gromadi Foundation ("MHP-Gromadi" or "the Foundation"), MHP's charitable foundation. Further information can be found at the Foundation's website (https://mhpgromadi.org.ua).

DESPITE THE WAR, MHP HAS SUCCESSFULLY ADVANCED ITS ESTABLISHED COMMITMENTS AND PLANS IN SEVERAL AREAS DURING THE YEAR

MHP conducted regular stakeholder engagement activities to establish its approach to sustainability, create a sustainability framework and prioritise its sustainability-related activities. Despite the challenges created by the War, the principles and commitments recorded below, which were fixed prior to 24 February 2022, remain in place and will continue to be refined and developed over time.

OUR SIX GROWTH PILLARS

STAKEHOLDER ENGAGEMENT *pages 59 to 62*	OUR PEOPLE AND THEIR WELLBEING *pages 63 to 74*
OUR ROLE IN SOCIETY AND OUR LICENCE TO OPERATE *pages 75 to 77*	RESPONSIBLE FOOD PRODUCTION *pages 78 to 86*
	THE PLANET *pages 94 to 106*
BUSINESS CONDUCT *pages 87 to 93*	

The activities relating to the Six Growth Pillars are delivered and assessed through our strategy and policies, management systems and processes, performance measurement and monitoring, and engagement with stakeholders.

OUR APPROACH

WHY	Our purpose is to provide our customers with high quality, sustainable proteins, food products and culinary solutions that are safe and responsibly produced.					
AREAS OF FOCUS (GROWTH PILLARS)	Stakeholder Engagement	Our People and Their Wellbeing	Our Role in Society and Our Licence to Operate	Responsible Food Production	Business Conduct	The Planet
HOW	Strategy and Policy Design Continuous Management Systems Development Rigorous Performance Measurement and Monitoring					
REPORTING	GRI		TCFD		International Standards and Guidelines	

GRI TABLE
MHP's 2022 GRI table, which cross-references the information within this report, is available for download from the MHP website (https://mhp.com.ua/en/mhp-se/financial-reports).

ALIGNING OUR SUSTAINABILITY FRAMEWORK

We support global stakeholder initiatives (including those set up by governments, regulators, the financial and investment communities, and NGOs) to bring greater transparency and consistency to how the business world approaches sustainability and discloses its performance.

Clearly our steps to develop MHP's approach have been affected by the War. However, we remain committed to achieving best practice and carefully monitoring the development of global standards including those relating to climate change.

Key aspects of our approach include:
- identifying the United Nations Sustainable Development Goals as the appropriate sustainability framework to align MHP's approach to;
- attending and closely following the outcomes of COP26 and considering the recommendations; and
- developing our data collection to enable us to report, applying the Global Reporting Initiative.

ALIGNMENT WITH THE UN SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals ("UN SDGs") were designed to provide a shared blueprint for achieving peace, prosperity and wellbeing for people and the planet, now and in the future.

MHP's responsible business strategy is closely aligned with the UN SDGs and the Group aims to contribute constructively to positive global change. MHP aligns its activities with all seventeen of the UN SDGs.

MHP leverages its products and services, workforce, investments and stakeholder engagement activities to drive a process of innovation and continuous improvement.

UN GOALS	MHP'S IMPACT AND CONTRIBUTION
1 NO POVERTY	**END POVERTY IN ALL ITS FORMS EVERYWHERE** MHP plays an active and important role in the communities where its operations are based. It works with local stakeholders to improve infrastructure, develop education and health, and to provide economic and employment opportunities. MHP's role in its communities within Ukraine has become particularly important since the commencement of the War. This is discussed throughout this Report.
2 ZERO HUNGER	**END HUNGER, ACHIEVE FOOD SECURITY AND IMPROVED NUTRITION AND PROMOTE SUSTAINABLE AGRICULTURE** One of MHP's main priorities following the invasion was to achieve and continuously maintain food security for the population of Ukraine. Our efforts to achieve this are discussed throughout this Report. MHP was one of the first Ukrainian companies to be verified by audit and permitted to label its products as antibiotic-free "Class A", in accordance with the standard "Voluntary requirements for poultry farms with poultry technology and production of poultry products without the use of antimicrobial agents and/or without antimicrobial agents". All 37 of the Company's labs undertake around 6,000 methods of analysis to study feed and raw materials, to achieve microbiological and chemical parameters, and to ensure strict compliance with veterinary, biosafety and hygiene standards at all MHP facilities. All livestock in Ukraine and the European Operating Segment have been vaccinated to prevent the presence of viral pathogens in poultry.
3 GOOD HEALTH AND WELLBEING	**SUPPORT HEALTH AND WELLBEING** Since the War began, MHP has prioritised the health, safety and wellbeing of its employees and the population of Ukraine. The Group adopted a similar approach at the start of the global COVID-19 Pandemic in 2020 and made considerable efforts to support and assist its workforce and their families. Health and safety at all the Group's sites are important priorities that receive considerable management attention.
4 QUALITY EDUCATION	**ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL** MHP provides meaningful and productive work and training for all of its employees and has continued to do this since the outbreak of the war in Ukraine. MHP also supports many educational and learning activities within the communities where the Group is based.
5 GENDER EQUALITY	**ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS** A strong area of focus for MHP is the creation of employment opportunities at all levels for women. The War in Ukraine has underpinned the importance of this focus. Job flexibility and the requirement to keep MHP Ukraine operating during the war has underlined why this approach is important to business continuity and long-term success.

UN GOALS	MHP'S IMPACT AND CONTRIBUTION
6 CLEAN WATER AND SANITATION	**ENSURE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL** The registers of wells and mineshafts for water at every MHP enterprise are regularly updated. Close attention is paid at all of MHP's businesses to ensuring that business activities do not contaminate natural water resources and reduce the availability of water for the use of local communities.
7 AFFORDABLE AND CLEAN ENERGY	**ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL** Over the last few years, MHP has increasingly been focussing on its own renewable energy generation through the construction of biogas plants at its facilities in Ukraine. This approach has supported the Group's site facilities since the war began because it has enabled MHP to continue its activities during energy shortages, especially after the very significant and sustained attacks in the second half of 2022.
8 DECENT WORK AND ECONOMIC GROWTH	**PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL** MHP prioritises providing workplaces that are welcoming and free of discrimination, bullying and harassment. MHP's rates of pay compare favourably to other large employers in Ukraine and elsewhere. The Group sees itself as an important contributor to economic growth and stability within the communities where it operates and works closely with local stakeholders to ensure that everyone benefits from the economic wealth generated by the Group's activities. Since the beginning of the war, MHP has been cooperating closely with Ukrainian authorities and other stakeholders to support the effective operation of the economic infrastructure as it relates to the Company. The Group has supported its workforce and local communities in a wide variety of ways to shield them from the economic impacts that have occurred.
9 INDUSTRY INNOVATION AND INFRASTRUCTURE	**BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALISATION, AND FOSTER INNOVATION** Technological innovation and infrastructure development is at the heart of many of MHP's activities as the Group seeks to drive creativity, efficiency and change throughout its businesses. A prime example is the creation of the Innovation Department with the goal of transforming MHP from a commodity company into a customer-focussed culinary company. In 2022, this development took another step forward with the integration of our innovation experts into the Group's Business Segment verticals. See also the Nominations and Remuneration Committee Report on page 133. Innovation and workforce flexibility have been some of the key features in the Group's response to the challenges presented to it by the war in Ukraine and have contributed significantly to the Group continuing its operations in a largely uninterrupted manner.
10 REDUCE INEQUALITIES	**REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES** MHP is committed to providing equal opportunities for everyone who works for the Group and aims to set high employment standards within the countries in which it operates.

UN GOALS	MHP'S IMPACT AND CONTRIBUTION
11 SUSTAINABLE CITIES AND COMMUNITIES	**MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE** MHP works with its stakeholders to develop and protect the communities where the Group's operations are based. These responsibilities became a particularly important priority to the management team as a result of the global COVID-19 Pandemic and the invasion of Ukraine.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS** As a global company exporting to more than 70 countries, MHP's approach to marketing is consistent with the International Chamber of Commerce's Marketing and Advertising Code and its framework for responsible food marketing communications and labelling. MHP is committed to sustainable production and in particular to reducing its carbon footprint through the increased use of renewable energy.
13 CLIMATE ACTION	**TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS** MHP's environmental policy includes a net zero emissions commitment by 2030. In recent years, the Group has taken a number of steps to reduce the effects of its activities on the environment and to reduce its greenhouse gas emissions. These have included the construction of biogas facilities which use waste generated by MHP's other activities, and a consistent focus on energy use reduction activities.
14 LIFE BELOW WATER	**CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS AND MARINE RESOURCES FOR SUSTAINABLE DEVELOPMENT** None of MHP's sites are located close to oceans or seas. MHP uses shipping facilities to export its products and its suppliers are required to adhere to the environmental requirements of the Group's Business Partner Code of Conduct. This is available for download from the main MHP website (www.mhp.ua).
15 LIFE ON LAND	**PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, SUSTAINABLY MANAGE FORESTS, COMBAT DESERTIFICATION, AND HALT AND REVERSE LAND DEGRADATION AND HALT BIODIVERSITY LOSS** MHP prioritises the protection of the environment where the Group's sites are located and strives to address the global challenge presented by climate change.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**PROMOTE PEACEFUL AND INCLUSIVE SOCIETIES FOR SUSTAINABLE DEVELOPMENT, PROVIDE ACCESS TO JUSTICE FOR ALL AND BUILD EFFECTIVE, ACCOUNTABLE AND INCLUSIVE INSTITUTIONS AT ALL LEVELS** MHP has a robust approach to responsible business conduct and a zero-tolerance approach to bribery and corruption. MHP published a revised Code of Ethics and a Supplier Code of Ethics in 2021. Since the commencement of the war on 24 February 2022, everyone at MHP has been working hard to play their part in protecting the democratic integrity of Ukraine and the wellbeing of its citizens.
17 PARTNERSHIP FOR THE GOALS	**STRENGTHEN THE MEANS OF IMPLEMENTATION AND REVITALISE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT** MHP conducts regular dialogue with a variety of stakeholders about its approach to sustainable development. During 2022, these activities have included working with many internal and external stakeholders as MHP takes those steps towards protecting Ukraine and its population that are appropriate to a company operating in a war-torn country.

GROWTH PILLAR 1

STAKEHOLDER ENGAGEMENT

THE COMMENCEMENT OF RUSSIA'S INVASION OF UKRAINE ON 24 FEBRUARY 2022 MEANT THAT MHP HAD TO IMMEDIATELY REVISE ITS APPROACH TO STAKEHOLDER ENGAGEMENT AND PLAY AN ACTIVE ROLE IN ADDRESSING THE IMPLICATIONS OF THE CRISIS.

THE IMPORTANCE OF STAKEHOLDER ENGAGEMENT DURING A TIME OF WAR

MHP's Board and Senior Management Team recognised straightaway that effective communications and stakeholder engagement were essential to the success of the Company's response to the Russian aggression.

They immediately resolved that the Group's top four wartime stakeholder engagement priorities were to:

1. Support the needs of employees;
2. Address the needs of communities in different parts of Ukraine;
3. Address the additional requests for information from financial partners and the investment community; and
4. Work with other stakeholders to maintain food security and personal safety for the Ukrainian population.

The Board and Senior Management Team consider the results of the Company's efforts in this regard to be outstanding and many features of these activities are discussed throughout this Report.

Of particular note are successes in:

- maintaining high levels of communication and engagement, which has been central to MHP's efforts to successfully maintain its ongoing activities through working with a wide variety of internal, national and international stakeholders;
- participating in successful ongoing negotiations with banks, bondholders and shareholders to maintain MHP's liquidity and activities during the emergency;
- cooperating with a wide variety of internal and external stakeholders in Ukraine to maintain food security for everyone;
- applying various communication channels, including social media, to maintain communication with employees and their families particularly at the commencement of the war;
- working with internal and external stakeholders to organise the evacuation of 600 employees and their families at the start of the War, rehousing them and then setting up two new "hubs" to enable them to continue to work;
- partnering with internal and external stakeholders to maintain IT integrity and security, and enabling ongoing internal and external communications; and
- working with internal and external stakeholders to maintain a wide variety of community support activities across Ukraine and encourage international stakeholders to provide resources and support to the Ukrainian population during the war.

MATERIALITY ASSESSMENT

In previous years, MHP has conducted a stakeholder materiality exercise to ensure that it fully understands the views of its stakeholders in relation to its recent, current and future activities. Details of this approach can be found in the 2021 Sustainability Report which is available for download from the MHP website. Clearly this approach had to be changed as a result of the outbreak of the war. MHP's stakeholder engagement activities are now focussed primarily on the top four priorities listed to the left of this page. This approach will continue until the end of the War and will be adapted to the changing circumstances that the Russian aggression has created and will create going forward. Over and above the top four wartime priorities, work continued across all areas of stakeholder engagement.

STAKEHOLDER ENGAGEMENT HIGHLIGHTS

The table below sets out how each stakeholder group was understood and addressed, drawing out highlights of the Group's activities during the year.

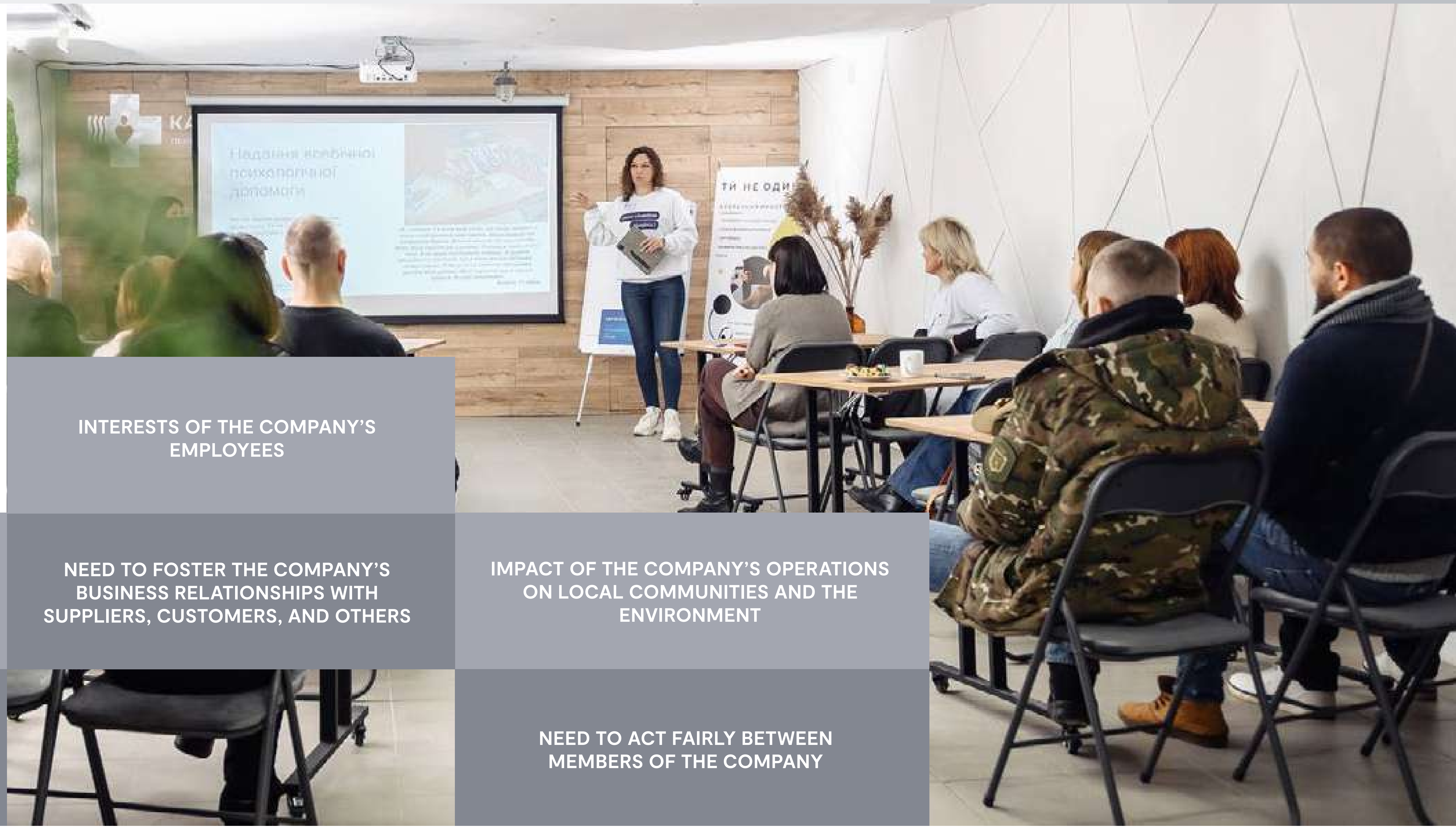
STAKEHOLDER	KEY STAKEHOLDER ISSUES	HOW MHP ENGAGES	2022 HIGHLIGHTS
WORKFORCE MHP has a dedicated and experienced workforce that is committed to, and is a key element in, achieving MHP's aims and objectives. Taking care of our people is a top priority.	· A shared vision of MHP's commitment to the country during the war; · Personal and family welfare and security; · Health and wellbeing, taking into account the special circumstances created by the war; · A conducive workplace featuring diversity, inclusion, flexibility, responsible business practice and clear communication; · Provision of ongoing employment.	· Design of tailored programmes to address the specific needs created by the war; · Regular two-way communication; · Clear communication of Company and management goals; · Training, education and mentoring; · Programmes for the development of innovative thinking; · Corporate volunteering; · Grievance mechanism; · Regular surveys.	· Substantial two-way communication resources were applied to ensure ongoing communications and work activities during the war; · Communications played an important role in maintaining morale, organising the evacuation and rehousing of 600 employees and their families, organising their return to work, and the setting up of two new "hubs" following the outbreak of War.
COMMUNITIES AND NGOS MHP's reputation and business continuity are supported by its aim to be a proactive and supportive member of its local communities and a good neighbour.	· Wellbeing, personal safety and food security during the war; · Transparency, clear communication and opportunities to engage; · Development and support of local infrastructure and services; · Local employment opportunities.	· Stakeholder Engagement Plan adapted for the special circumstances of the war; · Joint activities with MHP-Gromadi to support local communities; · Grievance mechanism; · Regional recruiting programme; · Medical assistance in the village programme; · Regular public meetings; · Regular investment in public infrastructure in partnership with local stakeholders.	· A large number of community support activities have been conducted during the War. These include arranging business grants for start-ups and re-location, building bomb shelters and putting up tents, providing access to social services, healthcare and counselling, providing poultry and grain, boosting morale through cinema screenings including on the front line, encouraging food self-sufficiency through the sowing of seeds, charging batteries and generators, building up heating stocks in preparation for blackouts and power cuts, and cleaning local parks and schools.
CUSTOMERS, BUSINESS PARTNERS AND SUPPLIERS MHP's ongoing and uninterrupted business continuity relies on the strength and maintenance of its relationships with its customers, suppliers and business advisors.	· Business continuity during the war; · Adaptation of business methods and logistics during the War; · Fair business conduct, terms and conditions; · MHP's approach and performance relating to biosecurity, product quality, environmental, health and safety matters; · Transparency, clear communication channels and opportunities to engage.	· Adaptation and redesign of communication channels to take into account the difficult circumstances created by warfare; · Interaction via the tender platform; · Dedicated staff teams to interact with customers, suppliers and business advisors; · Provision of questionnaires; · Participation in regular customer due diligence processes.	· Working with a variety of stakeholders to ensure ongoing food security for the population of Ukraine; · Working with a variety of stakeholders, both domestically and internationally, to ensure ongoing business activities at MHP's sites.

STAKEHOLDER	KEY STAKEHOLDER ISSUES	HOW MHP ENGAGES	2022 HIGHLIGHTS
SHAREHOLDERS, FINANCIERS AND THE INVESTMENT COMMUNITY MHP's ongoing access to capital and liquidity depends on maintaining strong and lasting relationships with investors, debt providers, financiers and financial analysts.	· Ongoing liquidity and solvency of the Group; · Regular access to management and information during the War; · Financial and share price performance; · Credit rating; · Strategy; · Risk management; · Environmental, social and governance ("ESG") approach and performance; · Transparent, regular and proactive communication and reporting.	· Provision of regular access to senior management and IR personnel; · Regular provision of conference calls for the investment community; · Quarterly results, trading updates, and ad hoc announcements; · One-to-one meetings with investors and financiers; · Annual general meeting; · Dedicated IR section on the Company's website; · Annual financial and non-financial reports; · Site visits; · Investor surveys.	· Successful negotiation with and unprecedented support from bondholders to ensure ongoing liquidity and MHP's capital base; · Regular and ongoing dialogue with shareholders and the finance community to ensure ongoing support and full understanding of MHP's stability during the duration of the armed aggression; · Since April 2022, publication of monthly operational trading updates in addition to the Group's normal reporting schedule.
GOVERNMENTS AND REGULATORS MHP's licence to operate is dependent on its relations with government and regulators and operating within the applicable laws and regulations.	· Close partnership arrangements with business to protect and support the population and ensure food security during the hostilities; · Adherence to applicable laws and regulations; · Support and cooperation with local economic development agencies; · Investment into infrastructure, education and medical facilities; · Transparency, clear communication channels and opportunities to engage.	· Regular dialogue to establish population needs and requirements during the War and to design plans to address them; · Regular meetings with local government; · Participation in local infrastructure, health and education projects; · Close cooperation with local regulators over matters such as maintenance of strict bio-security, health and safety and environmental matters.	· Successfully working with local and national authorities to undertake a wide variety of community support projects to assist the population of Ukraine during the war; · Working with international authorities and governments to facilitate the export of the Group's products during the War. For more information, see the Sustainability and International Affairs Committee Report on page 135.
MEDIA An important element of all of MHP's key stakeholder relations is that the media reports timely and accurate information about its activities.	· How MHP is working to support the population and the country; · Receipt of timely, complete and up-to-date news and information about MHP's activities; · Contact information for the media; · Transparency, clear communication channels and opportunities to engage.	· Design of communication activity to address the special circumstances created by the armed aggression; · Company websites; · Regular distribution of Company news and information; · Availability of Senior Management for media interviews and briefings; · Site visits for the media.	· MHP has successfully used mainstream and social media throughout the War to maintain communications with a wide variety of internal and external stakeholders despite the challenging circumstances.

SECTION 172 STATEMENT

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

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



- INTERESTS OF THE COMPANY'S EMPLOYEES
- LIKELY CONSEQUENCES OF ANY DECISIONS IN THE LONG TERM
- NEED TO FOSTER THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS, AND OTHERS
- IMPACT OF THE COMPANY'S OPERATIONS ON LOCAL COMMUNITIES AND THE ENVIRONMENT
- DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT
- NEED TO ACT FAIRLY BETWEEN MEMBERS OF THE COMPANY

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

Further details of the Board's activities can be found in the Corporate Governance Report on pages 116 to 118. This includes how the Board reaches its decisions; the matters discussed and debated during the year; the stakeholder considerations that were central to those discussions; and how the Board fosters MHP's relationships with customers, suppliers and other stakeholders. Other relevant information can be found at MHP's main corporate website at www.mhp.ua.

THE BOARD AIMS TO ENSURE THAT ITS DECISIONS ARE CONSISTENT, PREDICTABLE, AND ALWAYS IN THE BEST INTERESTS OF THE BUSINESS

GROWTH PILLAR 2

OUR PEOPLE AND THEIR WELLBEING

THE WAR HAS HIGHLIGHTED THE IMPORTANCE OF OUR PEOPLE AS MHP'S MOST VALUABLE ASSET. MHP'S ABILITY TO CONTINUE ITS OPERATIONS DESPITE THE EXTRAORDINARY DIFFICULTIES POSED BY THE WAR IS DIRECTLY ATTRIBUTABLE TO ITS WELL-ESTABLISHED CULTURE OF BUSINESS COLLABORATION AND CO-OPERATION.

OUR COMMITMENT

We are building a culture in which people realize their potential.

Everybody at MHP strives to achieve the goal of zero fatalities and zero health and safety incidents resulting in injury or adversely affecting the health of employees.

MANAGEMENT APPROACH

MHP's human resources management approach has four main elements:

- strategic workforce planning;
- efficient human resources management. This includes designing optimal structures, improving leadership ability skills at all levels, building a high performance culture, predicting and mitigating human resources risks, and building a productive corporate culture based on Company values;
- talent acquisition management; and
- dedication to personal development and growth.

MHP's Management Team prizes diversity as one of the Group's greatest strengths. Everyone is aware that the success of the business depends on the collective skills, backgrounds and experiences of all team members. MHP strives to create a trusting and productive workplace by treating everybody with dignity and respect and by promoting diversity and inclusion.

MHP's Group companies aim to hire and employ a workforce that represents the communities in which the companies are based.

MHP also promotes equal opportunities in recruitment, career development and financial benefits. The Group partners with both universities and vocational schools to recruit talent.

The HR strategy is set centrally in alignment with the Group's overall strategy, and is then adjusted as appropriate to each country. HR management processes are aligned with the international standard ISO 9001:2015. MHP personnel management systems at facilities outside Ukraine comply with the ISO 9001:2015 standard.

To maintain this culture, MHP's HR team is also guided by the principle of transparency in working with staff.

MHP AIMS TO BUILD A CULTURE WHERE EACH AND EVERY PERSON'S WELFARE, HEALTH AND SAFETY AND WELLBEING MATTERS

HEALTH AND SAFETY

MHP implements a risk-based approach to occupational health and safety matters in accordance with the appropriate international standards.

This approach enables MHP's management to:
- identify potential safety issues and assess the risks associated with them;
- assess the effectiveness of existing safety measures and take improvement action where necessary;
- maintain a culture of safety awareness throughout the Group's businesses;
- maintain management systems that prevent accidents, occupational injuries and diseases and employee exposure to hazardous substances;
- motivate everyone to always maintain safe working conditions; and
- regularly update MHP's management systems in line with industry best practice.

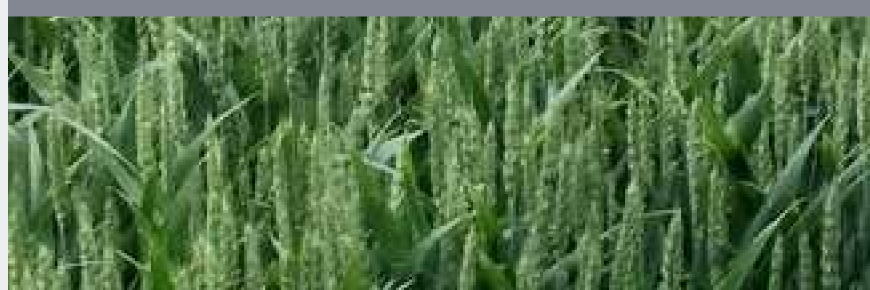
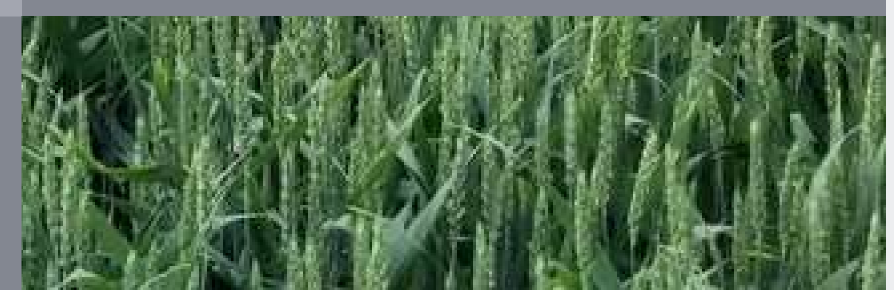
Following the invasion in February 2022, an urgent management priority was to ensure that employee welfare was protected and strengthened. In particular MHP's management team ensured that international occupational safety standards were maintained whilst uninterrupted work patterns and ongoing production continued. This was achieved through additional health and safety training to ensure workforce safety under the prevailing new conditions. Particular attention was paid to supporting employee mental health during the year.

MHP has a detailed occupational health and safety policy which is available for download (www.mhp.ua). The policy was last updated in May 2020, is regularly reviewed and is signed by the Chairman, Chief Executive Officer and Chief Financial Officer. The Board of Directors has overall responsibility for occupational health and safety at MHP.

HEALTH AND SAFETY POLICY HIGHLIGHTS

Highlights of the occupational health & safety policy include:
- a commitment to implement an effective occupational health and safety management programme;
- a requirement for each MHP business to maintain a performance monitoring programme managed by qualified professionals, and which meets the criteria of need, relevance, validity and effectiveness;
- a statement that the achievement of a healthy and safe workplace is the responsibility of everyone who works for MHP;
- a requirement that all MHP's businesses conduct effective communication with employees concerning health and safety matters;
- a requirement that all MHP's businesses conduct regular health and safety risk assessments in line with the applicable regulations and industry best practice; and
- a requirement that all MHP's businesses provide regular health and safety training for everyone who works at the Group.

HIGHLIGHTS OF THE GROUP'S HUMAN RESOURCES POLICIES ARE SET OUT BELOW

MHP UNDERTAKES ALL NECESSARY STEPS AND HAS RELEVANT PROCEDURES IN PLACE TO COMPLY WITH RELEVANT CURRENT REMUNERATION LEGISLATION	MHP VALUES EACH EMPLOYEE AND WILL SUPPORT EVERYONE TO FULLY REALISE THEIR POTENTIAL	MHP BUILDS TRANSPARENT RELATIONSHIPS WITH ALL STAFF AND PROTECTS THE PRIVACY OF EVERY EMPLOYEE
	MHP ENSURES THAT THE PRINCIPLE OF EQUAL OPPORTUNITIES APPLIES ACROSS THE GROUP	
MHP PROHIBITS DISCRIMINATION BASED ON PERSONAL CHARACTERISTICS THAT ARE NOT RELATED TO WORKPLACE ACTIVITIES OR TO THE PERFORMANCE OF DUTIES	MHP PROHIBITS THE USE OF CHILD LABOUR, FORCED LABOUR AND SLAVERY	MHP ADHERES TO THE PRINCIPLE OF FREEDOM OF ASSOCIATION

EMPLOYEE NUMBERS AND GENDER DATA

At 31 December 2022, 28,298[1] employees worked for MHP in Ukraine (61% male, 39% female). In the European Operating Segment, the total number of employees at that date was 4,247 (44% male, 56% female).

[1] A number of employees of MHP Ukraine, including those undertaking multiple disciplines.

EMPLOYEE DATA – GENDER

UKRAINE			
2022	**Total**	**28,298**	**%**
	Male	17,262	61
	Female	11,036	39

EUROPEAN OPERATING SEGMENT		
Total	**4,247**	**%**
Male	1,869	44
Female	2,378	56

UKRAINE			
2021	**Total**	**27,366**	**%**
	Male	15,935	58
	Female	11,431	42

EUROPEAN OPERATING SEGMENT		
Total	**3,965**	**%**
Male	1,745	44
Female	2,220	56

UKRAINE			
2020	**Total**	**26,766**	**%**
	Male	16,202	61
	Female	10,564	39

EUROPEAN OPERATING SEGMENT		
Total	**3,883**	**%**
Male	1,618	44
Female	2,074	56

EMPLOYEE DATA – EMPLOYMENT TENURE

UKRAINE					
2022	**Total**	**Permanent**	**%**	**Temporary**	**%**
	28,298	27,016	95	1,282	5

EUROPEAN OPERATING SEGMENT		
Total	**Permanent**	**%**
4,247	4,162	98

UKRAINE					
2021	**Total**	**Permanent**	**%**	**Temporary**	**%**
	27,366	26,794	98	572	2

EUROPEAN OPERATING SEGMENT		
Total	**Permanent**	**%**
3,965	3,882	95

UKRAINE					
2020	**Total**	**Permanent**	**%**	**Temporary**	**%**
	26,766	26,136	98	630	2

EUROPEAN OPERATING SEGMENT		
Total	**Permanent**	**%**
3,692	3,618	98

EMPLOYEE DATA – FULL/PART-TIME

UKRAINE						
2022	Total	28,298	Full employment	%	Part time	%
	Male	16,987	27,943	99	179	1
	Female	10,956			176	

EUROPEAN OPERATING SEGMENT					
Total	4,247	Full employment	%	Part time	%
Male	1,911	3,459	81	354	19
Female	2,336			434	

UKRAINE						
2021	Total	27,366	Full employment	%	Part time	%
	Male	15,935	27,366	98	265	2
	Female	11,431			306	

EUROPEAN OPERATING SEGMENT					
Total	3,965	Full employment	%	Part time	%
Male	1,646	3,753	95	12	5
Female	2,107			63	

UKRAINE						
2020	Total	26 766	Full employment	%	Part time	%
	Male	15,919	26,136	98	283	2
	Female	10,217			347	

EUROPEAN OPERATING SEGMENT					
Total	3,883	Full employment	%	Part time	%
Male	1,708	3,793	98	18	2
Female	2,085			72	

EMPLOYEE DATA – EMPLOYMENT LEVEL

UKRAINE						
YEAR	MANAGERS		PROFESSIONALS		OTHER	
	Number	%	Number	%	Number	%
2022	2,462	9	5,056	18	20,780	73
2021	2,331	9	4,645	17	20,390	74
2020	2,046	8	4,278	16	20,442	76

EUROPEAN OPERATING SEGMENT					
MANAGERS		PROFESSIONALS		OTHER	
Number	%	Number	%	Number	%
79	2	710	17	3,458	81
75	2	658	17	3,218	81
70	2	566	15	3,247	83

EMPLOYEE DATA - AGE

UKRAINE						
EMPLOYEES	AGED UNDER 30		AGED BETWEEN 30 AND 50		AGED OVER 50	
YEAR	Number	%	Number	%	Number	%
2022	5,111	18	16,447	58	6,740	24
2021	4,798	18	15,497	57	7,071	25
2020	5,086	19	15,524	58	6,156	23

EUROPEAN OPERATING SEGMENT						
EMPLOYEES	AGED UNDER 30		AGED BETWEEN 30 AND 50		AGED OVER 50	
YEAR	Number	%	Number	%	Number	%
2022	568	13	2,235	53	1,444	34
2021	505	13	2,031	51	1,429	36
2020	459	12	2,040	52	1,384	36

EMPLOYEE DATA - RECRUITMENT

UKRAINE										
YEAR	Vinnytsia Region	Volyn Region	Dnipropetrovsk Region	Donetsk Region	Ivano-Frankivsk Region	Kyiv and Kyiv Region	Lviv Region	Sumy Region	Cherkasy Region	TOTAL
2022	2,440	46	762	88	100	2,687	97	81	2,744	**9,045**
2021	3,613	59	820	837	123	2,251	141	127	3,086	**11,057**
2020	2,809	43	443	714	94	1,448	99	151	2,076	**7,877**

EUROPEAN OPERATING SEGMENT								
YEAR	Slovenia	Croatia	Bosnia / Herzegovina	Serbia	Macedonia	Romania	Austria	TOTAL
2022	**337**	**162**	**141**	**454**	**0**	**1**	**2**	**1,097**
2021	**340**	**189**	**132**	**241**	**2**	**0**	**1**	**905**
2020	**569**	**135**	**80**	**201**	**3**	**1**	**0**	**989**

TRAINING AND DEVELOPMENT

MANAGERIAL PROFESSIONAL DEVELOPMENT

MHP has always placed great emphasis on training and development. Management believes that the development of professional skills adds significant value and contributes to:

- professional and personal development of employees, which helps maintain a continuous flow of talent;
- improving task performance through the acquisition of new skills and qualifications; and
- role flexibility through reskilling and the acquisition of new experience.

In 2022, training and development activities continued and were largely uninterrupted by the war. 574 employees received professional training during the year averaging 28 hours per participant (up 50% on 2021).

The main areas of focus for professional training were:

- legislative requirements (for instance in connection with workforce health and safety);
- technological development; and
- obtaining professional qualifications (79 key specialists improved their qualifications during the year).

In 2022, MHP worked with a variety of educational partners in the delivery of workforce professional training. These included the Odesa National University of Food Technologies and the National University of Bioresources and Nature Management.

Management training though the People Management 2.0 programme continued during 2022. 398 employees participated in the six modules with an average of 85 training hours per participant.

TRAINING AND DEVELOPMENT FOR OTHER PARTS OF THE WORKFORCE

3,277 employees took part in training events in 2022 (a fourfold increase on 2021). Average participation was 6.5 hours per participant during the year.

Despite the disruption caused by the war, the corporate training team continued to organise training events for employees involving both domestic and overseas training partners. An example of this continuity is the activities which took place in April and May 2022 when 710 employees were involved in events that addressed topics such as:

- task management;
- supporting workforce teams;
- designing business processes to address the rapidly changing business environment;
- crisis communications;
- managing business growth;
- conducting remote leadership in crisis situations;
- successful aspects of business behaviour; and
- harnessing the positive power of influence.

Given the circumstances created by the war, emphasis has been placed on online training since the middle of the year.
MHP launched an English language learning programme in Autumn 2022. 200 employees joined this project with the cost being shared equally between the Company and the employee.

DEVELOPMENT OF EMPLOYEE ASSESSMENT MECHANISMS

MHP recently introduced a new system of comprehensive personal assessment which involves the creation of individual development plans with the participation of the employee, their line manager and the HR team. 374 employees participated in this process in 2022.

In addition, five management development programmes commenced, designed to address the outcomes of the assessments. Around 100 managers took part, drawn from across the business. On average each programme comprises 100 hours of training over a five-to-eight-month period in the form of workshops, working in project teams, coaching and individual consultations.

MHP's comprehensive approach to personnel evaluation continued in 2022. More than 5,000 people were assessed and pass ratings increased by 20% compared to 2021. 275 employees at senior, middle and specialist management levels were assessed using additional tools including 360 degree performance evaluation, assessment centre analysis, the use of personal and professional diagnostics, and hard skills testing.

OCCUPATIONAL HEALTH AND SAFETY

MAINTAINING THE SAFETY AND WELLBEING OF THE WORKFORCE AFTER THE OUTBREAK OF WAR

At 08:00 on 24 February 2022, MHP's Senior Management Team assembled at the Kyiv HQ and promptly established three Group priorities. One of these was to prioritise the safety of our people.

The Kyiv HQ was immediately closed and the team realised that the first steps must include the identification of colleagues, and their families, who were at greatest risk of death and injury, particularly those who lived in or around Irpen, Bucha and Kyiv. As a result, MHP promptly arranged evacuation buses to transport around 900 employees and their families to safer parts of Ukraine.

In addition, the Management Team prioritised communication with employees and their families to ensure that everyone understood MHP's role in the war, evacuation measures, salary payment plans, assistance to families and victims, and the availability of volunteer assistance.

MHP's people management processes were developed reactively and quickly following the outbreak of the war according to the changing circumstances, and broadly consisted of three phases: the rescue period; the back-to-work period; and the adjusting to new circumstances period.

RESCUE PERIOD (24 FEBRUARY TO 15 MARCH)

Around 700 employees and family members who were evacuated were moved to a "hub" in the Vinnytsya region and provided with accommodation. A separate hub was set up in western Ukraine to enable continuous business operations and, in particular, to enable ongoing IT and finance functions. February salaries were paid early to support everyone in the business. We commenced the delivery of psychological support programmes for everyone on 6 March.

An urgent assistance package was set up for people who were particularly affected by the war. Key benefits include:

- a promise to preserve the roles and salaries of employees who join the Ukrainian armed forces;
- immediate payment of UAH 100,000 to the family of deceased employees. MHP also pays monthly benefits for ten years amounting to the average monthly salary of the deceased employee;
- immediate payment of UAH 100,000 to employees following the death of a close family member because of the War;
- a pledge to cover the full cost of treatment and rehabilitation for employees injured as a result of the war; and
- the provision of financial assistance due to the loss of working capacity (for example a disability) caused by the war (UAH 150,000 to 300,000).

BACK-TO-WORK PERIOD (15 MARCH TO MID-MAY)

By 15 March, employees had been placed in locations that were as safe as could be practically achieved. Management felt it was important that people returned to work for their own personal wellbeing, the maintenance of mental health, and to enable the business to play a full role in supporting the country during the war, in particular maintaining food security. To facilitate this an adaptive approach to salary payment for the duration of the war was devised and put in place.

During this period, many employees exhibited a remarkable degree of flexibility and preparedness to reskill or retrain. By the end of March, a significant part of the workforce had returned to full-time work.

ADJUSTING TO NEW CIRCUMSTANCES PERIOD (MID-MAY ONWARDS)

On 16 May, MHP re-opened its offices at the Kyiv HQ and around 80% of employees returned. Business planning, which had commenced the annual review process at the start of 2022, was adjusted at the start of the war to become a month-by-month planning process. By the end of March, this shifted to a three-month planning process and, in June, to a six-month horizon. Senior Management is now looking at a 12-month planning horizon for 2023.

INSTALLATION OF FIRE-FIGHTING FACILITIES

MHP established a voluntary fire brigade following the outbreak of military action. This initiative increased the protection of MHP facilities particularly in view of the remoteness of some of its locations and the importance of maintaining the country's food security. Six teams were established providing 24-hour, 7-days-a-week cover supported by three new fire engines and the appropriate fire-fighting equipment.

A number of additional preventative measures were taken to ensure employee safety. These included:

- the provision of extensive fire-fighting training for MHP's teams and selected members of the workforce;
- the provision of workforce civil protection training with the State Emergency Service and other emergency services;
- development, maintenance and protection of fire-fighting water sources; and
- periodic inspections of fire-fighting facilities to ensure readiness and workforce protection.

SENIOR MANAGEMENT IS NOW LOOKING AT A 12-MONTH PLANNING HORIZON FOR 2023

ORGANISATION OF ENTERPRISE SAFE SHELTERS

Safe shelters have been provided at MHP's sites to provide protection during air raids along with the development of procedures and action plans to ensure safe evacuation. The shelters have been equipped with first aid facilities and medicines at a cost of UAH 8.1 million and with gas masks and respirators at a cost of UAH 870,000.

INCIDENT INFORMATION – UKRAINE

Despite the difficulties presented by the war, MHP's Ukraine-based sites reported a significant decrease in health and safety incidents during 2022. This was a result of a termination of operations at "Ukrainian Bacon" because of the development of the War in Ukraine as well as continuous improvement and best international practice implementation at all of MHP's Ukraine-based sites.

Unfortunately, three incidents occurred during the year which led to employee fatalities. In these circumstances, the procedure is that internal and state investigations are conducted in relation to each incident and the findings are shared around the organisation to ensure that corrective action is taken, risk is minimised and similar cases are avoided in the future.

SAFE SHELTERS HAVE BEEN PROVIDED AT MHP'S SITES TO PROVIDE PROTECTION DURING AIR RAIDS ALONG WITH THE DEVELOPMENT OF PROCEDURES AND ACTION PLANS TO ENSURE SAFE EVACUATION

INCIDENT INFORMATION – EUROPEAN OPERATING SEGMENT

The information about incidents presented below has been changed and updated from the previous reports. Please take it into account. The statistics include data on sickness absence due to work-related injury for a period of 4 to 6 months (i.e. Total number of accidents), as well as shorter absences due to work-related injuries.

In 2022, there were no fatalities at Perutnina Ptuj Group.

INCIDENT INFORMATION

UKRAINE

	2022	2021	2020
Lost time due to health and safety incidents (hours)	9,891	17,097	3,160
Lost time due to health and safety incidents (days)	1,174	1,822	392
Fatalities	3	1	0
High-severity incidents	9	12	5
Low-severity incidents	10	26	7
Total number of incidents	22	39	12
Lost working time frequency ratio (person/hour)	0.73	1.03	0.45
Fatal accident ratio	0.14	0.03	0

EUROPEAN OPERATING SEGMENT

	2022	2021	2020
Lost time due to health and safety incidents (hours)	6,720	7,360	6,240
Lost time due to health and safety incidents (days)	840	920	780
Fatalities	0	0	0
High-severity incidents	2	2	3
Low-severity incidents	8	9	113
Total number of incidents	10	11	116
Lost working time frequency ratio (person/hour)	1.22	0.83	7.62
Fatal accident ratio	0	0	0

HEALTH AND SAFETY EXPENDITURE AND TRAINING DATA

INVESTMENT IN EMPLOYEE HEALTH AND SAFETY

UKRAINE

	2022	2021	2020
Total expenditure (UAH millions)	97.955	118.352	66.245
Financing of occupational health and safety measures as a percentage of the payroll	0.02 – 4.7	0.05 – 8.2	0.6 – 4.6
Expenditure on modern certified PPE (UAH millions)	46.621	43.344	26.712
Training for employees in occupational health and safety departments (UAH millions)	2.791	1.902	1.069

EUROPEAN OPERATING SEGMENT

	2022	2021	2020
Total expenditure (EUR)	125,642	113,642	108,705
Expenditure on modern certified PPE (EUR)	1,141,423	1,097,494	1,067,819

SAFETY TRAINING DATA

UKRAINE

	2022	2021	2020
Number of employees participating in training at special training centres	2,610	2,715	1,580
Number of employees participating in training at MHP sites	14,852	15,045	8,203

EUROPEAN OPERATING SEGMENT

	2022	2021	2020
Safety training hours	1,449	1,519	1,633
Number of employees	1,108	1,288	1,201

INTERNAL AUDITS AND INSPECTIONS

MHP's internal safety audit mechanisms were established in 2017. The system is designed to support MHP's other safety management activities through the identification of potential safety risks and addressing them promptly. MHP is also the subject of regular safety audits by the Ukraine government's State Employment Service (unfortunately, regular external audits stopped because of the War in Ukraine, however, regular internal cross facilities audits were in place in 2022). The European Operating Segment's faciltities are under the relevant authorities governance on a regular basis.

THE GROUP'S INTERNAL SAFETY AUDIT MECHANISM IS FOCUSSED ON THE IDENTIFICATION OF POTENTIAL RISKS AND ADDRESSING THEM PROMPTLY

INTERNAL AUDIT AND INSPECTION DATA

UKRAINE	2022	2021	2020
Number of State Employment Service inspections	0	16	1
Employee prosecutions following state inspections	0	28	0
Number of MHP internal audits conducted	45	42	9

EUROPEAN OPERATING SEGMENT	2022	2021	2020
Number of state safety inspections	15	7	10
Employee citations following state inspections	44	43	30
Number of MHP internal audits conducted	162	161	168

OCCUPATIONAL HEALTH DATA

In recent years, no cases of occupational diseases have been recorded within the MHP Group. This has been achieved through close monitoring of working conditions at each location. Features of these management systems include:

- WORKFORCE HEALTH MONITORING ON A REGULAR BASIS
- REGULAR LABORATORY TESTING AND INSTRUMENTATION CONTROL OF WORKING CONDITIONS
- REDUCTION OF POTENTIALLY HARMFUL ASPECTS OF WORKPLACE FEATURES (FOR EXAMPLE NOISE AND DUST)
- SUPPLY OF PERSONAL PROTECTION EQUIPMENT (PPE)
- A PROGRAMME OF TECHNOLOGICAL IMPROVEMENT

WORKPLACE NOISE AND DUST DATA

UKRAINE

	2022	2021	2020
Workplaces with noise in excess of local law / level established by IFC (85dBA)	328/107	318/45	154/53
Number of people at workplaces with noise in excess of local law / level established by IFC (85dBA)	4,292/1,561	4,330/514	4,875/1,606
Workplaces with dust concentration in excess of local law / level established by IFC	96/61	110/33	66/36
Number of people at workplaces with dust concentration in excess of local law / level established by IFC	818/452	1,194/297	1,113/365

EUROPEAN OPERATING SEGMENT

	2022	2021	2020
Workplaces with noise in excess of local law / level established by IFC (85dBA)	44/107	43/45	44/53
Number of people at workplaces with noise in excess of local law / level established by IFC (85dBA)	310/1,561	335/514	328/1,606
Workplaces with dust concentration in excess of local law / level established by IFC	19/61	19/33	16/36
Number of people at workplaces with dust concentration in excess of local law / level established by IFC	84/452	84/297	84/365

KEY ACHIEVEMENTS IN 2022

Despite significant challenges created by the War, 2022 saw the following key achievements:

- The creation and implementation of a revised talent management system for the Company including improvements to personnel assessments, training and development;
- Vacancies in Ukraine continued to be filled promptly. 90% were filled in accordance with the requirements of the relevant business departments. This was supported by the introduction of improved recruitment processes;
- A Group-wide employee recognition system was implemented through the award of MHP Stars;
- A competitor remuneration strategy was implemented as part of the review of all salary grades to ensure fair and competitive remuneration levels;
- Key structural changes were implemented. These included the merger of the export sales function with the customer business development department and organisational changes in the sustainable development, horticulture and Perutnina Ptuj HR departments;
- The organisation of shelters at MHP enterprises: for personnel to stay during air alarms and and the provision and storage of basic necessities within the shelters to ensure they have everything they need; and
- At MHP's enterprises in both Ukraine and tin the European Operating Segment in the Balkans, the Group met objectives in the areas of workplace safety and fire prevention.

PLANS FOR 2023

IMPLEMENTATION OF AN ELECTRONIC WORKFORCE MEDICAL SYSTEM AND THE ALIGNMENT OF THE WORKFORCE HEALTH AND FIRE SAFETY MANAGEMENT SYSTEM WITH THE GLOBAL G.A.P. CERTIFICATION REQUIREMENTS

THE DESIGN OF A WORKFORCE PROGRAMME THAT WILL ENABLE EMPLOYEES TO RETURN TO WORK AFTER THEY HAVE BEEN SERVING IN THE UKRAINE ARMED FORCES

AN IMPROVED SUCCESSION CULTURE WILL BE DEVELOPED ACROSS MHP'S BUSINESSES

A NEW MHP UKRAINE RECRUITMENT WEBSITE WILL BE LAUNCHED

THE EFFICIENCY OF INTERNAL PERSONNEL MANAGEMENT PROCESSES WILL BE IMPROVED

EUROPEAN OPERATION SEGMENT

- To complete the risk assessment audit for all workplaces;
- To implement the occupational health and safety policy for the PP Group;
- To carry out regular and ongoing training;
- To harmonise external systems of professional OH&S and fire safety functions;
- To keep OH&S committees and occupational health and safety and fire safety officers up to date; and
- To carry out an evacuation drill.

GROWTH PILLAR 3

OUR ROLE IN SOCIETY AND OUR LICENCE TO OPERATE

OUR COMMITMENT

MHP places great importance on maintaining strong relationships with local stakeholders, recognising that these connections are critical to the long-term success of the business.

At the start of the war on 24 February 2022, MHP's Board and Senior Management Team resolved that it was absolutely essential that everyone within the organisation did everything necessary to support the people of Ukraine, maintain food security and contribute to keeping everyone in the country as safe as possible. The Team believes that the survival of MHP is clearly tied to the survival of Ukraine as a sovereign nation and the wellbeing of its citizens. Thus, the Company's strategy during the War has been centred around this core theme.

MANAGEMENT APPROACH

MHP works with a wide variety of stakeholders to enable effective community development through financial and "in-kind" contributions. MHP's activities include volunteering and the provision of products and services, supporting internally displaced persons in creating conditions for their life activities in territories of Ukraine, ensuring their basic needs: food, safety and jobs. More details can be found in the Stakeholder Engagement section on page 59. Following the commencement of the War, MHP's Management Team placed particular focus on assisting the population of Ukraine, maintaining food security, supporting infrastructure, wellbeing and morale.

In 2022, MHP continued to operate its community development approach through centralised activities and a focus on working in partnership with other large businesses, international donors and national Ukrainian charities. This step enabled the participating organisations to share and develop their own expertise.

MHP regularly updates its Stakeholder Interaction Plan which is available for download from the main corporate website (www.mhp.ua).

MHP IS FOCUSSED ON SUPPORTING UKRAINE, MAINTAINING FOOD SECURITY, SUPPORTING INFRASTRUCTURE, WELLBEING AND MORALE

POLICY HIGHLIGHTS

MHP's community development policy focusses on five principles of respect. These are:
1. Respect for the law;
2. Respect for sustainable development;
3. Respect for human rights;
4. Respect for diversity; and
5. Respect for the environment.

All potential aid or charity support recipients are subject to a mandatory confidential compliance check before a project is supported.

MHP regularly assesses the impact and effectiveness of the implementation of social projects through regular dialogue with the organisations it supports, with employees, local communities and other stakeholders.

MHP'S SUPPORT STRATEGY AND ACTIVITIES DURING THE WAR

The work that MHP's team has been conducting has been partly an extension of existing community activities but it has also been sensitive and highly responsive to the rapidly changing wartime circumstances. This ensures that the efforts and activities of the team are being channelled in the most effective ways possible.

Much of this activity has been coordinated through Charitable Organisation "MHP-Gromadi Foundation", which declares its initiatives as Sustainable Development Fund. More information about this organisation and its activities can be found at its LinkedIn pages and website (https://mhpgromadi.org.ua).

The Foundation's expenditure has grown significantly since 2017 (UAH 11 million) and rose by UAH 178 million in 2021 to UAH 297 million in 2022. The Foundation's 2023 budget is UAH 334 million.

For more than six years, MHP-Gromadi has been engaged in the development of villages and small towns of Ukraine. This activity was extended significantly following the outbreak of the war.

During 2022, the following priorities were identified:

- providing support to ensure the safety of the population and the defence of the country;
- delivery of assistance and support for micro-enterprise projects to support local communities;
- delivery of financial, material and logistical support for a variety of social programmes; and
- facilitation of communication with a variety of local and national stakeholders.

KEY ACHIEVEMENTS DURING 2022

MAINTENANCE OF FOOD SECURITY

About 12,000 tonnes of MHP-produced food worth more than UAH 973 million has been distributed. This has been sent to residents who live in war zones, defenders and rescuers, local communities that have been badly affected by the war, hospitals and maternity homes, charitable institutions that care for vulnerable people and internally displaced persons.

SUPPORT FOR MEDICAL INSTITUTIONS

UAH 20 million was allocated to the purchase of modern emergency vehicles within United24, the framework of the global initiative of the President of Ukraine. Five brand-new ambulances with an estimated cost US$ 100,000 each were provided to support the activities of the medical profession during the War.

A Ministry of Defence medical institution in the Kyiv region also received a modern tow truck worth UAH 1.2 million from MHP-Gromadi. The vehicle will assist with the repair and maintenance of medical vehicles provided for military personnel.

SUPPORT FOR INTERNALLY DISPLACED PERSONS

MHP-Gromadi provided food for 300,000 internally displaced persons at around 100 different facilities located around the country. Over 10,000 children were provided with baby food (the recently launched KOKO brand) and personal hygiene products. Two accommodation shelters were provided and equipped in the Cherkasy and Vinnytsia regions.

FINANCIAL SUPPORT FOR ACCOMMODATION SHELTERS

MHP-Gromadi provided financial support for the provision of 75 accommodation shelters located in facilities previously used for education and medical care. These are in small settlements in eight regions of Ukraine. The total financial support allocated to date is approximately UAH 6.6 million. This support has continued up to date.

UAH

20 M

WAS ALLOCATED TO THE PURCHASE OF MODERN EMERGENCY VEHICLES WITHIN UNITED24

CASE STUDY

COMMUNITY PROJECTS DURING 2022

ENCOURAGING BUSINESS INNOVATION TO ADDRESS THE EFFECTS OF THE WAR

MHP-Gromadi organised a business innovation contest to encourage entrepreneurship to address the negative economic consequences of the invasion. A large number of thoughtful and creative applications were received and, to date, around UAH 5 million has been allocated to 62 projects. These projects have received their funding and are being developed.

A second competition was organised to encourage business projects that solve local energy security issues. 12 entrepreneurs from six regions of Ukraine have already received funding for their initiatives totalling approximately UAH 1.1 million.

A third “Seeds for Victory” project in cooperation with a Ministry of Agrarian Policy and Food of Ukraine and other Ukrainian NGOs was launched in support of business solutions that increase the food security of local communities, develop cultivation and processing facilities for the storage of agricultural products, thereby increasing local employment. Funds amounting to UAH 2.5 million have been provided to support this initiative.

A “Seeds for Victory” project financial support in cooperation with UN Global Compact in Ukraine was also awarded to two other business initiatives. The first enabled restoration of the production capacities of a quail farm at which the premises were damaged by military operations in the Kyiv region. The second supported the development of dairy production in the Ivano-Frankivsk region.

Finally, another innovation project aimed at supporting a wide variety of social projects that address the effects of the war has supported 102 initiatives so far with total funding provided amounting to UAH 8.2 million.

CULTURAL SUPPORT TO IMPROVE MORALE

The latest national cinema tour provided by MHP-Gromadi commenced on 6 August and ended on 31 October. This year it was called “Cinema for Victory!”. Its purpose was to improve morale, assist with the delivery of motivational messages for people within the armed forces, and support internally displaced persons and local communities.

1,306 film screenings took place at 177 locations within 18 regions of Ukraine.

MHP-Gromadi also supported the Kozak System music group's tour called “Let's Sing for Victory”. The tour comprised street concerts which have been taking place since May. The events are free and held in open spaces with close interaction between the performers and the audience.

CARE FOR THE ENVIRONMENT

MHP-Gromadi and the Company have also been organising efforts to improve the environment within cities and towns affected by the war within eight regions and the city of Kyiv. Almost 800 employees have participated in activities which have included cleaning park areas, squares, and the streets of the towns where they live. Local residents have also been taking part.

MHP-GROMADI AND THE COMPANY HAVE ALSO BEEN ORGANISING EFFORTS TO IMPROVE THE ENVIRONMENT WITHIN CITIES AND TOWNS AFFECTED BY THE WAR WITHIN EIGHT REGIONS AND THE CITY OF KYIV

OTHER MHP-GROMADI ACTIVITIES

These included:

- financial and material assistance to families who were affected by injury or death as a result of the war;
- design and execution of a seed sowing campaign to encourage communities to grow their own food. 115,000 seed packs were distributed in 2022;
- supply of mental health support for people affected by the war;
- support for building and restoring agricultural projects damaged during the war to improve food security;
- supply of technological assistance to the Ukrainian state enabled aid to be transferred aid to injured military personnel; and
- logistical support and the supply of equipment to assist the countrywide defence activities.

GROWTH PILLAR 4

RESPONSIBLE FOOD PRODUCTION

OUR COMMITMENT

MHP will always maintain industry-leading standards of product safety and quality at all of its enterprises.

MHP will reduce its use of antibiotics in the production process to further improve the world-class safety standards which all of the Group's businesses already apply.

Animal welfare will continue to be a top priority at all of the Group's production sites.

MHP will continue to regularly train and educate its employees about the importance of animal welfare.

MANAGEMENT APPROACH

The Board and Senior Management regard this area of MHP's activities as essential to the success and reputation of the business, and MHP is proud of its exemplary record in relation to product quality and safety.

A key feature is the MHP Quality Service. This function has a vertical management struction headed by the Director of Technology, Quality and Food Safety, of which Quality Control Division comprises four sub-divisions:

01 QUALITY MANAGEMENT AND CERTIFICATION DEPARTMENT

02 TECHNICAL REGULATION DEPARTMENT

03 CONTROLLING DEPARTMENT

04 COMPLAINTS AND COMPLIANCE DEPARTMENT

MHP's facilities include 37 state-of-the-art laboratories that monitor safety and quality. This management system structure is designed to ensure that regular and uninterrupted controls and monitoring are in place at every stage of production. The European Operating Segment uses an integrated management system that combines quality management systems, food safety management systems, and environmental management systems. Product quality and safety are also carefully monitored within MHP's transportation systems.

MHP's production facilities regularly undergo internal and external audits and State regulatory checks to ensure compliance with the law and MHP's own rigorous internal requirements. These are conducted by representatives of the Department of Technology, Quality and Food Safety. At least once a year, enterprises also conduct their own self-inspections. MHP requires suppliers and contractors to align with its product quality and safety approach, and has implemented supplier approval standards which must be passed before they commence business with the Group. Since 2021, these assessments have been conducted using the SAP Ariba system which assists in standardising and controlling the process across all MHP's businesses.

Animal welfare is a key priority for everyone at MHP. The Group's approach is underpinned by five animal welfare commitments.

ALL ANIMALS UNDER MHP'S CARE ARE:

FREE FROM THIRST, HUNGER AND MALNUTRITION

FREE FROM DISCOMFORT

FREE FROM INJURY OR DISEASE

FREE FROM FEAR AND DISTRESS

FREE TO DISPLAY NORMAL PATTERNS OF BEHAVIOUR

Everyone at MHP is responsible for ensuring that this approach and the Animal Welfare Policy is adhered to at all times.

POLICY HIGHLIGHTS

MHP's approach to product quality and safety is governed by its Product Quality and Safety Policy which applies to all of its businesses. MHP's aproach to animal welfare is governed by its Animal Welfare Policy. Both Policies are available for download from the main Group website (www.mhp.ua). The Policies are authorised by the Board, regularly reviewed, and communicated to all employees.

PRODUCT QUALITY AND SAFETY POLICY

- MHP WILL ADHERE TO ALL APPLICABLE LAWS AND REGULATIONS, MUTUALLY AGREED GUIDELINES WITH CUSTOMERS AND CONSUMERS, AND GLOBAL BEST PRACTICE
- MHP WILL CONDUCT CONTINUOUS ANALYSIS OF THE QUALITY AND SAFETY OF ITS PRODUCTS
- MHP WILL CONDUCT REGULAR TRAINING AND EDUCATION ACTIVITIES WITH ITS EMPLOYEES TO ENSURE THEY ARE FULLY CONVERSANT WITH THE COMPANY'S PRODUCT QUALITY AND SAFETY STANDARDS
- MHP WILL REGULARLY REVIEW AND DEVELOP ITS PRODUCT QUALITY AND SAFETY PROCEDURES IN LINE WITH LEADING INDUSTRY DEVELOPMENTS
- MHP WILL REGULARLY ENGAGE WITH INTERESTED MATERIAL STAKEHOLDERS ABOUT PRODUCT QUALITY AND SAFETY
- MHP WILL CONDUCT A PRODUCT QUALITY AND SAFETY STRATEGY REVIEW AS PART OF EACH ANNUAL PLANNING PROCESS

ANIMAL WELFARE POLICY

- ANTIBIOTICS WILL ONLY BE USED UNDER THE STEWARDSHIP OF THE STATE VETERINARIANS
- FLOCKS WILL BE REARED ON THE FLOOR WITH NO USE OF CAGED SYSTEMS
- MHP'S SITES WILL ALWAYS PROVIDE AN ENVIRONMENT THAT MEETS THE NATURAL NEEDS OF ANIMALS
- MHP WILL NOT USE EQUIPMENT THAT MAY INJURE ANIMALS WHEN HANDLING THEM
- STOCKING DENSITIES WILL MEET EU ANIMAL WELFARE STANDARDS
- VETERINARY CARE WILL BE PROVIDED ONLY BY PERSONNEL HOLDING THE RELEVANT PROFESSIONAL QUALIFICATIONS
- MHP'S SITES WILL NOT USE ANAESTHETICS OR ANALGESICS
- MHP WILL ENSURE ANIMALS ARE PROTECTED FROM HARM AND STRESS DURING TRANSPORTATION
- MHP PROHIBITS ALL SURGICAL INTERVENTION
- SLAUGHTER WILL BE CARRIED OUT USING ONLY METHODS THAT DO NOT CAUSE PAIN OR STRESS TO ANIMALS
- POULTRY REARING WILL ALWAYS BE CARRIED OUT IN AN ENVIRONMENT THAT MEETS INDUSTRY BEST PRACTICE AND REGULATORY REQUIREMENTS (RELATING TO MATTERS SUCH AS SPACE, LIGHT, HEAT, FOOD AND WATER AVAILABILITY)
- MHP WILL PURSUE A STRATEGY OF REDUCING THE USE OF ANTIMICROBIAL AGENTS
- MHP WILL USE THE BEST AVAILABLE TECHNOLOGY TO MONITOR ANIMALS AND THEIR REARING CONDITIONS
- MHP PROHIBITS THE USE OF ANY GROWTH PROMOTERS


ACCESS CONTROL

An important element of MHP's approach to product quality and safety is the control of access to its sites and production facilities. MHP's rigorous management of this aspect is particularly important to the maintenance of hygiene, product security, safety and integrity.

MHP's systems are maintained to international standards, regularly reviewed and inspected, and performance is carefully measured and reviewed. Particular attention in recent years has been paid to digitisation and automation to reduce the possibility of human error.

Access to MHP's production facilities is strictly controlled, granted only to authorised persons, and close inspection of the records of new employees is made before access is granted by a Director or responsible person. Company vehicles are closely monitored using satellite and digital technology, and MHP's sites are monitored around the clock applying security systems maintained to international standards. MHP's approach to this important area extends to its supply chain and the standards that suppliers are expected to apply.

MHP's rigorous approach to access control also applies to its European Operating Segment where similar procedures are adopted towards site access, security, inspection and access.

PRODUCT LABELLING

Product labelling is a fundamental aspect of the maintenance of product security, safety and quality, and is particularly important to MHP's relationships with its customers. Addressing this area effectively is one of the main functions of the Department of Technical Regulation which ensures that MHP adheres to the appropriate regulatory and customer requirements.

MHP's systems provide accurate, reliable and clear information about the food product to the consumer. MHP did not receive any complaints about its product labelling in Ukraine in 2022.

Poultry products produced at Perutnina Ptuj's facilities are labelled in accordance with the applicable legislation on the provision of food information to consumers. Information is indicated by the name of the product and located on the package. Traceability is also clearly communicated to consumers by information on the product declaration.

EMPLOYEE TRAINING

Regular employee training about quality and safety matters is conducted at all Company sites. This includes education about the requirements of regulatory and international best practice standards and the Company's own internal standards and procedures.

In 2022, the appropriate specialists in the quality service successfully completed external training on the requirements of the updated version of the BRC Global Standard ("BRCGS") Food Safety Issue 9.

CONSUMER FEEDBACK

MHP encourages consumers to provide feedback on product quality and safety through a variety of contact channels. This area is clearly an important element of MHP's safety and quality control and procedures, and is closely monitored throughout all of its businesses.

In 2022, the European Operating Segment received no significant complaints, and the number of complaints as a percentage of total production was 0.094% (2021: 0.13%).

In Ukraine, feedback about product quality and safety is processed through the CRM (Client Relationship Management) Service Cloud system which was introduced in 2021. This system ensures that all communications are registered, inspected and actioned to identity the root cause, corrective actions, and areas for improvement.

The system contains a number of consumer feedback facilities such as a hotline and a centralised mailbox.

MANAGEMENT SYSTEM CERTIFICATIONS

MHP aligns its products with a wide range of international product and management system certifications relating to quality, hygiene and safety. A comprehensive list is recorded below.

GMP & HACCP - STORAGE OF OIL SEEDS AND GRAINS

The following sites or subsidiaries in Ukraine are accredited for good management practices ("GMP") which are rules that set requirements for production organisation and control. They are also HACCP (Hazard Analysis and Critical Control Points) accredited. These are requirements that ensure that MHP produces products that are safe and of high quality for consumers.

- Andriyashivsky Elevator Branch of Urozhaina Kraina LLC
- Urozhayna Kraina LLC
- Yampil Elevator Branch of Zernoproduct PJSC
- Branch of the Limited Liability Company MHP-Agrokryazh Vendychansky Elevator
- Branch of Zahid-Agro MHP LLC Voskresintsivsky Elevator
- Novomoskovsk branch of Oril-Leader PJSC (Reclamation)
- Novomoskovsk branch of Oril-Leader PJSC (Kitaygorod)
- Novomoskovsk branch of Oril-Leader PJSC (Rokytne)
- Perspectives Branch of Zernoproduct PJSC
- Kaliniv Elevator Zernoproduct PJSC
- Yagotyn Elevator Agro-S Branch

GMP+B2

- Myronivska PJSC Poultry Farm Processing Complex Branch
- Vinnytsia Poultry Complex LLC
- Katerynopil Elevator LLC (production of oil)

GMP+B3

- MHP Food Trading LLC

ISO 22000:2018 - PROCESSING OF POULTRY MEAT AND BEEF

The following subsidiaries have ISO 22000 certification which is an international food safety management accreditation.

- Oril-Leader PJSC
- Lubnimyaso LLC

BRCGS FOOD SAFETY – OIL PRODUCTION AND MEAT PROCESSING

This is an international food safety certification. The following subsidiaries, sites or branches have achieved this accreditation.

OIL PROCESSING FACILITIES

- PrJSC Myronivsky Plant of Manufacturing Feeds and Groats
- Katerynopil Elevator LLC
- Vinnytsia Poultry Complex LLC (Fodder Complex)

MEAT PROCESSING FACILITIES

- Myronivka Poultry Complex PJSC
- Vinnytsia Poultry Complex LLC (Slaughter House)
- Lehko (separate subdivision of PrJSC Myronivsky Plant of Manufacturing Feeds and Groats)
- Foodservice LLC (legal name of the MHP Culinary Centre)

HALAL CERTIFICATION

This is a voluntary certification for the production of products in line with Islamic customs. The following meat-processing sites have this accreditation.

- Myronivska PJSC Poultry Farm (broiler chicken processing complex)
- Vinnytsia Poultry Complex LLC (processing complex)
- Lubnimyaso LLC
- Lehko (separate subdivision of Myronivska PJSC)

KOSHER CERTIFICATION

- Myronivska PJSC (production of cereals and feed)
- Katerynopil Elevator LLC

ANIMAL REARING

Approximately 73% of MHP's Ukrainian broilers are COBB chickens. Their features include low-feed conversion, a welfare-friendly growth rate, and an ability to thrive on low-density nutrition. The remaining 27% are ROSS chickens, the world's most popular broiler. Their characteristics also include a welfare-friendly growth rate and feed efficiency.

The European Operating Segment rears broilers that comprise approximately 84% ROSS and 16% COBB.

Turkeys are also reared in the European Operating Segment (50% BUT Big 6 breed and 50% Converter breed).

POULTRY-REARING DATA (UKRAINE)

	2022	2021	2020
Total placed (heads)	**439,839,157**	460,068,517	427,436,298
Liveability (%)	**96.3**	97.2	96.5
Total slaughtered (heads)	**423,680,615**	447,125,097	412,667,628
Slaughtered weight (tonnes)	**999,591**	1,034,786	998,867

ANTIBIOTIC REDUCTION AND PRODUCT LABELLING

The table below shows the planned and actual (estimated for 2023) percentages of MHP's flocks that are participating in the Group's antibiotic reduction programme. MHP seeks to minimise the use of antibiotics through greater use of organic acids and probiotics in the production process.

PROGRESS IN MHP'S ANTIBIOTIC-REDUCTION PROGRAMME (UKRAINE)

	2023e	2022	2021	2020	2019
Planned (%)	**80**	60	50	30	15
Achieved or estimated (%)	**70**	60	63	50	20

ANTIBIOTIC-FREE LABELLING

MHP was one of the first Ukrainian companies to be verified by audit and permitted to label its products with antibiotic-free "Class A" in accordance with the country's regulatory standard.

ANIMAL WELFARE STANDARDS AUDITS

MHP has an open and transparent approach to farm audits which are conducted regularly, both on a prearranged and an unannounced basis. All 37 of the Company's labs undertake around 6,000 methods of analysis to study feed and raw materials, to achieve microbiological and chemical parameters, and to ensure strict compliance with veterinary, biosafety and hygiene standards at all MHP facilities.

In-house audits are conducted in accordance with the annual plan. These internal audits are run by competent members of the MHP team selected from Company sites other than the one to be audited. External audits are conducted by independent agencies DG SANTE (the European Commission's Directorate-General for Health and Food Safety) and the State Consumer Service.

In connection with military aggression on the part of Russia, checks by DG SANTE were not carried out in 2022. The activity at the enterprises is carried out under the supervision of an official doctor of veterinary medicine, as well as through periodic inspection of facilities by the State Service of Ukraine on Food Safety and Consumer Protection.

In 2022, there were 89 inspections at the enterprises. There were no recorded cases of non-compliance with the laws, regulations and standards that MHP adheres to in Ukraine and in the European Operating Segment.

BIOSECURITY

All livestock in Ukraine and the European Operating Segment have been vaccinated to prevent the presence of routine viral pathogens in poultry.

All of MHP's facilities and management practices have rigorous controls for the prevention of Avian Influenza and other harmful pathogens.

The activity at the enterprises is carried out under the supervision of an official doctor of veterinary medicine, as well as through periodic inspection of facilities by the State Service of Ukraine on Food Safety and Consumer Protection.

In 2022, there were 89 inspections at the enterprises. There were no recorded cases of non-compliance with the laws, regulations and standards that MHP adheres to in Ukraine and in the European Operating Segment.

THE DEPARTMENT OF CREATING CONSUMER LOVE

In 2022, the Department of Creating Consumer Love was created and launched a fresh approach to creating new products.

The aim is to have a single mechanism for collecting and reviewing ideas, tracking each stage of the product life cycle from idea submission to product launch, and synchronising the tasks and roles of each participating specialist at each stage.

MHP CULINARY CENTRE

In 2022, MHP implemented the requirements of the BRC Global Standard at the food service manufacturing company Foodservice LLC (legal name of the MHP Culinary Centre).

The Culinary Centre's purpose is to introduce ready-to-cook and ready-to-eat food to Ukraine. Its facilities include:

- a sensory analysis laboratory;
- five open kitchens;
- an industrial kitchen;
  a kitchen-studio;
- an R&D facility; and
- a pizza production line.

More information can be found in a case study on page 84.

KEY ACHIEVEMENTS IN 2022

- The process of raw material supplier approval was digitised in the SAP Ariba system.
- The requirements of the BRC Global Standard were implemented at Foodservice LLC.
- Start of culinary transformation at Perutnina Ptuj.
- Over 80 culinary SKUs launched.

PLANS FOR 2023

UKRAINE

1. To certify LLC "Foodservice" (MHP Culinary Centre) in compliance with the requirements of the BRCGS Food standard.
2. To certify Vinnytsia Poultry Complex (poultry rearing) in compliance with the requirements of the Global G.A.P. standard in order to confirm the implemented Animal Welfare requirements.
3. Further improvement in quality and safety management and controls across MHP enterprises in Ukraine.

EUROPEAN OPERATION SEGMENT

Slovenia: "Antibiotic Free" recertification.

Croatia: Certification with a new standard "Proven quality of poultry meat".

Serbia:

- product quality and safety assurance (internal and external monitoring), successful audits, continuous renewal of IFS FOOD, ISO 22000, HACCP, HALAL certificates;
- customer satisfaction survey once a year.

Bosnia-Herzegovina:

- IFS standard certification;
- implementation of planned internal and external audits for HALAL, HACCP (rev. 2020), ISO 9001 and ISO 14001;
- continuous monitoring and application of valid legislation in the production process;
- continuous monitoring and application of valid legislation in the production process.

CASE STUDY

MHP'S CULINARY CENTRE

MHP's Culinary Centre is a unique, state-of-the-art facility which first opened its doors in June 2021. The Culinary Centre, spans all stages of the product development process, from exploring the initial idea and testing its scalability on production lines to undertaking consumer tasting in its sensory analysis laboratory.

The mission of the Culinary Centre is to introduce and propagate the concepts of Ready to Cook (RtC) and Ready to Eat (RtE) food across Ukraine. The centre combines everything necessary to provide the highest quality expert input on culinary issues. The centre is used to test concepts-from generating ideas, developing a prototype, producing mini-batches or industrialising culinary solutions, and conducting master classes and other training events.

Our extensive MHP team, which consists of brand chefs, food engineers, chefs, marketing and innovation specialists, as well as tasters, take on new challenges every day and constantly develop and improve our products. Our mission is to grow, develop, and change Ukrainian culinary culture whilst maintaining our status as an innovative market leader.

MHP's CULINARY CENTRE includes:

A SENSORY ANALYSIS LABORATORY	5 OPEN KITCHENS
A STUDIO KITCHEN	R&D FACILITIES
INDUSTRIAL KITCHEN	PIZZA PRODUCTION LINE
	CULINARY SCHOOL (CURRENTLY UNDER CONSTRUCTION)

SENSORY ANALYSIS LABORATORY

The sensory analysis laboratory is designed and operates in accordance with best-in-class international standards. To ensure the highest quality of sensory analysis we introduced a testing program to select and examine candidates to become experts in sensory analysis and calibration (in compliance with the ISO 13300-1:2006) with the training programme to be initiated in 2023.

Over the past year the laboratory has provided us with significant experience and learning opportunities. Utilising sensory methods and techniques such as blind tasting we have been able to:

1. FORMALISE AND REFINE THE SELECTION OF WINNING RECIPES

When developing new products and searching for new combinations of flavours, ingredients and technologies at the final stage of recipe development, sensory analysis is used as a decision-making tool when calibrating the final version of the recipe. The capabilities of the software allow you to analyse the organoleptic parameters of product samples made according to different recipes and choose the best option that received the highest number of points from the expert tasting panel.

2. SELECT OF SUPPLIERS IN THE TENDER

An individual approach to the development of questionnaires for professional comparative tastings with the involvement of suppliers' representatives in the tasting panel, and the analysis of the results using special software greatly facilitates the selection of a supplier and guarantees impartiality.

3. COMPARE OF COMPETITIVE PRODUCTS ON THE MARKET

When developing a concept for creating a new product or a new technology, the first stage is a comparative assessment of a competing product for example the pizza market. In this case a thorough analysis of the organoleptic parameters of the dough, filling, and sauces enabled the team of chefs and food engineers to develop perfect competitive products.

The company's marketing service is also a constant user of the laboratory's services and capabilities. Tasting panels are arranged in close cooperation with marketers to provide insights for future marketing purposes. Recruiting agencies are used to form the tasting panels, taking into account the taster's profile from the consumer category, which includes age, gender, social status, preferences and so on.

Examples are the organisation and execution of comparative tastings of meat snacks and fruit snacks with an analysis of the packaging concept.

Other cases include the organisation and conduct of a tasting of shawarma and pizza for a retail chain and the development of a new menu for La Strava brand.

INDUSTRIAL KITCHEN

The Industrial Kitchen Is a state of the art and designed production facility with the most modern equipment, a unique production line and experienced chefs. Being a high-end culinary production line, industrial kitchen is focused at the creation of high-quality restaurant dishes. Our professionals make their ideas come true by using the most up-to-date tools, techniques and equipment. The main spot at our Industrial kitchen Is Its Innovative Hiperbaric system, which allows to produce pascalized products, in more details – cycle of treatment under high pressure (High Pressure Processing) ensuring an extended shelf life. The industrial kitchen's packaging equipment system has two high-performance units (Multivac and Ulma) for food packaging and we are one of the first companies to use SKIN packaging system for ready-to-eat meals in Ukraine.

PIZZA PRODUCTION LINE

The Pizza Shop is a new facility in the culinary centre which was commissioned in the fall of 2022 and today produces more than 15 stock-keeping units ("SKUs")of various pizzas with a capacity of 400 pieces per hour. Despite the industrial scale, we adhere to the concept of maintaining strict controls and the utmost standards at all stages; and our food engineers and brand chef work daily to improve the offering.

CULINARY SCHOOL

A culinary school is planned to be commissioned in 2023. It will include an educational institution with specialised training equipment, a transformable pop-up restaurant that can be used to host dinners, conduct culinary exams and act as a themed restaurant for testing potential formats. The school will have a room that can be transformed into a lecture hall for an audience of 100 seats. MHP employees will teach students various culinary skills, including how to be a meat sommelier.

OPEN KITCHENS

The MHP Culinary Centre showcases to customers our unique ideas and demonstrate our expertise. Our experienced employees have the knowledge and background that allows us to provide unique culinary expertise for the Ukrainian market.

There are six open kitchens that host chefs specialising in each specific area: catering, street food, pizzeria, HoReCa (hotel, restaurant, catering), dark kitchen (optimised for delivery businesses), and studio kitchen. The equipment located in these kitchens allows you to create and refine new recipes whilst refining existing ones.

The key to the success of the development is the extensive experience and in-depth expertise of food engineers, chefs, marketing teams and other specialists who work collaboratively to develop the best products.

The main function of the studio kitchen is to host events, with streaming facilities available in an additional studio. It can also be used to hold cultural events. As well as boasting modern studio facilities, the studio is equipped with some of the best professional cooking equipment.

MHP used the studio to launch a culinary YouTube channel to encourage the population of Ukraine to continue cooking, despite the challenges of the War. The channel featured both external and MHP chefs.

GROWTH PILLAR 5

BUSINESS CONDUCT

OUR COMMITMENT

MHP strives to conduct its business responsibly with all its stakeholders.

MHP'S BOARD OF DIRECTORS CLOSELY MONITORS PROGRESS AND PERFORMANCE IN THE COMPANY'S BUSINESS CONDUCT

MANAGEMENT APPROACH

MHP's Board of Directors closely monitors the Company's business conduct progress and performance. Responsibility for this aspect of the business is divided between the Audit & Risk Committee Public Relationsnd the Sustainability and International Affairs Committee.

This process resulted in the adoption of MHP Compliance Roadmap in which key strategic and operational goals were identified.

In 2022, the Ethics and Compliance Programme was again updated to manage effectively the new challenges presented by the Russian invasion to Ukraine.

The MHP Code of Ethics is approved by the Board. Responsibility for its implementation is assigned to the Compliance Officer. All employees are required to comply with the Company's Code of Ethics and compliance policies, and policies related to gifts, business entertainment, conflict of interest, anticorruption.

MHP aims to apply a "Zero-Tolerance" approach towards corruption.

POLICY HIGHLIGHTS

CODE OF ETHICS

MHP published its first Group-wide Code of Ethics in 2017. An updated version was published in 2021 and is available for download from the MHP website (www.mhp.ua).

The revised Code of Ethics is built around three strategic priorities: protection; security; and trust. The protection section outlines the purpose and function of the MHP Ethics Helpline, explains when to contact it, and how the subsequent processes operate. The security section explains MHP's anti-bribery and corruption approach and highlights the Declaration of Integrity with which all MHP's business partners are required to comply. The trust section explains what employees should explain, what employees should expect from MHP, and what MHP expects from its employees.

MHP has a detailed set of policies to address responsible business matters including the Code of Ethics. These are regularly reviewed, communicated to all employees and available for download from MHP's website.

A COMMITMENT TO PROMOTE A ZERO-TOLERANCE CULTURE TOWARDS BRIBERY, CORRUPTION AND UNETHICAL BUSINESS BEHAVIOUR	MHP'S LEADERSHIP WILL PROMOTE A CULTURE OF ADHERENCE TO THE APPLICABLE LAWS AND REGULATIONS, AND ENSURE THAT THE WORKFORCE HAS SUFFICIENT KNOWLEDGE OF THESE REQUIREMENTS	MHP WILL PROVIDE THE APPROPRIATE LEVEL OF WORKFORCE TRAINING ABOUT ITS APPROACH AND REQUIREMENTS IN RELATION TO BUSINESS CONDUCT MATTERS, AND THE REQUIREMENTS OF ITS POLICIES
WORKFORCE MEMBERS WILL RECEIVE REGULAR COMMUNICATIONS ABOUT THEIR OBLIGATION TO INFORM THE COMPANY ABOUT ACTUAL OR IMMINENT BREACHES OF LAWS, REGULATIONS OR COMPANY POLICIES	WORKFORCE MEMBERS ARE REQUIRED TO INFORM THE COMPANY IMMEDIATELY IF THEY BECOME AWARE OF ACTUAL OR IMPENDING PERSONAL CONFLICTS OF INTEREST	THE ACCEPTANCE OR PROVISION OF GIFTS AND ENTERTAINMENT IS PROHIBITED EXCEPT WHERE THEY FALL WITHIN GENERALLY ACCEPTED NOTIONS OF HOSPITALITY
	MHP WILL PROVIDE REPORTING FACILITIES TO ENABLE MATTERS OF CONCERN TO BE REPORTED TO SENIOR MANAGEMENT IN CONFIDENCE	MHP WILL NOT CONDUCT BUSINESS WITH OR PROVIDE BENEFITS TO STATES, ENTITIES OR INDIVIDUALS THAT ARE SUBJECT TO SANCTIONS, AND WILL NOT PROVIDE ASSISTANCE OR FACILITATE SANCTIONS AVOIDANCE
MHP WILL SELECT SUPPLIERS THAT COMPLY WITH ITS RESPONSIBLE BUSINESS APPROACH IN RELATION TO MATTERS SUCH AS ENVIRONMENT, CLIMATE CHANGE, WORKFORCE, COMMUNITIES, HEALTH AND SAFETY, BUSINESS CONDUCT AND HUMAN RIGHTS		THE COMPANY DOES NOT MAKE POLITICAL DONATIONS

ETHICS HELPLINE

The Code of Ethics also includes details of MHP's Ethics Helpline. The Helpline can be accessed by dialling 7-4-77 in Ukraine, by email or via the helpline section on MHP's website (www.mhp.ua).

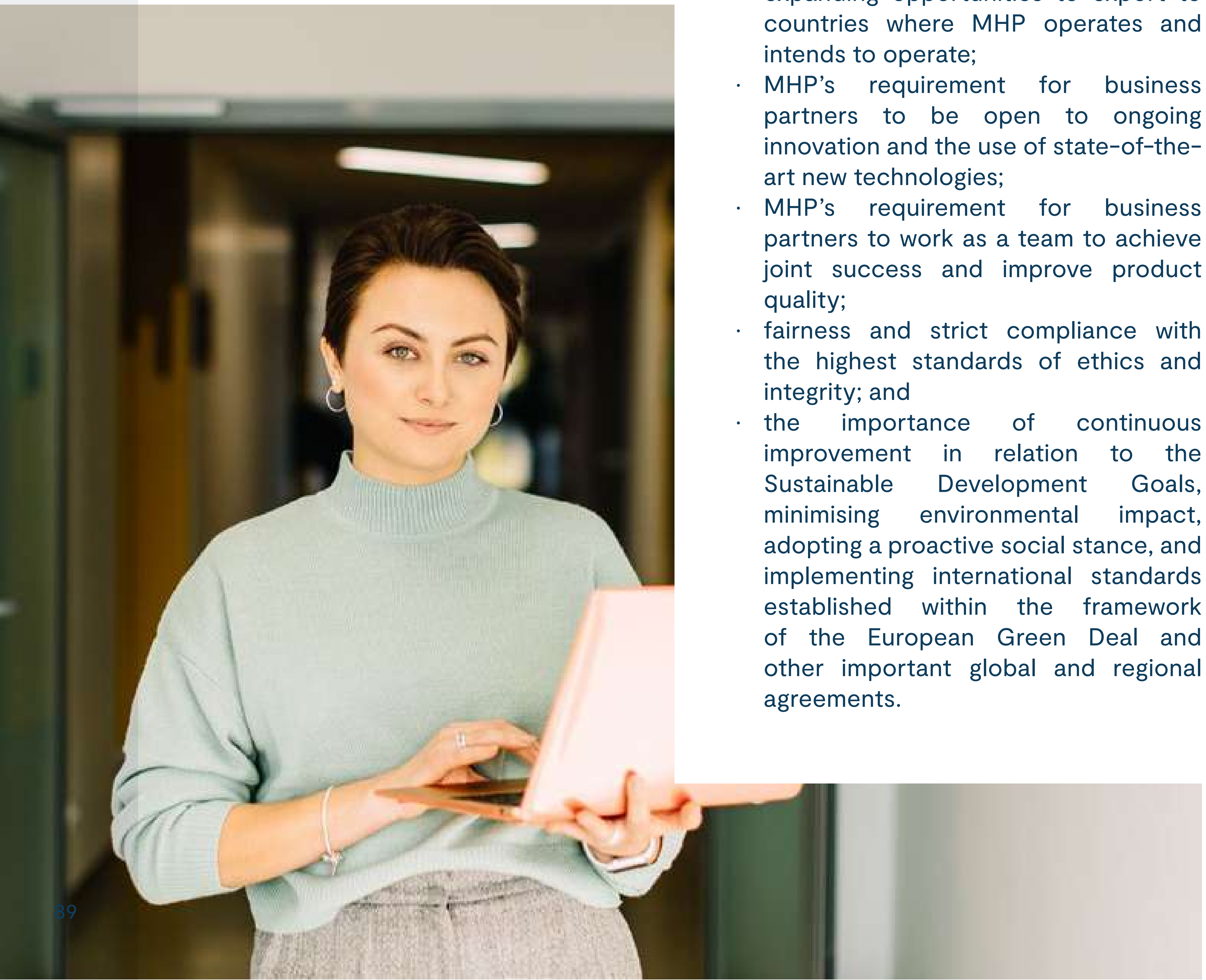
All employees are encouraged to use the facility if:

- they are in need of protection or support;
- they have been exposed to poor treatment such as harassment or bullying within the workplace;
- they suspect wrongful behaviour, such as corruption or fraud, has been committed or is about to occur; and
- they have suggestions or recommendations about how MHP can improve its business conduct.

MHP BUSINESS PARTNER CODE OF CONDUCT

MHP also maintains and distributes a Business Partner Code of Conduct which is available for download from the MHP website (www.mhp.ua). An updated version was published and distributed during 2021.

The Partner Code of Conduct outlines MHP's expectations in relation to its suppliers and business partners, and also what they should expect from MHP.



Key principles outlined in the Code include:
- MHP's willingness to listen to its partners, to learn, and to progress and improve together;
- MHP's support for local Ukrainian manufacturers, particularly in the agricultural sector, and support for their further development;
- MHP's desire for mutual co-operation to develop strengths and opportunities and, in particular, for exploring and expanding opportunities to export to countries where MHP operates and intends to operate;
- MHP's requirement for business partners to be open to ongoing innovation and the use of state-of-the-art new technologies;
- MHP's requirement for business partners to work as a team to achieve joint success and improve product quality;
- fairness and strict compliance with the highest standards of ethics and integrity; and
- the importance of continuous improvement in relation to the Sustainable Development Goals, minimising environmental impact, adopting a proactive social stance, and implementing international standards established within the framework of the European Green Deal and other important global and regional agreements.

CONFLICT OF INTEREST MANAGEMENT

The Compliance Office works closely with business management to ensure consistent and rigorous maintenance of MHP's business conduct policies.

These activities include addressing conflicts of interest through the provision of compliance advice, training and outreach throughout the Group.

The activities of the Compliance Office include:
- establishing a solid framework for disclosure of any personal conflict of interest;
- mapping the most common occurrences and registering the risks of situations arising exposing MHP to organisational conflicts of interest;
- introducing a mandatory conflict of interest disclosure form, addressing regular and ad hoc occurrences;
- the delivery of regular staff communications relating to their obligations.

TAXATION

MHP's tax affairs are managed by the Financial and Economic department, which, if necessary, seeks the support of professional advisers. MHP has no official tax policy.

In practice, the Company's approach is to comply with relevant and appropriate legal requirements. An example is the Tax Code of Ukraine ("the Code"). MHP complies with the Code transparently and reports monthly on VAT, quarterly on income tax, and annually on corporate income tax and other taxes. All enterprises of the Company are subject to audit by the State Tax Service in accordance with the schedule of tax inspections.

MHP continues to invest in the economy of Ukraine. In 2022, MHP paid almost UAH 4.6 billion in the form of tax assessments and contributions. UAH 1.026 billion was transferred to the national budget for the year. UAH 2.038 billion was transferred to local budgets. The amount of the single social contribution ("SSC") for the mandatory state social insurance of the Company's workers was UAH 1.534 billion.

MHP CONTINUES TO INVEST IN THE ECONOMY OF UKRAINE, PAYING ALMOST UAH 4.6 BILLION IN TAXES DURING 2022

IT SECURITY AND DEVELOPMENT

MHP places significant emphasis on the conduct of an ongoing programme of technological development to both maintain IT security and to develop the efficiency of MHP's businesses.

In 2021, MHP implemented Microsoft's latest security solutions in MHP's cloud infrastructure. This facility ensures that MHP's systems detect and respond to information security events that indicate a possible compromise of user credentials, the presence of ransomware, suspicious activity and other malicious actions.

MICROSOFT SECURITY SOLUTIONS

VULNERABILITY MANAGEMENT TO IDENTIFY AND ELIMINATE WEAKNESSES IN THE COMPANY'S IT SYSTEMS. THIS REDUCES THE LIKELIHOOD OF IT SYSTEMS BEING HACKED THROUGH VULNERABILITIES IN SOFTWARE AND OPERATING SYSTEMS

A CENTRALISED PROCESS FOR MONITORING INFORMATION SYSTEM EVENTS WITH A VIEW TO IDENTIFYING CYBER THREATS. THIS COVERS THE HEAD OFFICE AND MHP GROUP ASSETS THAT USE CENTRALISED IT SERVICES

Additionally, MHP has been conducting employee training to increase user awareness of information security and to ensure that employees are aware of their role and responsibility for compliance with information security requirements. The aim is to create a Group-wide information security culture on an ongoing basis.

ADDRESSING IT ISSUES CREATED BY THE WAR

The onset of War presented many challenges to the ongoing maintenance and security of MHP's IT systems.

These have been successfully addressed and have continued to support the organisation's ongoing business activities.

In particular:
- the IT Department was tasked with delivering an operational recovery plan within 33 hours of the system going down as a result of the Russian aggression. The IT team was relocated from Kyiv to a different location in Ukraine and successfully delivered on the objective;
- following a new working practice approach, 210 colleagues have moved to online working from home as their responsibilities do not require close contact with other colleagues to carry out their duties;
- ongoing steps are being taken to ensure close monitoring of MHP's IT system integrity and prevent cyber-attack.

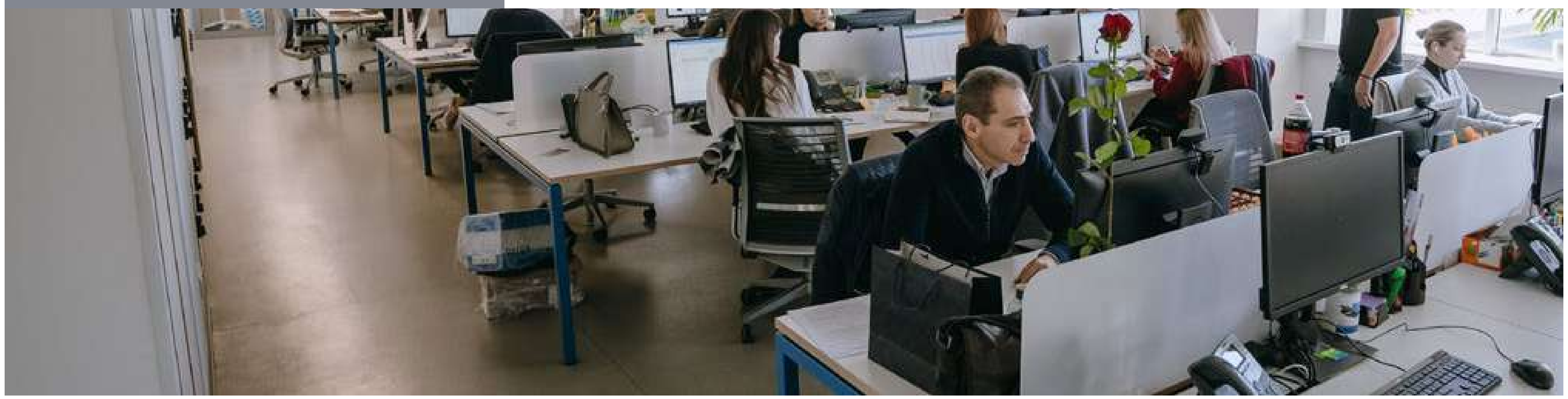
CREATING A PAPERLESS ENVIRONMENT

During the year, MHP continued to implement its electronic document circulation plans but changed the focus to encourage the creation of a paperless environment.

The project scope included documentation created by the accounting and HR functions and the creation of a single electronic archive for storing documents.

The project's main aims are to:
- change workforce attitudes towards the use of paper and document storage;
- decrease risks associated with document loss;
- create administrative time savings; and
- reduce costs and create environmental benefits.

At the end of 2022, approximately 60% of MHP's documentation was transferred to the new system. The project rollout will continue in 2023.



SUPPLY CHAIN MANAGEMENT

MHP values its business partners because they are an integral part of creating value for customers. In recent years, MHP has been focussing on increasing the number of farmers that it works with in Ukraine in order to provide an equitable share of economic benefits across the country.

UKRAINE						
SUPPLIER TYPE	SUPPLIERS					
	Large %		Medium %		Small %	
	Domestic	Non-Domestic	Domestic	Non-Domestic	Domestic	Non-Domestic
Fertilisers	12	11	6	14	23	34
Plant protection materials	0	18	6	18	6	52
Agricultural machinery	0	14	3	63	3	17
Spare parts for agricultural machinery	0	6	1	10	1	82
IT technology	0	22	0	11	0	67
Fuels and lubricants	0	15	0	30	0	55
Gas	17	33	0	17	0	33
Laboratory kits	4	0	25	0	71	0
Laboratory materials	50	0	13	0	37	0
Veterinary products	5	4	25	1	65	0
Disinfectants and detergents	7	0	12	0	81	0
Overalls and disposable clothing	4	0	24	0	72	0
Personal protective equipment	5	0	19	0	76	0
Chemical products	5	0	16	0	79	0
Bio-additives and spices	17	5	19	0	56	3
Packaging materials	8	0	18	1	73	0
Day-old chicks	0	100	0	0	0	0

SUPPLY CHAIN MANAGEMENT (CONTINUED)

The PP Group follows the quality, safety, and traceability requirements of the Company's quality and environmental policies. It selects its suppliers objectively and transparently by taking into account quality, reliability, and the best and most efficient commercial terms, which include price and payment terms and environmental matters.

PP's purchasing strategy is committed to act in accordance with legislation, rules, and principles of implemented international, national and other standards – including ISO 9001, ISO 14001, HACCP, BRC, IFS, HALAL, PPR, McDonalds, IK, Antibiotic-free breeding and others.

The PP Group also requires its suppliers to comply with its corporate responsibility approach in relation to matters such as the environment, climate change, people, local communities, health and safety, business conduct, and human rights. We evaluate our suppliers on a yearly basis with surveys and questionnaires. One of the evaluation criteria relates to environmental management, and in this way, we try to influence their approach to responsible environmental management.

PP has rigorous quality management systems in place which, prior to procurement, impose high quality requirements for purchased materials. These materials must comply with the requirements of ISO and HACCP standards, BRC and IFS standards. All materials supplied must also ensure compliance with halal requirements.

EUROPEAN OPERATING SEGMENT ("PP")						
SUPPLIER TYPE	**SUPPLIERS**					
	Large %		**Medium %**		**Small%**	
	Domestic	Non-Domestic	Domestic	Non-Domestic	Domestic	Non-Domestic
Fertilisers	38	0	13	0	49	0
Seeds	29	0	14	0	57	0
Fuels and lubricants	27	0	20	0	53	0
Gas	50	0	20	0	30	0
Laboratory materials	0	0	0	8	80	12
Veterinary products (medicine and vaccines)	24	0	31	0	42	3
Disinfectants and detergents	3	0	8	0	84	5
Spices and additives	7	7	28	16	33	9
Packaging materials	18	14	19	10	25	14
Day-old chicks	0	27	13	40	7	13
Work protection	5	0	11	0	79	5
Corn	10	5	36	2	46	1
Wheat	10	5	16	1	67	1
Soya (meal, bean, cake)	21	46	15	0	18	0
DDGS (Dried distillers grains with solubles)	25	75	0	0	0	0
Soya oil	13	37	24	13	13	0
Corn oil	75	0	25	0	0	0
Premixes	33	17	0	0	33	17
Amino acids	25	41	17	17	0	0

The share of domestic suppliers decreased by two percentage points in 2022 (84% in 2022, 86% in 2021, 89% in 2020).

MARKETING APPROACH

MHP strives for responsible marketing of all products and brands in both domestic and international markets.

The Company has a history of aligning its business strategy with the Sustainable Development Goals, its business goals and MHP's values.

This approach is the basis for creating marketing strategies that meet marketing goals and support the Group's reputation. The Company encourages and supports moderate food consumption as part of a healthy, active and balanced lifestyle, focussing on family values.

MHP's approach to marketing, as a global company operating in more than 70 countries, is consistent with the International Chamber of Commerce's Marketing and Advertising Code and its framework for responsible food marketing communications. The Group adheres to these guidelines in its marketing communications.

LEGAL AND RELATED MATTERS

In 2022, the Group did not receive any complaints from third parties (counterparties) or government agencies about breaches of client privacy or information. No material breaches of the Company's approach to anti-bribery and corruption policies were noted during 2022.

The Anti-Monopoly Committee of Ukraine ("AMCU") opened an investigation into the Company's market position in Ukraine in June 2019. At the time of publication of this Report, the process has not been concluded. MHP believes that it has always adhered to the relevant parts of the Company's policy framework and Ukraine's laws regarding anticompetitive activity. For the last four years, MHP has been actively maintaining communications with the AMCU, promptly providing all necessary information in accordance with official requests or the committee's requirements.

In addition, in 2021, the AMCU opened an investigation in relation to possible signs of violation of the law on the protection of economic competition by the Company during its acquisition of Lubnimyaso LLC (manufacturers of meat products under the Skott Smeat trademark), without obtaining the appropriate permission.

MHP believes that this asset purchase does not require a concentration permit. Information and documentary substantiation were provided to the AMCU in official responses to requests. The Company believes that after a detailed study of all the materials, this investigation will be closed.

Investigations into both cases are ongoing.

MHP'S MARKETING STRATEGY REFLECTS THE FOLLOWING PRINCIPLES:

PRINCIPLE 1

MHP WILL NOT ADVERTISE IN ANY MEDIA THAT IS SPECIFICALLY PROVIDED FOR CHILDREN AGED UNDER 12 YEARS OLD, INCLUDING SHOWS, PRINT MEDIA, WEBSITES, SOCIAL NETWORKS, MOVIES, AND SMS / EMAIL MARKETING

PRINCIPLE 2

MHP'S MARKETING WILL BE TRUTHFUL AND ACCURATE, AND NOT MISLEADING

PRINCIPLE 3

MHP'S BRANDS WILL BE PRESENTED IN A WAY THAT ENCOURAGES HEALTHY EATING HABITS AND A BALANCED, HEALTHY LIFESTYLE

PRINCIPLE 4

MHP'S ONLINE MARKETING ADHERES TO THE TERMS OF COPPA IN UKRAINE (UKRAINE ONLINE PRIVACY PROTECTION ACT), INCLUDING OBTAINING PARENTAL PRIOR CONSENT TO COLLECT INFORMATION FROM CHILDREN

PRINCIPLE 5

MHP'S MARKETING ACTIVITY IS PERMITTED TO SUPPORT EDUCATIONAL PROGRAMMES FOR CHILDREN UNDER 12 YEARS OLD IN UKRAINE. ANY BRAND PRESENCE IN THESE PROGRAMMES WILL SIMPLY INDICATE AND ACKNOWLEDGE FINANCIAL SUPPORT OR SPONSORSHIP AND WILL NOT BE USED FOR ADVERTISING PURPOSES

ACHIEVEMENTS IN 2022

MHP's IT security and use of technology were an important element of the Group's successful business continuity strategy and swift adaptation following the outbreak of the war on 24 February 2022.

PLANS FOR 2023

MHP plans to introduce an e-course on ethical behaviour for all MHP employees. Additionally the Management Team plans to promote awareness of the Ethics Helpline facility.

The rollout of MHP's electronic document circulation project will continue to progress the aim of creating a paperless environment.

GROWTH PILLAR 6

THE PLANET

OUR COMMITMENT

MHP recognises its environmental responsibilities and its role in ensuring that its business activities meet the expectations of its stakeholders in addressing the global climate change challenge.

MANAGEMENT APPROACH

MHP's Board is responsible for ensuring that the requirements of the Group's Environmental Policy are adhered to and that the Policy itself is reviewed every three years. Every MHP facility in Ukraine has a full-time environmental officer who oversees environmental performance and reports to MHP's Chief Environmental Officer.

Environmental management structures differ in the European Operating Segment. In Serbia, Austria, North Macedonia and Romania, Management implement MHP's Environmental Policy. In Croatia and Slovenia, an Environmental Officer reports to the local Committee on Quality and Environmental Management.

MHP'S BOARD IS RESPONSIBLE FOR ENSURING THAT THE REQUIREMENTS OF THE GROUP'S ENVIRONMENTAL POLICY ARE ADHERED TO

POLICY HIGHLIGHTS

MHP's Environmental Policy was authorised by the Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and the Deputy CEO when it was formalised in September 2020. It is available for download from the sustainable development section of the Group website.

KEY FEATURES OF THE ENVIRONMENTAL POLICY INCLUDE THE FOLLOWING COMMITMENTS:

- COMPLIANCE WITH THE APPLICABLE ENVIRONMENTAL LEGISLATION AND INTERNATIONAL INDUSTRY BEST PRACTICE REQUIREMENTS AT ALL TIMES
- A PLAN TO ENSURE THAT THE COMPANY'S ACTIVITIES ARE CARBON NEUTRAL OVERALL BY 2030 (FOR FURTHER COMMENTARY ON THE ACHIEVEMENT OF THIS GOAL BY 2030, PLEASE SEE THE CHAIR'S STATEMENT ON PAGE 15)
- ENVIRONMENTAL AND CLIMATE CHANGE CONSIDERATIONS ARE INTEGRATED INTO ALL MAJOR BUSINESS DECISIONS
- DELIVERY OF A STRATEGY THAT ENSURES CONTINUOUS IMPROVEMENT OF MHP'S ENVIRONMENTAL MANAGEMENT PERFORMANCE
- THE PREVENTION OF ADVERSE EFFECTS ON THE ENVIRONMENT AS A RESULT OF MHP'S ACTIVITIES
- DELIVERY OF A PROGRAMME TO CONTINUALLY REDUCE WASTE GENERATION
- PERFORMANCE OF A PLAN TO REDUCE FRESHWATER CONSUMPTION AND DISCHARGES OF WATER
- DELIVERY OF A PROGRAMME THAT ENSURES THAT WATER DISCHARGES ARE FREE OF HARMFUL POLLUTANTS
- DELIVERY OF A STRATEGY TO PRESERVE AND CONSERVE BIODIVERSITY IN THE AREAS WHERE MHP OPERATES
- DEVELOPMENT AND MAINTENANCE OF COMPREHENSIVE ENVIRONMENTAL PERFORMANCE RECORDS ADDRESSING MATTERS SUCH AS WASTE, WATER USE AND DISCHARGES, EMISSIONS AND ENVIRONMENTAL INCIDENTS
- MHP WILL MAINTAIN REGULAR DIALOGUE WITH ITS STAKEHOLDERS ABOUT ITS ENVIRONMENTAL APPROACH, MANAGEMENT AND PERFORMANCE
- DELIVERY OF A PLAN TO REDUCE THE USE OF ENERGY FROM NON-RENEWABLE SOURCES THROUGH INCREASED USE OF RENEWABLE ENERGY
- MHP WILL PROVIDE REGULAR TRAINING AND EDUCATION TO ITS EMPLOYEES ABOUT THE COMPANY'S EXPECTATIONS AND REQUIREMENTS RELATING TO ENVIRONMENT AND CLIMATE CHANGE MATTERS

ADDRESSING THE ENVIRONMENTAL AND ENERGY SECURITY CHALLENGES PRESENTED BY THE WAR IN UKRAINE

Despite the numerous environmental and energy security challenges brought about by the war in Ukraine, MHP has remained steadfast in its commitment to its green transformation and decarbonisation programme. Throughout this period, the Group has continued to integrate new technologies and pursue site certification, all the while ensuring that its facilities remain operational with minimal disruption due to procurement of generators.

Among the major hurdles faced by MHP is the energy shortage resulting from the War. However, the Management Team foresaw this challenge early on and implemented a range of measures to maintain business operations with minimal interruptions. Thanks to this proactive approach, MHP has managed to navigate this issue successfully and maintain its reputation as a reliable and sustainable industry leader.

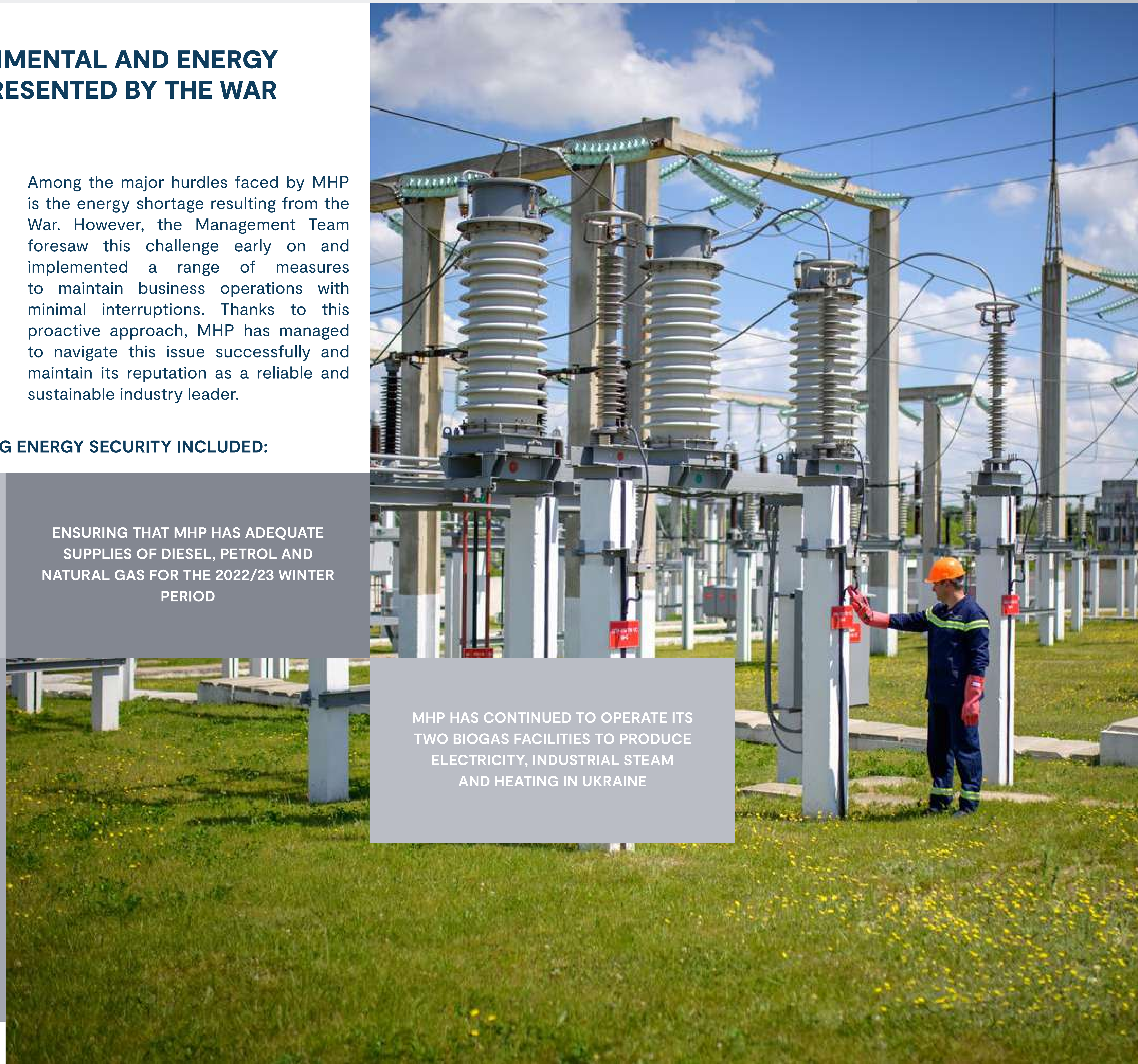
THE PROACTIVE APPROACH TO ENSURING ENERGY SECURITY INCLUDED:

SOURCING A VARIETY OF DIESEL GENERATORS WHICH ARE NOW USED FOR ELECTRICITY GENERATION AT ALL OF MHP'S SITES

ENSURING THAT MHP HAS ADEQUATE SUPPLIES OF DIESEL, PETROL AND NATURAL GAS FOR THE 2022/23 WINTER PERIOD

APPLYING ENERGY STORAGE TECHNOLOGY FOR SOME SMALLER AGRICULTURAL ENTERPRISES AND RETAIL OUTLETS. THE LONGER-TERM AIM IS TO EVOLVE THIS FOR LARGER SCALE PURPOSES AND THE MHP TEAM IS CURRENTLY INVESTIGATING THIS PROSPECT WITH BUSINESS PARTNERS IN EUROPE, AMERICA AND SOUTH KOREA. THIS OPTION WILL REDUCE THE REQUIREMENT TO USE DIESEL AND HAVE CONSEQUENT EMISSION BENEFITS

MHP HAS CONTINUED TO OPERATE ITS TWO BIOGAS FACILITIES TO PRODUCE ELECTRICITY, INDUSTRIAL STEAM AND HEATING IN UKRAINE



CASE STUDY

INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATION

The first steps towards 2022 International Sustainability and Carbon Certification ("ISCC") started on 21 February 2022, but the process for obtaining this certification was delayed by both the Russian military action and the necessity to source a new auditor. However, the achievement of this important step in 2022 was a clear indication of the Group's determination to maintain planned business operations and its commitments to sustainability and climate change despite the interruptions caused by the War.

It became necessary to replace the initial chosen auditor following the outbreak of the War because of the auditor's connections with Russia. A new audit process was quickly designed supported by the Polish offices of Bureau Veritas to achieve this important objective and support the planned export of oil. The initial timetable envisaged certification of rapeseed and corn by 1 July, sunflower and soybean oil by 1 October, and sunflower husks by 1 December.

Subsequently it became possible to accelerate the certification project and expand its planned scope. The following MHP entities now hold this certification in relation to the production of the following raw materials and products.

MHP FOOD TRADING LLC
(ISSUED 10 JUNE 2022)

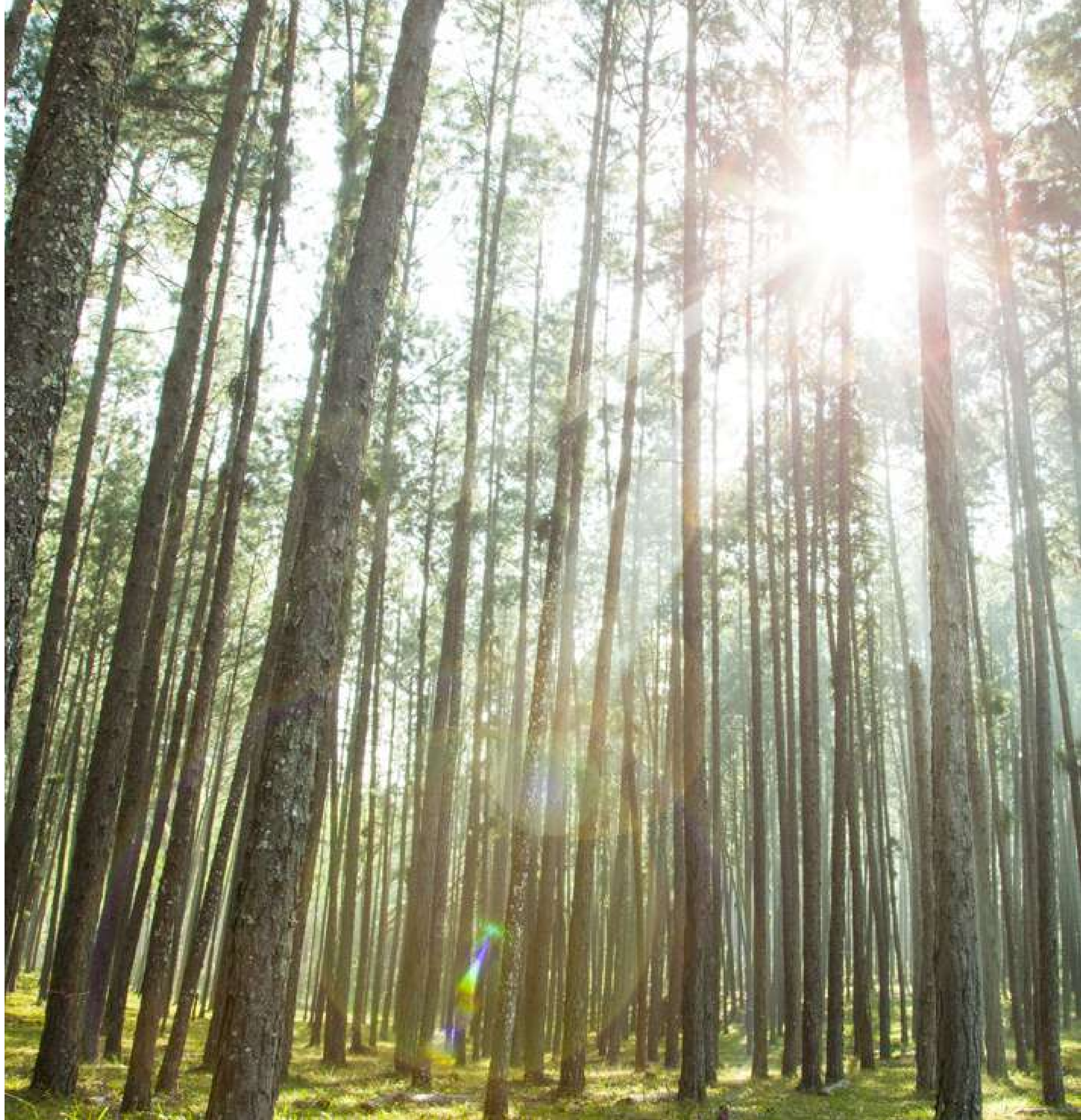
- Corn
- Rapeseed
- Sunflower
- Sunflower oil
- Sunflower husks
- Soybean
- Soybean oil
- Soybean husks

KATERYNOPIL ELEVATOR LLC
(ISSUED 23 JUNE 2022)

- Corn
- Rapeseed
- Sunflower
- Sunflower oil
- Sunflower husks
- Soybean
- Soybean oil
- Soybean husks

VINNYTSIA POULTRY COMPLEX LLC
(ISSUED 19 MAY 2022)

- Sunflower
- Sunflower oil
- Sunflower husks



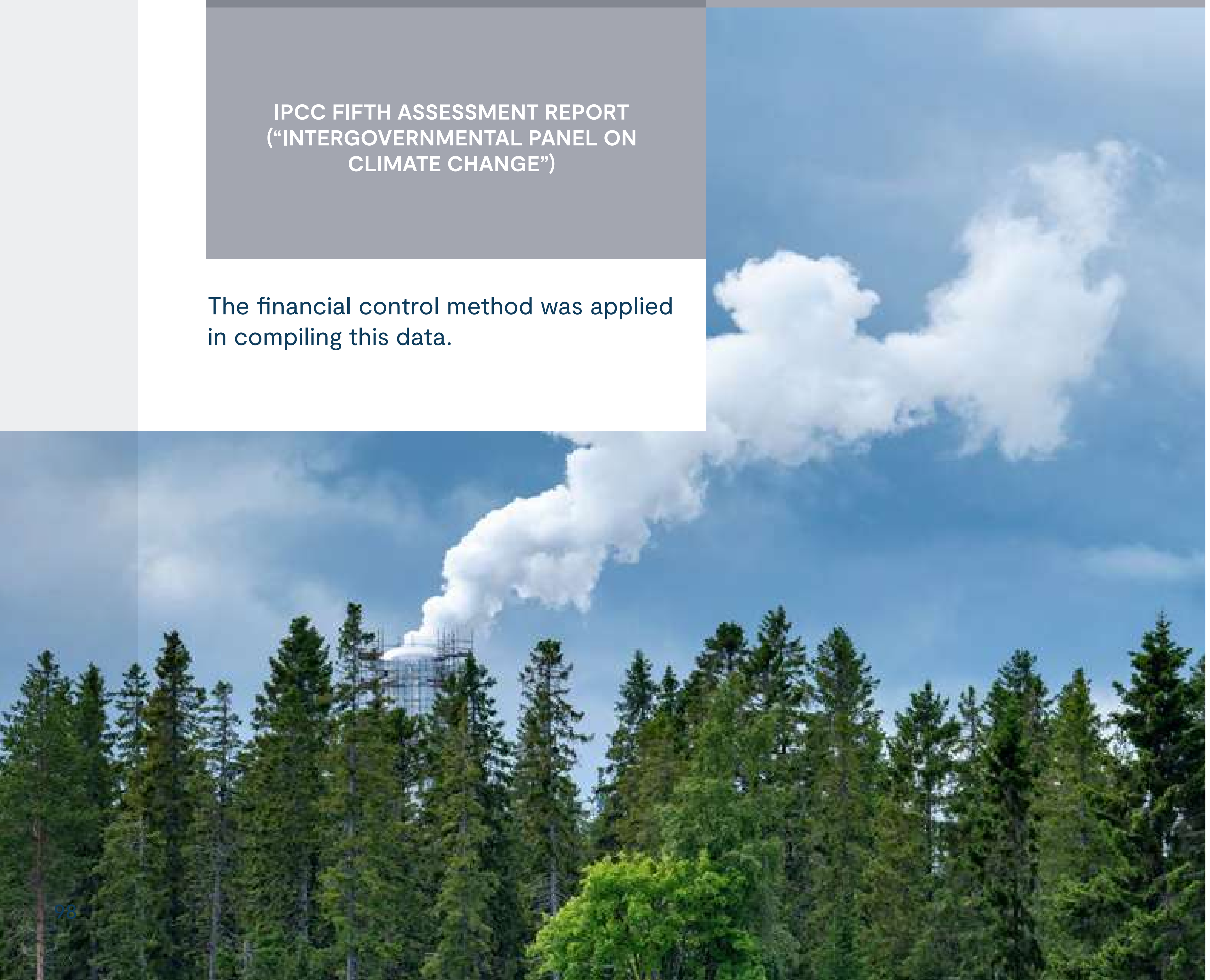
GREENHOUSE GAS EMISSIONS

SOURCES AND METHOD OF CALCULATION

The following sources were applied in the calculation of greenhouse gas emissions:

- GLOBAL WARMING POTENTIAL ("GWP") WITH IEA – CO2 EMISSIONS FROM FUEL COMBUSTION HIGHLIGHTS (2013 EDITION)
- IFC CARBON EMISSIONS ESTIMATOR TOOL ("CEET") – FURTHER INFORMATION IS AVAILABLE AT WWW.IFC.ORG
- IPCC FIFTH ASSESSMENT REPORT ("INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE")

The financial control method was applied in compiling this data.



SCOPE 1 - DIRECT GREENHOUSE GAS EMISSIONS

UKRAINE

METRIC TONNES OF CO2e	2022	2021	2020
Combustion of natural gas	195,883	212,491	165,289
Diesel fuel use	145,529	148,446	142,464
Gasoline fuel use	7,820	8,335	8,464
Use of compressed/liquefied gas, propane, butane, methane and their mixtures	4,181	4,401	5,211
TOTAL	**353,413**	**373,673**	**321,428**

The noted reduction was the result of energy efficiency measures which are carried out as part of the implementation and requirements of the ISO 50001 energy management standard.

EUROPEAN OPERATING SEGMENT

METRIC TONNES OF CO2e	2022	2021	2020
Combustion of natural gas	17,839	16,281	12,178
Diesel fuel use	6,752	6,556	6,083
Gasoline fuel use	303	288	241
Liquefied natural gas combustion	1,878	2,390	1,537
Coal combustion	2,726	2,242	1,991
Fuel oil combustion	1,754	3,600	3,799
TOTAL	**31,252**	**31,357**	**25,829**

A lower corn harvest led to a requirement for less drying leading to the small fall in emissions.

BIOGAS PRODUCTION EMISSIONS

Emissions from biomass combustion (shown separately from the Scope 1 emissions, as in previous years) are shown in the table below.

SCOPE 1 – DIRECT GREENHOUSE GAS EMISSIONS FROM COMBUSTION OF BIOGAS

UKRAINE			
METRIC TONNES OF CO2e	**2022**	**2021**	**2020**
Combustion of biomass	77,246	80,097	103,342
Combustion of sunflower husk and pellets	53,099	54,199	47,309
TOTAL	**130,345**	**134,296**	**150,651**

SCOPE 2 – INDIRECT GREENHOUSE GAS EMISSIONS – USE OF ELECTRICITY

The location-based method was chosen to calculate indirect greenhouse gas emissions (Scope 2). Ukraine does not provide the electricity consumer with a choice of differentiated electricity by origin.

UKRAINE			
METRIC TONNES OF CO2e	**2022**	**2021**	**2020**
Scope 2 emissions	220,985	237,776	232,302
TOTAL	**220,985**	**237,776**	**232,302**

The notable Scope 2 reduction was the result of energy reduction measures introduced as part of adherence to the energy management standard ISO 50001.

RESOURCE EFFICIENCY

MHP pays considerable attention to reducing the quantity of materials used in the production process and packaging of products.

MATERIAL USED

UKRAINE			
TONNES	**2022**	**2021**	**2020**
Non-renewable	374,131	419,194	317,801
Renewable	4,409,221	4,180,192	4,027,223
TOTAL	**4,783,353**	**4,599,386**	**4,345,024**

EUROPEAN OPERATING SEGMENT			
TONNES	**2022**	**2021**	**2020**
Non-renewable	19,747	24,524	19,986
Renewable	245,574	259,037	248,774
TOTAL	**265,321**	**283,561**	**268,760**

The European Operating Segment aims to lower the quantity of materials used for environmental and cost saving reasons. These savings measures account for the noted reduction.

ENERGY MANAGEMENT

In recent years, MHP has been following a strategy of switching from non-renewable to renewable energy through, in particular, the construction of its own biogas production facilities. MHP intends to increase its use of renewable energy in the future principally through further development of its biogas production facilities and the reduction of its diesel usage through increased use of energy storage technology.

ENERGY CONSUMPTION FROM NON-RENEWABLE AND RENEWABLE SOURCES

UKRAINE			
TJ	**2022**	**2021**	**2020**
Natural gas	3,504	3,802	2,957
Diesel	1,978	2,018	1,936
Petroleum	112	119	121
Compressed / liquefied gas	71	75	88
Electricity	1,768	1,902	1,858
TOTAL FROM NON-RENEWABLE SOURCES	**7,433**	**7,916**	**6,960**
Biogas	1,031	1,065	1,370
Sunflower husk combustion	676	626	580
TOTAL FROM RENEWABLE SOURCES	**1,707**	**1,691**	**1,950**
TOTAL ENERGY CONSUMPTION	**9,140**	**9,607**	**8,910**
% FROM RENEWABLE SOURCES	**19**	**18**	**22**

Although progress has been slowed by the War in Ukraine, MHP Ukraine is gradually shifting energy use from non-renewable to renewable sources and introducing energy saving measures. This led to the y/y change noted in the above table.

ENERGY CONSUMPTION

EUROPEAN OPERATING SEGMENT			
TJ	**2022**	**2021**	**2020**
Electricity	233	229	212
Thermal energy (generated by biogas plant)	18	19	22
TOTAL ENERGY CONSUMPTION	**251**	**248**	**234**
% FROM RENEWABLE SOURCES	**7**	**8**	**9**

The European Operating Segment plans to install photovoltaic panels on some of the buildings located in Croatia. This will lower purchased energy consumption and increase the percentage from renewable sources.

BIOGAS PRODUCTION PERFORMANCE

BIOGAS PRODUCTION PERFORMANCE

UKRAINE			
kWh	**2022**	**2021**	**2020**
Biogas produced	294,944,656	314,031,146	272,038,980
Electricity produced	120,927,309	128,752,770	111,535,982
Heat produced	123,829,564	131,893,081	114,201,964

EUROPEAN OPERATING SEGMENT			
kWh	**2022**	**2021**	**2020**
Biogas produced	22,332,478	22,992,417	21,952,000
Electricity produced	7,499,836	7,493,893	7,029,966
Heat produced	5,074,247	5,184,600	7,733,000

The fall in steam production at the European Operating Segment (2.1%) was due to technical issues experienced during the year.

SALE OF ENERGY

UKRAINE			
TJ	**2022**	**2021**	**2020**
Energy sales – Ukraine	398	429	372
Energy sales – European Operating Segment	27	27	25
TOTAL ENERGY SALES	**425**	**456**	**397**

MHP's sales in Ukraine have been affected by the war. The European Operating Segment aims to upgrade the production process at its biogas plant in 2023 which is expected to increase energy available for sale.

CONVERSION RATES APPLIED:
4.184 joules = 1kWh = 3.6 megajoules ("MJ")
1 tonne (steam) = 2.256 MJ
1 tonne (liquefied gas) =45.980 MJ

WATER MANAGEMENT

One of MHP's main environmental priorities is to reduce the consumption of water. All of MHP's water use is regularly monitored and metering units are subject to regular inspection and maintenance.

In 2021, the environmental specialists at each site updated the Register of Wells. This exercise included recording information relating to the physical location of underground water sources, flow rate, physical condition, need for repair, and water intake. This procedure ensures accurate monitoring of groundwater use and ensures that there is no impact on the resources available for local communities.

None of the operations of MHP's businesses affect the water balance in the regions where the Group operates. Each enterprise strictly adheres to the appropriate regulations including the restrictions on the use of land plots adjacent to coastal strips.

TOTAL WATER USE

UKRAINE			
CUBIC METRES	**2022**	**2021**	**2020**
Surface water	7,056,687	6,741,560	6,981,570
Ground water	6,301,030	7,111,377	6,878,128
Wastewater from third-party organisations	439,820	438,000	439,200
Municipal and other water supply systems	254,576	250,888	249,617
TOTAL	**14,052,113**	**14,541,825**	**14,548,515**

EUROPEAN OPERATING SEGMENT			
CUBIC METRES	**2022**	**2021**	**2020**
Subterranean water	1,305,125	1,258,150	1,295,668
Municipal and other wastewater systems	714,675	662,458	574,484
TOTAL	**2,019,800**	**1,920,608**	**1,870,152**

The fall in water use by MHP in Ukraine occurred because of the fall in production caused by the War. Energy saving measures have also reduced the use of water in MHP's operations.

The European Operating Segment aims to minimise water use but used greater quantities in 2022 due to plant investment. The benefits of this capex is expected to be seen in future figures.

WASTEWATER MANAGEMENT

Over the last few years, MHP has been working on developing its use of leading technology in its treatment of wastewater. All MHP enterprises strictly adhere to current regulatory requirements.

WASTEWATER DISCHARGES

UKRAINE			
CUBIC METRES	**2022**	**2021**	**2020**
Discharged via pipes to municipal treatment plants	312,421	594,289	730,655
Discharged to waste pits with removal to municipal wastewater treatment plants	72,213	85,960	84,050
Released to surface water after treatment at MHP plants	4,506,253	4,408,033	4,462,842
Discharged to filtration fields	327,961	326,210	322,934
TOTAL	**5,218,848**	**5,414,492**	**5,600,481**

EUROPEAN OPERATING SEGMENT			
CUBIC METRES	**2022**	**2021**	**2020**
Discharged from pipes to own wastewater plants	1,143,383	1,033,250	1,001,226
Discharged to public sewage systems	126,275	109,214	157,230
Discharged to a non-flow through septic tank	17,027	16,132	14,766
Discharged into lagoons	167,170	172,574	152,582
Discharged to subterranean water	213,993	244,697	259,643
TOTAL	**1,667,848**	**1,575,867**	**1,585,447**

Wastewater discharges in Ukraine always meet the approved regulatory volume standards and are conducted after the required treatments under State permits. All of MHP's locations prioritise ensuring that discharges do not pollute local water sources.

The European Operating Segment continues to invest in wastewater treatment and new treatment plants commenced operations in Slovenia and Serbia in 2022. Further investments in line with industry best practice will continue in 2023.

WASTE MANAGEMENT

All of MHP's enterprises comply with the Group's Environmental Policy and with the appropriate waste management regulations. They have all implemented an effective waste management accounting system including for the disposal of hazardous waste. Contractors involved in the disposal of hazardous waste are regularly checked to ensure that they have the appropriate regulatory certifications. The Group is focussed on developing its waste management processes to prioritise reuse and participate in the circular economy.

TOTAL WASTE BY TREATMENT METHOD

UKRAINE			
CUBIC METRES	**2022**	**2021**	**2020**
Reuse	47,579	63,017	81,143
Composting	1,947	3,283	7,269
Isolation of valuable components	41	59	102
Combustion	13,469	16,308	987
Disposal to landfill	7,663	11,412	11,754
Storage at MHP enterprises	3,691	2,484	4,432
Transferred to contracted third parties	26,471	28,867	24,096
TOTAL	**100,861**	**125,430**	**129,783**

EUROPEAN OPERATING SEGMENT			
TONNES	**2022**	**2021**	**2020**
Reuse	1,736	1,410	1,407
Composting	13,967	10,348	10,146
Isolation of valuable components	25,754	27,505	19,479
Combustion	0	0	0
Disposal to landfill	0	0	0
Storage at PP enterprises	11,000	11,000	11,000
Transferred to contracted third parties	2,644	2,175	1,824
TOTAL	**55,101**	**52,438**	**43,856**

The noted falls are the result of reduced production following the outbreak of War in Ukraine.

CASE STUDY

CIRCULAR ECONOMY CREATES NEW PRODUCTS AND MARKET OPPORTUNITIES

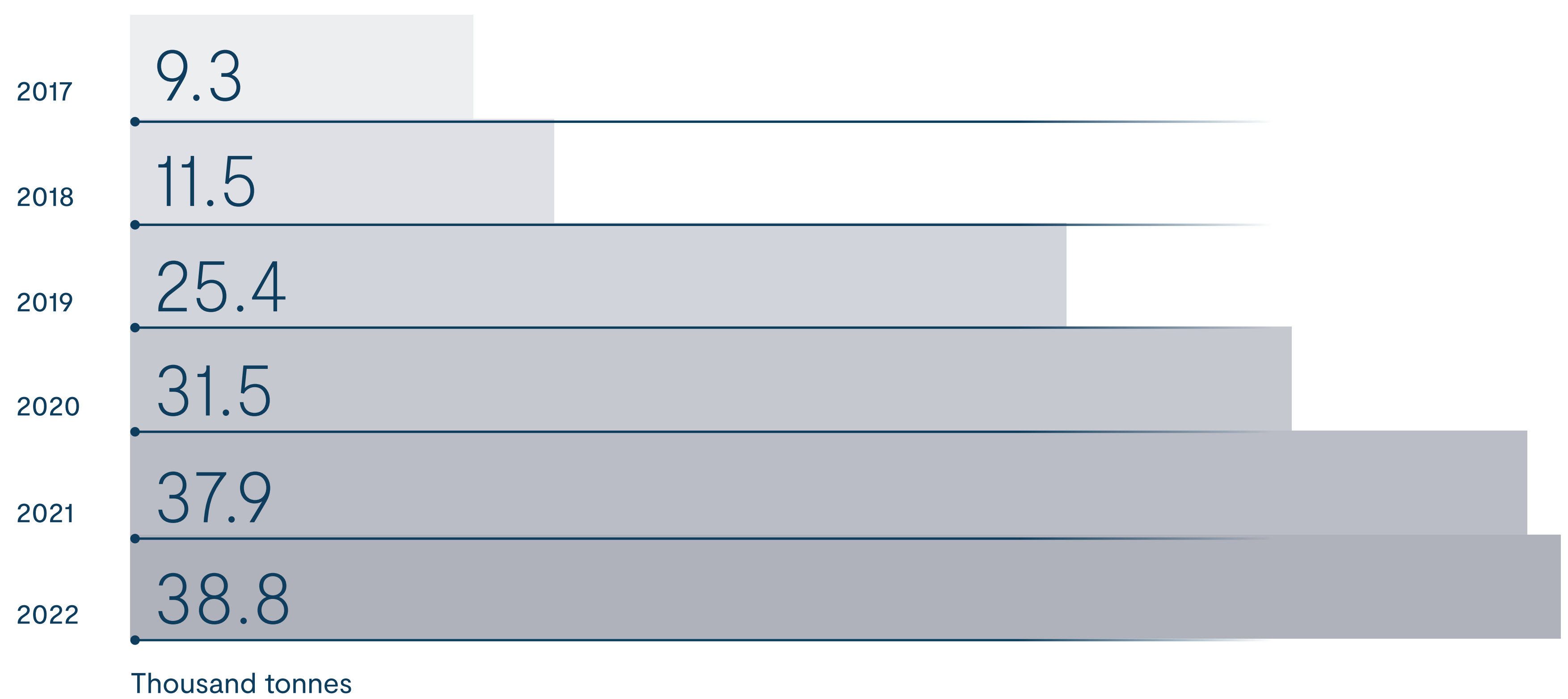
MHP has always paid close attention to the importance of circular economy ensuring that related impacts and opportunities are addressed by the use of technology and innovation.

From 2015, MHP prioritised the development of creative circular economy management methods, working closely with different business partners. The aim was to achieve zero waste from animal production and to create a separate business area. In particular, MHP worked with the Ukraine government and pet food producers, initially to enable excess chicken meat and bone meal to be used within pet food production. Further developments followed, applying research and expertise to meet customer requirements. This included the processing of blood, feathers and soft tissue for the production of blood meal and additionally, feather meal, poultry feed meal and fat for use in the pet food industry. High quality levels are maintained by minimising the conversion time required to turn waste into the finished product (typically only six hours at MHP).

Ongoing research is a feature of this business area to ensure the finished product is of the highest quality and meets evolving customer requirements. A feature has been knowledge-sharing with other feed producers, as well as the ongoing examination of other alternative markets such as fish feed meal (aquaculture) and biodiesel production.

Future plans include expanding the geography of pet food sales into markets where MHP can be competitive and address a particular niche. Potential exists in the Middle East, Asia and the Pacific region.

GROUP SALES VOLUMES OF RENDERING PRODUCTS, 2017-2022



SALES VOLUMES OF RENDERING PRODUCTS INCREASED BY

317%

FROM 2017 TO 2022

FROM 2017 TO 2022, OVER 155,000 TONNES OF ANIMAL PROTEINS AND ANIMAL FATS WERE SOLD GENERATING OVER US$ 100 MILLION IN REVENUE

THE TOTAL NUMBER OF COUNTRIES TO WHICH RENDERING PRODUCTS ARE EXPORTED

27

WORKING WITH STAKEHOLDERS

MHP works closely with a variety of stakeholders to develop its environmental approach and to enable the local communities in which its operations are based to enter into regular dialogue about its environmental performance. An example is the participation of MHP's Chief Ecologist in a variety of important environmental initiatives in Ukraine. In 2017, he became a member of the Committee on Environmental Safety of Animal Husbandry of the Ukrainian Association of Agroecologists. In 2018, he became a member of the South Bug River Basin Council which is an organisation tasked with ensuring that the second-longest river in Ukraine is free of pollution. In 2020, he also became a member of the Committee on Industrial Ecology and Sustainable Development of the European Business Association.

MHP continued to partner with Alltech E-CO2 during the year to develop a new, reliable and accurate model for the measurement and management of greenhouse gas emissions for MHP's activities in Ukraine. This has borne fruit and the Company is currently awaiting Carbon Trust verification.

MHP also partnered with the Ukrainian Government's Department of Financial Control to develop a model for the accounting of tractor fleet waste which was adopted at MHP's businesses within the country.

KEY ACHIEVEMENTS IN 2022

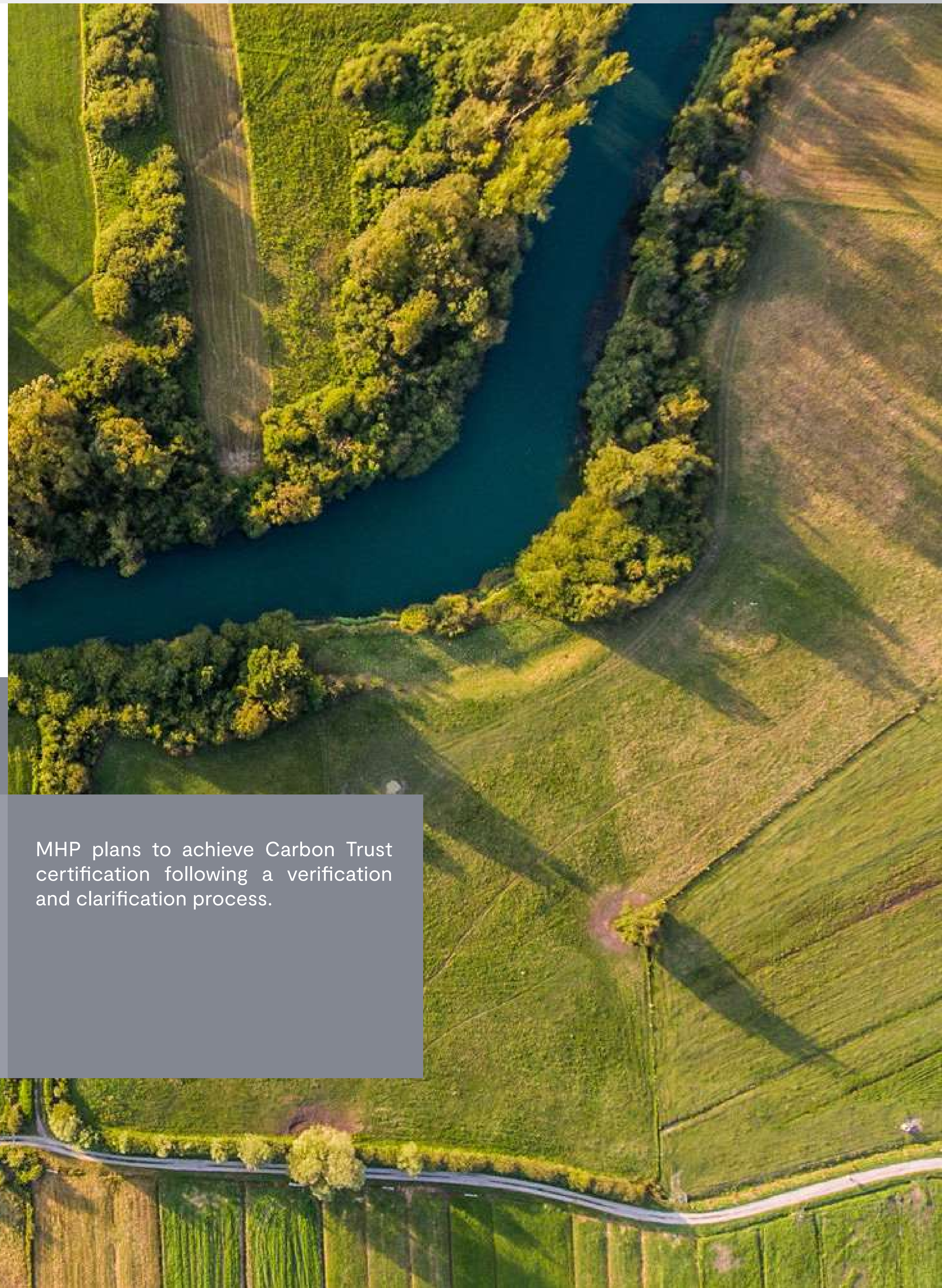
- MHP maintained energy security at its Ukraine sites despite the significant challenges which were presented by the War.
- In partnership with industry experts, MHP has further developed the scope and accuracy of its greenhouse gas emission measurements. This is an ongoing process that is viewed as a programme of continuous improvement.
- Four Ukraine sites achieved ISO 50001 (energy management) certification. These were the Starynska Nova breeding complex, the Vinnytsia Fodder Complex, the Myronivka Fodder Complex and the Katerynopil Fodder Complex.

PLANS FOR 2023

The following sites in Ukraine plan to achieve ISO 50001 (energy management) certification:

- Myronivsky Meat Processing Plant Lehko (MMPP);
- Oril Leader – broiler complex;
- Peremoga Nova – breeding complex.

MHP plans to achieve Carbon Trust certification following a verification and clarification process.



TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”)

PURPOSE OF THIS STATEMENT

This Statement outlines MHP’s existing alignment with the TCFD reporting recommendations, together with explanations of how MHP intends to extend its alignment in the future.

The Statement highlights MHP’s commitment to addressing climate change. Stakeholders and readers of this Statement will appreciate that the War in Ukraine has significantly delayed the Group's progress in this area.

This Statement is provided in line with the compliance requirements of Listing Rule 9.8.6R(8) of the UK Financial Conduct Authority.

As part of this Statement MHP has reviewed and considered TCFD’s All Sector Guidance as well as the additional guidance provided in the 2021 TCFD Annex. MHP has also considered the recommendations for agriculture, food and forest products organisations that are contained with the Guidance.

MHP’S APPROACH TO CLIMATE CHANGE

MHP understands that climate change presents the Group with a range of risks and opportunities. Its approach to climate change is reported in greater detail within Growth Pillar 6 on pages 94 to 106 of this Report.

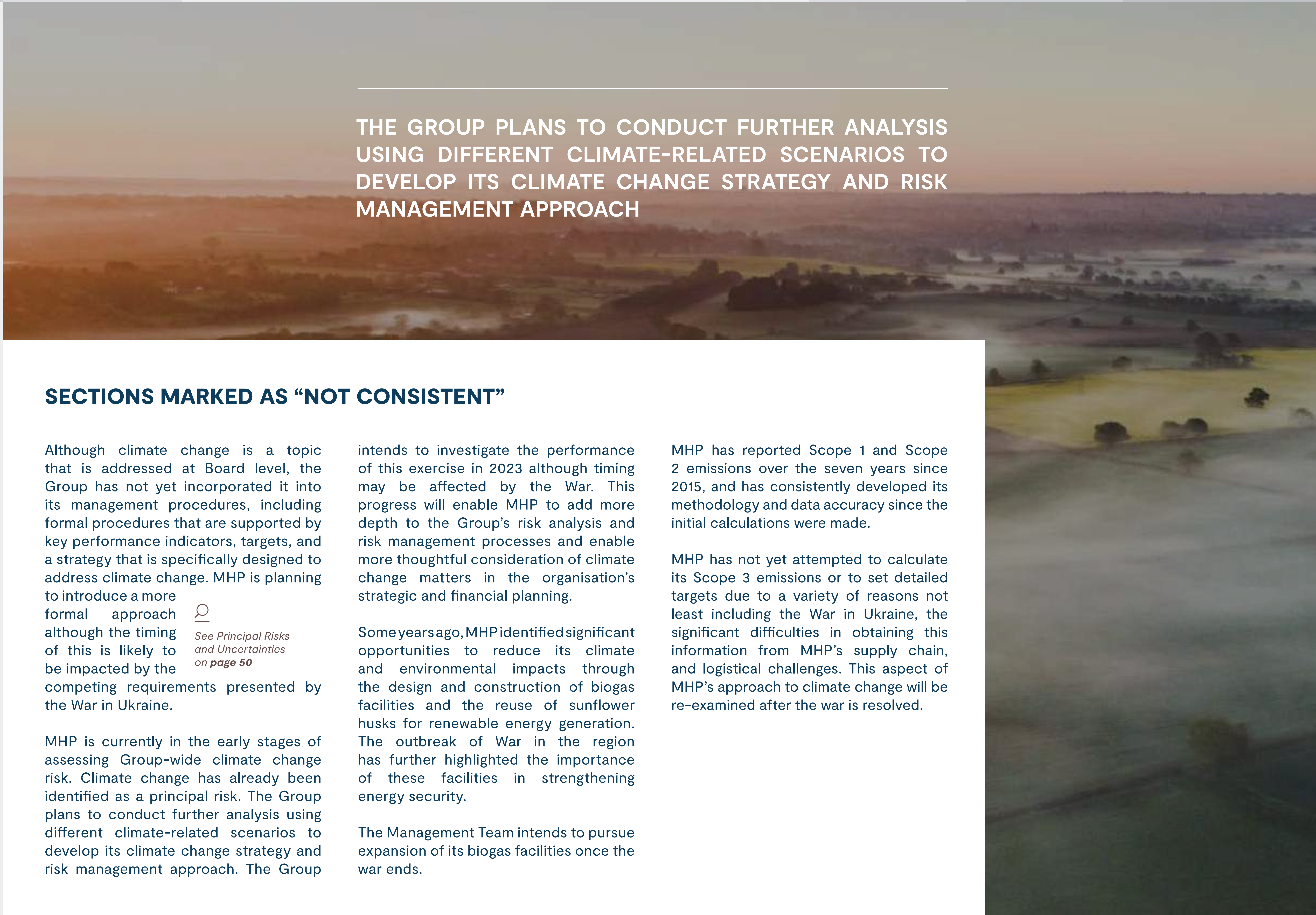
ALIGNMENT WITH THE TCFD RECOMMENDATIONS

MHP's approach to climate change is evolving and the Group intends to enhance its reporting as its approach matures and develops. This Section sets out steps already taken as well as steps planned in 2023 and beyond.

MHP has considered its "consistent or not consistent" obligation under the UK Financial Conduct Authority Listing Rules, and has detailed its position at the end of 2022 in relation to the 11 TCFD recommendations in the table to the right. Where sections are marked "not consistent", further explanation is provided beneath the table.

THE 11 TCFD RECOMMENDATIONS - AND THE GROUP'S POSITION AT THE END OF 2022

Governance	Page	Progress
Describe the board's oversight of climate-related risks and opportunities		Consistent
Describe management's role in assessing and managing climate-related risks and opportunities		Not consistent
Strategy		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term		Not consistent
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning		Consistent
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2-degree centigrade or lower scenario		Not consistent
Risk management		
Describe the organisation's processes for identifying and assessing climate-related risks		Not consistent
Describe the organisation's processes for managing climate-related risks		Not consistent
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management		Not consistent
Metrics and targets		
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process		Not consistent
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks		Not consistent
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		Not consistent



THE GROUP PLANS TO CONDUCT FURTHER ANALYSIS USING DIFFERENT CLIMATE-RELATED SCENARIOS TO DEVELOP ITS CLIMATE CHANGE STRATEGY AND RISK MANAGEMENT APPROACH

SECTIONS MARKED AS “NOT CONSISTENT”

Although climate change is a topic that is addressed at Board level, the Group has not yet incorporated it into its management procedures, including formal procedures that are supported by key performance indicators, targets, and a strategy that is specifically designed to address climate change. MHP is planning to introduce a more formal approach although the timing of this is likely to be impacted by the competing requirements presented by the War in Ukraine.

*See Principal Risks and Uncertainties on **page 50***

MHP is currently in the early stages of assessing Group-wide climate change risk. Climate change has already been identified as a principal risk. The Group plans to conduct further analysis using different climate-related scenarios to develop its climate change strategy and risk management approach. The Group intends to investigate the performance of this exercise in 2023 although timing may be affected by the War. This progress will enable MHP to add more depth to the Group’s risk analysis and risk management processes and enable more thoughtful consideration of climate change matters in the organisation’s strategic and financial planning.

Some years ago, MHP identified significant opportunities to reduce its climate and environmental impacts through the design and construction of biogas facilities and the reuse of sunflower husks for renewable energy generation. The outbreak of War in the region has further highlighted the importance of these facilities in strengthening energy security.

The Management Team intends to pursue expansion of its biogas facilities once the war ends.

MHP has reported Scope 1 and Scope 2 emissions over the seven years since 2015, and has consistently developed its methodology and data accuracy since the initial calculations were made.

MHP has not yet attempted to calculate its Scope 3 emissions or to set detailed targets due to a variety of reasons not least including the War in Ukraine, the significant difficulties in obtaining this information from MHP’s supply chain, and logistical challenges. This aspect of MHP’s approach to climate change will be re-examined after the war is resolved.

GOVERNANCE

MHP's Chief Executive Officer is responsible for the executive management of MHP's businesses including its approach to climate change, strategy implementation, and delivering performance against plans.

MHP's Board governance systems include the regular review of Board composition and performance to ensure that the required knowledge levels and skill set (including climate change matters) are maintained. More information is available in the Corporate Governance Report on page 116.

The Board's Sustainability and International Affairs Committee addresses MHP's approach to responsible business including climate change. The Audit & Risk Committee regularly considers business risks including ESG-related risks. This process includes consideration of potential or actual risks to the business.

Climate change has been identified by MHP's risk management systems as a principal risk. Related climate change matters were considered from time-to-time during the year (for instance, the use of MHP's biogas facilities during the War).

More frequent environmental reporting will be considered following the end of the War. This step will enable regular monitoring of climate change-related performance and the introduction of more specific goals and targets. It will also facilitate a more detailed examination and Board monitoring of environmental risks and opportunities, including those that relate to climate change.

STRATEGY

MHP's previous announcement of a target to become carbon neutral by 2030 will be reviewed at the end of the war. MHP will also examine the introduction of other targets including those relating to emissions intensity as part of the post-war development of its approach to climate change.

To date, MHP has not performed climate change scenario analysis and will consider the performance of this exercise in 2023, subject to any limitations that may be imposed on the conduct of this exercise by the War in Ukraine.

A number of years ago, MHP identified that significant cost saving and environmental benefits could be created through renewable energy generation, processing its waste to create biogas.

Further information on the energy generated in 2022 is available on page 101 of this Report. This method has also contributed significantly to MHP's energy security since the outbreak of War on 24 February 2022. MHP continues to investigate this opportunity and intends to expand its renewable energy generation following the end of the War.

RISK MANAGEMENT

Climate risks are evaluated using MHP's common risk assessment approach which includes consideration of qualitative criteria and likelihood of occurrence. These outcomes are incorporated into the risk assessment procedures which are performed regularly at each of MHP's enterprises. Climate change has been identified as a principal risk.

MHP has not yet conducted a qualitative and quantitative climate change scenario assessment to support and guide its climate change approach going forward. MHP intends to investigate the performance of this exercise in 2023 although timing may be affected by the War. This would clearly support MHP's climate change-related risk assessment processes and improve their effectiveness.

METRICS AND TARGETS

MHP's greenhouse gas emissions calculations are conducted annually. Emissions data and the methodology applied are recorded on pages 98 to 99 of this Report.

As stated above, MHP does not currently collect Scope 3 data. When the War finishes, MHP will investigate expanding its emissions data to include Scope 3, and the use of appropriate intensity metrics to monitor emissions performance and enable evaluation of robust target setting over and above the existing 2030 carbon neutral goal.

NON-FINANCIAL INFORMATION STATEMENT

MHP'S APPROACH TO TRANSPARENCY

MHP is committed to transparent reporting and disclosure of its financial and non-financial performance, risks and opportunities where this information is relevant to shareholders and other key stakeholders. MHP supplies this information in line with the reporting requirements contained in Sections 414CA and 414CB of the UK Companies Act 2006.

The table and other information in this section are provided to assist readers of this Report to understand MHP's approach, policies and performance. No material breaches of policy were identified during 2022.

MHP regularly enters into dialogue with investors and other stakeholders about its responsible business approach and performance.

Further information can also be found at MHP's corporate websites (www.mhp.com.cy and www.mhp.ua).

HIGHLIGHTS

BUSINESS MODEL

An explanation of MHP's business model.

For further information see pages 28 to 31

GROWTH PILLARS

An explanation of MHP's approach to sustainability and alignment with the UN Sustainable Development Goals.

For further information see pages 54 to 106

WAR IN UKRAINE

An explanation of how MHP has addressed the War which commenced on 24 February 2022.

For further information see pages 4 to 6.

SUMMARY	DESCRIPTION	FURTHER INFORMATION, POLICIES AND OUTCOMES
Business model	MHP creates value by applying the six key elements of its business model. They have been adapted to address the War in Ukraine and they are: · Transformation to a culinary company · Responsible business · Sustained investment in innovation, business efficiency and R&D · International marketplace · Sustainable financial health · Support for Ukraine	Business model Pages 28 to 31 Growth Pillars Pages 54 to 106 Culinary transformation Pages 21 and 22
Principal risks	MHP operates within dynamic environments and markets which are subject to constant change and have clearly been affected by the War in Ukraine. MHP must be able to respond to these challenges. A failure to manage these changes and risks could have an adverse impact on the business and the achievement of MHP's goals and targets.	Principal risks and uncertainties Pages 49 to 53
Environmental matters	MHP recognises its environmental responsibilities and its role in ensuring that its business activities meet the expectations of its stakeholders in addressing the global climate change challenge.	Growth Pillar 6: The Planet Pages 94 to 106
Employees	The War has highlighted the importance of MHP's people as its most valuable asset. MHP's ability to continue its operations despite the extraordinary difficulties posed by the war is directly attributable to its well-established culture of business collaboration and co-operation.	Growth Pillar 2: Our People and Their Wellbeing Pages 63 to 74
Respect for human rights	Human rights are the basic freedoms that everyone should enjoy regardless of matters such as faith, creed, race, origin, gender, age, disability, sexuality and other diversity matters. Following the commencement of the War, MHP's Management Team placed particular focus on assisting the population of Ukraine, maintaining food security, supporting infrastructure, wellbeing and morale. In 2022, MHP also continued to operate its community development approach through centralised activities and a focus on working in partnership with other large businesses, international donors and national Ukrainian charities.	Growth Pillar 3: Our Role in Society and Our Licence to Operate Pages 75 to 77
Other social matters – stakeholder engagement	The commencement of the war on 24 February meant that MHP had to immediately revise its approach to stakeholder engagement and play an active role in addressing the crisis. Group and Senior Management immediately resolved that the Group's stakeholder engagement priorities were to: · Support the needs of employees; · Address the needs of communities in different parts of the country; · Address the additional requests for information from financial partners and the investment community; and · Work with other stakeholders to maintain food security and personal safety for the Ukrainian population.	Growth Pillar 1: Stakeholder Engagement Pages 59 to 62
Other social matters – responsible food production	MHP will always maintain industry-leading standards of product safety and quality at all of its enterprises. MHP will reduce its use of antibiotics in the production process to further improve the world-class safety standards which all of the Group's businesses already apply. Animal welfare will continue to be a top priority at all of the Group's production sites. MHP will continue to regularly train and educate its employees about the importance of animal welfare.	Growth Pillar 4: Responsible Food Production Pages 78 to 86
Anti-bribery and corruption	MHP's Board of Directors closely monitors the Group's business conduct progress and performance. Responsibility for this aspect of the business is divided between the Audit & Risk Committee and the Sustainability and International Affairs Committee. The Group's has also established an internal Compliance Committee. The Ethics and Compliance Programme was reviewed and updated as a result of the unique challenges presented to the business by the global COVID-19 Pandemic. This process resulted in the adoption of a new MHP Compliance Roadmap in which key strategic and operational goals were identified. MHP has established management systems to both deter and detect any acts of corruption.	Growth Pillar 5: Business Conduct Pages 87 to 93
Non-financial KPIs	MHP's key performance indicators ("KPIs") do not currently include non-financial KPIs. However, non-financial data is monitored by the Board and Senior Management Team to ensure compliance with stakeholder and regulatory expectations relating to ESG matters.	Performance highlights Page 7 MHP at a Glance, Responsible Business Page 10

01 STRATEGIC REVIEW

02 BUSINESS REVIEW

GOVERNANCE

04 FINANCIAL STATEMENTS

05 SHAREHOLDER INFORMATION

CHAIR'S INTRODUCTION TO CORPORATE GOVERNANCE

"ON BEHALF OF THE BOARD, I AM PLEASED TO PRESENT OUR CORPORATE GOVERNANCE REPORT ("THE REPORT") FOR THE YEAR ENDING 31 DECEMBER 2022. THE REPORT SETS OUT OUR APPROACH TO GOVERNANCE, DESCRIBES THE IMPORTANT AREAS OF FOCUS OF THE BOARD'S ACTIVITIES DURING THE YEAR AND HIGHLIGHTS HOW THE BOARD AND ITS COMMITTEES OPERATE."

Following the outbreak of hostilities on 24 February 2022, the Board's main areas of focus have been:

- TO MAINTAIN THE GROUP'S LIQUIDITY AND SOLVENCY
- TO ENSURE THE SAFETY, SECURITY, AND WELLBEING OF MHP'S EMPLOYEES
- TO ENSURE THE SUCCESSFUL CONTINUATION AND ONGOING DEVELOPMENT OF MHP'S BUSINESS ACTIVITIES DESPITE THE CHALLENGES PRESENTED BY THE CONFLICT
- TO ENSURE FOOD SECURITY FOR THE UKRAINIAN POPULATION

GOVERNANCE AND BOARD PERFORMANCE

MHP has a well-established approach to governance, which serves as the foundation for the Board's management processes and decision making.

I am pleased to report that, in the wake of the outbreak of the War in Ukraine, this approach played a crucial role in MHP's successful approach to maintaining and expanding its business activities. In response to the many complex logistical challenges posed by the conflict, MHP adapted its operations with remarkable speed and efficiency to meet and address the Board's revised key areas of focus. Board members contributed effectively to achieving these aims, playing a key advisory role to the Senior Management Team, and provided leadership to ensure that a multitude of issues were addressed rapidly, promptly, and effectively.

BOARD COMPOSITION AND SUCCESSION PLANNING

There were no changes to the Board during 2022. In the background, a phased succession plan is being conducted to ensure replenishment of the Board to maintain and enhance the levels of skills, knowledge and independence. At the same time, the Board is mindful of stakeholder expectations concerning diversity and the relevant guidelines including the FTSE Women Leaders Review and the Parker Review. Post year end, Mr. Oscar Chemerinski joined the Board as an Independent Non-Executive Director. Further information can be found in my Chair's Statement on page 15 and in the Nominations and Remuneration Committee Report on page 133.

ENGAGEMENT WITH SHAREHOLDERS, BONDHOLDERS, FINANCIERS, AND OTHER STAKEHOLDERS

The Russian military action clearly created many business uncertainties and concerns amongst stakeholders about the Group. These were exacerbated by the speed of events and the evolving aspects of War during 2022 and going forward. In these circumstances, it was essential that the Group maintained regular and open lines of communication and pro-actively conducted its stakeholder engagement activities (see also new ways of working below). The Board has played and will continue to play an essential leadership and advisory role in this dialogue and, in particular, played a key role in the successful discussions with bondholders, financiers and shareholders during 2022.

MEETINGS AND NEW WAYS OF WORKING

The COVID-19 Pandemic led to many new ways of working for MHP in common with the vast majority of large businesses around the world. This included the way the Board and its Committees work together. Meetings are now a blend of in-person and virtual depending on circumstance and logistical constraints imposed by the War. This approach is supported by the continued investment and strengthening of MHP's IT infrastructure to facilitate these requirements optimally and ensure security.

These developments considerably assisted the Board in maintaining high levels of communication between Board members themselves, the Senior Management Team, and other stakeholders during the crisis.

NON-EXECUTIVE DIRECTOR INDEPENDENCE DURING THE CONFLICT

Following the invasion on 24 February 2022, the Board took all steps necessary to safeguard the interests of all stakeholders. In these extraordinary circumstances, the independent stance of the Non-Executive Directors was weighed against the requirement for them to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. As such, from time-to-time it became necessary for the nature of the activities conducted by the Non-Executive Directors to change so that their skills, networks, and attributes were drawn on in ways which, under usual circumstances, might be viewed as affecting independence through the conduct of a material business relationship.

The Board's opinion is that these actions were essential to maintain the stability and liquidity of the Group in extremely challenging conditions. They included, for example, supporting the Management Team in finance negotiations and maintaining key stakeholder relations. The Group considers that their periodic involvement in this way does not materially affect independence and that it was done in the best interests of shareholders, bondholders, and other stakeholders.

The independence information within this Report and the UK Corporate Governance Code compliance statement has been prepared applying this view on Board independence. It is anticipated that the involvement of the Independent Non-Executive Directors in this way will be infrequent and will return to its previous status following the cessation of the conflict.

MOVING FORWARD

The Board will continue to successfully lead and advise the business with confidence in 2023 and beyond despite the uncertainties and challenges presented by ongoing warfare. We will continue to deliver on the key areas of focus for as long as combat persists.

I should like to take this opportunity to thank my colleagues on the Board and MHP's Senior Management Team for their immense and successful efforts and contributions to the Group during 2022. I am very proud of what we have all managed to achieve and the way in which we have all collaborated as part of an enormous and remarkable team-effort across the Group.

DR JOHN RICH Chair
11 April 2023

MHP HAS A WELL-ESTABLISHED APPROACH TO GOVERNANCE, WHICH SERVES AS THE FOUNDATION FOR THE BOARD'S MANAGEMENT PROCESSES AND DECISION MAKING

CORPORATE GOVERNANCE REPORT

DOMICILE AND BACKGROUND INFORMATION

MHP was originally established in 2006 as a company that was registered in Luxembourg. On 7 August 2017, the Company converted from a public limited liability company ("Societe Anonyme") into a European company ("Societas Europaea").

On 27 December 2017, the Company's registered office and central administration was transferred to Cyprus. MHP is currently registered in the Cyprus Registry for SE Companies, under number SE 27 and its registered office is in Limassol.

In December 2017, the Company adopted a new Memorandum and Articles of Association to comply with the provisions of Cyprus Companies Law. This is available for download at the Group websites (mhp.com.cy, mhp.ua).

MHP's GDRs are listed and traded on the London Stock Exchange.

The Company's corporate governance structures, processes and procedures are outlined in its Code of Corporate Governance which is also available for download at the Group websites.

The Company aims to uphold and practise the highest standards of corporate governance and regularly discusses its approach with its shareholders, Group personnel, the business community and other stakeholders including bondholders, government and regulatory agencies.

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018

The Board, Senior Management Team and advisors have been steadily developing MHP's corporate governance processes and procedures over recent years. MHP aspires to the achievement of best practice in line with established international standards. It regards the UK Corporate Governance Code 2018 as the appropriate international benchmark for its approach. MHP also complies with the governance requirements of Cypriot law.

Recent developments include obtaining shareholder approval for a new Directors' Remuneration Policy at the end of 2021. MHP continues to seek ways of strengthening the diversity and experience of the Board.

It is the opinion of the Board that, during 2022, the Company complied with the principles and requirements of the UK Corporate Governance Code except in relation to the matters noted below.

MHP REGARDS THE UK CORPORATE GOVERNANCE CODE 2018 AS THE APPROPRIATE INTERNATIONAL BENCHMARK FOR ITS APPROACH

2006
MHP was registered in Luxembourg

7 August 2017
The Company converted into a European company ("Societas Europaea")

27 December 2017
The Company's registered office and central administration was transferred to Cyprus

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018

PROVISION NUMBER	PROVISION REQUIREMENT	EXPLANATION
9	The Chair should be independent on appointment under the criteria outlined in Provision 10.	On his appointment in 2017, the Chair had served on the Board as a Non-Executive Director since 2006. At the time of his appointment he was also employed by the International Finance Corporation as a Senior Regional Consulting Agribusiness Industry Specialist. This role ended over four years ago. After considering the Chair's credentials, experience, expertise and independence of thought, it was the Board's view that the Chair was independent at the time of his appointment. In 2018, at the request of the Board, the Chair agreed to support the Chief Executive Officer with certain specific strategic projects where his extensive knowledge and expertise is particularly helpful. Subsequently, in March 2019 his role was designated as Executive Chair and no longer independent. The Board is satisfied that these arrangements are in the best interests of the Company, its shareholders and other stakeholders.
10	The Board should identify in the annual report each Non-Executive Director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a Non-Executive Director's independence include whether a Director has served on the Board for more than nine years from the date of their first appointment. A clear explanation should be provided if the Board nonetheless considers the Non-Executive Director to be independent.	John Grant has served as a Non-Executive Director of the Company since 2006 and is the Senior Independent Director. The Board values his business perspective in view of his extensive experience as a director of a wide range of major public companies in a variety of business sectors and is satisfied that he possesses the necessary independence of thought to be regarded as independent.
19	The Chair should not remain in post beyond nine years from the date of their first appointment to the Board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the Chair was an existing Non-Executive Director on appointment.	The Chair became a Non-Executive Director in 2006 and was appointed Chair in 2017, at which time the Board was satisfied of his independence of thought and viewed the appointment as in the best interests of the Company, its shareholders and other stakeholders. His subsequent adoption of executive responsibilities was also, and continues to be, viewed as being in the best interests of these parties.
32	The Board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. In addition the Chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as Chair of the remuneration committee, the appointee should have served on the remuneration committee for twelve months.	The Nominations and Remuneration Committee currently comprises Philip J Wilkinson OBE and John Grant who are both Independent Non-Executive Directors. The third member is the Executive Chair, Dr John Rich. Philip J Wilkinson OBE is the Committee Chair. These arrangements are considered by the Board to be in the best interests of the Company and its material stakeholders.

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

PROVISION NUMBER	PROVISION REQUIREMENT	EXPLANATION
36	Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.	At the EGM on 28 December 2021, MHP's shareholders approved a new Directors' Remuneration Policy which better aligned the interests of the Executive Directors with those of shareholders. This document defers the setting of a Company policy in relation to long-term incentives, including share awards, until a later date (not later than the end of 2023).
38	Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.	Directors' pensionable salaries are calculated on the basis of salary plus performance related bonuses in line with local legislation and are in line with general workforce arrangements. The Company plans to update the Directors' Remuneration Policy to specifically address this area not later than the end of 2023.
40	When determining executive remuneration policy and practices, the remuneration committee should address the following: · Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce; · Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand; · Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans are identified and mitigated; · Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy; · Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and · Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy	At the EGM on 28 December 2021, the Company's shareholders approved (over 97% in favour) a new Directors' Remuneration Policy which had been formulated with the assistance of Deloitte, MHP's remuneration consultant. In common with many companies from the region, MHP does not currently disclose individual executive director remuneration data. This policy is regularly reviewed and discussed with MHP's shareholders.

BOARD OF DIRECTORS

THE MEMBERS OF THE BOARD OF DIRECTORS AT 31 DECEMBER 2022 ARE RECORDED BELOW. THE INFORMATION INCLUDES CAREER HIGHLIGHTS, INFORMATION ABOUT THEIR SKILLS AND EXPERIENCE, COMMITTEE MEMBERSHIPS (SEE ALSO KEY BELOW) AND PERSONAL DETAILS.

CHRISTAKIS TAOUSHANIS
INDEPENDENT NON-EXECUTIVE DIRECTOR AR

DR JOHN C RICH
EXECUTIVE CHAIR
SI NR

PHILIP J WILKINSON OBE
INDEPENDENT NON-EXECUTIVE DIRECTOR NR SI AR

YURIY KOSYUK
CHIEF EXECUTIVE OFFICER

ANDRIY BULAKH
DEPUTY CHIEF EXECUTIVE OFFICER – PEOPLE

JOHN GRANT
SENIOR INDEPENDENT DIRECTOR
AR NR

VIKTORIA KAPELYUSHNA
CHIEF FINANCIAL OFFICER

COMMITTEE MEMBER KEY

- NR Nominations and Remuneration Committee
- SI Sustainability and International Affairs Committee
- AR Audit & Risk Committee
- ☐ Chair of Committee
- ◯ Member of Committee

DR JOHN C RICH
EXECUTIVE CHAIR
SI NR

John Rich is a highly experienced senior business executive with a strong background in agribusiness operations, development banking and investment. He also contributes to MHP considerable experience in nutrition and in the development of animal welfare and sustainable agriculture.

Nationality: Australian

Appointed to the Board: 2006

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

Current external appointments:
- Managing Director of Australian Agricultural Nutrition and Consulting Pty Ltd (“AANC”);
- Member of the Food and Agribusiness Advisory Council of the London-based Commonwealth Development Corporation (“CDC”).

JOHN GRANT
SENIOR INDEPENDENT DIRECTOR
AR NR

John Grant contributes to MHP extensive, board-level finance, risk management, strategy, governance and operational experience from a wide range of international businesses and sectors.

Nationality: British

Appointed to the Board: 2006

Career and prior experience highlights:
- Senior Independent Director, Augean plc, Melrose plc, Pace plc and Wolfson Microelectronics plc;
- Non-Executive Director, National Grid plc, Corac Group plc and the Royal Automobile Club Limited;
- Audit Committee Chair : Augean plc, Melrose plc, National Grid plc, Pace plc;
- Remuneration Committee Chair: Augean plc, National Grid plc;
- 2013-2022 Chair , British Racing Drivers’ Club;
- 1992-1996: Finance Director, Lucas Industries plc, LucasVarity plc;
- 1990-1992: Executive Deputy Chair, Jaguar Cars;
- 1989: Director of Corporate Strategy, Ford Motor Company.

PHILIP J WILKINSON OBE
INDEPENDENT NON-EXECUTIVE DIRECTOR NR SI AR

Philip Wilkinson contributes to MHP extensive experience in the strategic and commercial leadership of international agribusinesses, in particular in the international poultry industry.

Nationality: British

Appointed to the Board: 2020

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

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

CHRISTAKIS TAOUSHANIS
INDEPENDENT NON-EXECUTIVE DIRECTOR AR

Christakis Taoushanis contributes to MHP over 35 years’ of finance, capital markets and management experience.

Nationality: Cypriot

Appointed to the Board: 2018

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

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

YURIY KOSYUK
CHIEF EXECUTIVE OFFICER

Yuriy Kosyuk has been Chief Executive Officer of MHP since he founded the Company in 1998. He contributes over 30 years' experience in the agribusiness and food production industries.

Nationality: Ukrainian

Appointed to the Board:
2006 (joined MHP in 1998)

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

ANDRIY BULAKH
DEPUTY CHIEF EXECUTIVE OFFICER – PEOPLE

Andriy Bulakh contributes to MHP more than 20 years' broad management, auditing and consulting experience.

Nationality: Ukrainian

Appointed to the Board:
2021 (joined MHP in 2020)

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

VIKTORIA KAPELYUSHNA
CHIEF FINANCIAL OFFICER

Viktoria Kapelyushna contributes to MHP extensive financial experience and business acumen gained from over 30 years in the agribusiness and food production industries.

Nationality: Ukrainian

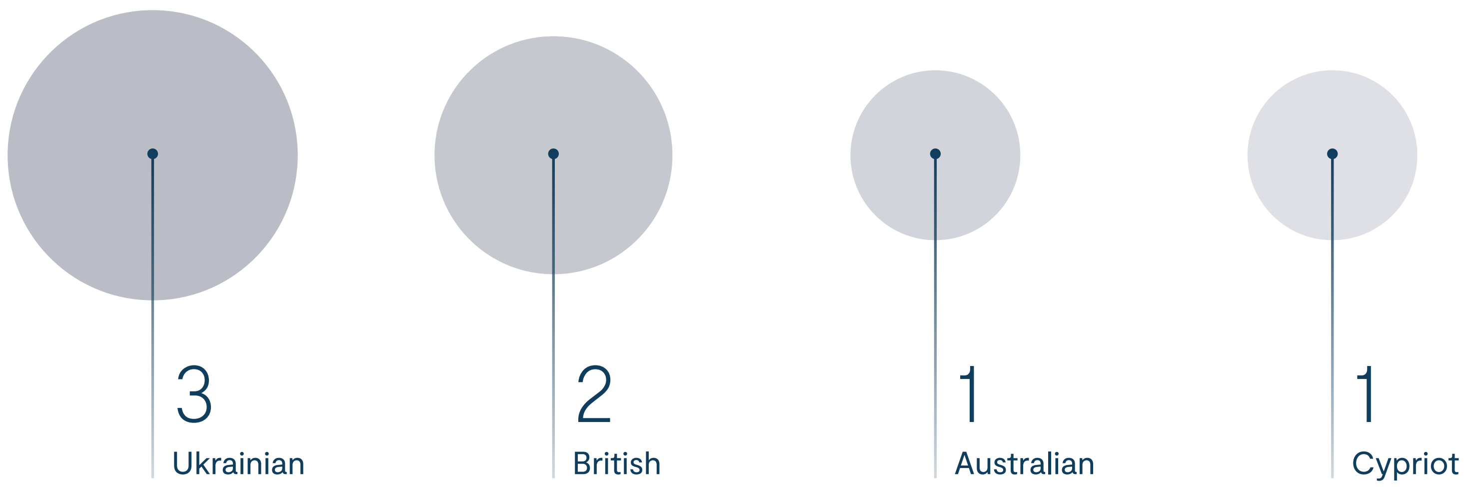
Joined the Board:
2006 (joined MHP in 1998)

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

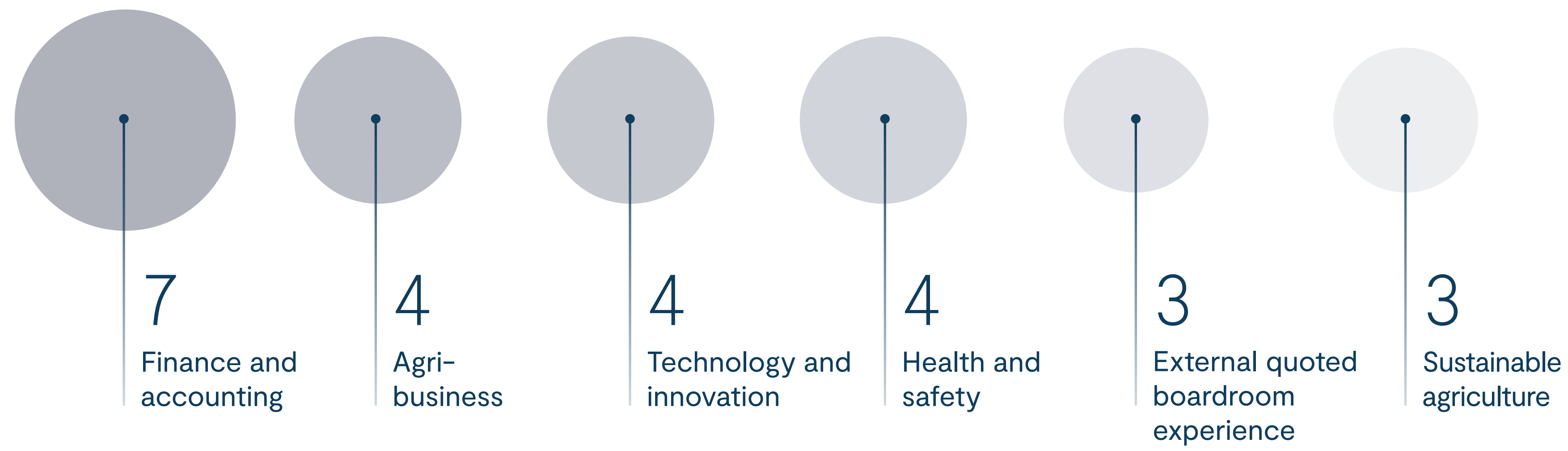
BOARD EXPERIENCE AND DIVERSITY

The broad range of skills and experience and the diversity of our Board as of the end of 2022 are illustrated below.

BOARD NATIONALITIES



PROFESSIONAL EXPERIENCE



DIRECTORS WHO SERVED DURING THE YEAR

The directors who served during the year were:

- Dr John Rich (Executive Chair)
- John Grant (Senior Independent Director)
- Christakis Taoushanis (Independent Non-Executive Director)
- Philip J Wilkinson OBE (Independent Non-Executive Director)
- Yuriy Kosyuk (Chief Executive Officer)
- Andriy Bulakh (Deputy Chief Executive Officer – People)
- Viktoria Kapelyushna (Chief Financial Officer)

Excluding the Chair, there is a balance on the Board between executive directors and the directors who the Board considers to be independent. Further Board details are set out on pages 119 to 126. This information includes biographical details of the Directors.

There were no changes in the composition of the Board during 2022.

To continue to satisfy the independence requirements of the UK Corporate Governance Code, the Senior Independent Director led a search for a new Independent Non-Executive Director using the services of an experienced search firm. Despite being impacted by the complexities of recruiting during a period of conflict, the Board proposed and shareholders appointed Mr. Oscar Chemerinski in March 2023. Further information can be found in the Nominations and Remuneration Committee Report on page 133.

BOARD MEETING ATTENDANCE AND ARRANGEMENTS DURING THE CONFLICT

The Board conducted four meetings during 2022. All the Non-Executive Directors and the Chair attended these meetings. The Chief Executive Officer attended three of the meetings where the most material and strategic decisions were discussed.

As a result of the conflict in Ukraine which began in February 2022 the majority of Board meetings were conducted using a blend of in-person and conference call facilities. The Board of Directors also approved certain decisions through 17 circular resolutions.

DIRECTOR	BOARD MEETINGS ATTENDED / INVITED
Dr John Rich	4/4
John Grant	4/4
Christakis Taoushanis	4/4
Philip J Wilkinson OBE	4/4
Yuriy Kosyuk	3/4
Andriy Bulakh	4/4
Viktoria Kapelyushna	4/4

PRINCIPAL RESPONSIBILITIES OF THE BOARD

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

The Company has a unitary governance structure and the Board is the ultimate decision-making body, except for the powers reserved for the Shareholders' Meeting by law or as specified in the Articles of Association (see also Board of Directors on pages 119 to 126).

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

These include:

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

THE BOARD OF DIRECTORS IS ULTIMATELY RESPONSIBLE FOR THE COMPANY'S GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT

ROLE OF THE CHAIR

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

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

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

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

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

The Chair represents the Board to shareholders and the public and chairs Shareholders' Meetings.

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

RELATIONSHIP BETWEEN THE CHAIR AND THE CEO

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

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

ROLE OF THE CHIEF EXECUTIVE OFFICER

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

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

The CEO is responsible for the execution and management of the outcome of all Board decisions.

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

ROLE OF THE SENIOR INDEPENDENT DIRECTOR

John Grant has been designated as the Board's Senior Independent Director since 2014.

The Senior Independent Director acts as an advisor to the Chair, is responsible for coordinating the annual evaluation of the Chair and acts as an intermediary for the other Directors and shareholders when required. He provides an alternative point of contact for shareholders on matters where the usual channels of communication are deemed inappropriate.

In 2022, the Senior Independent Director participated with management in a number of meetings with banks and professional advisers, mostly concerning the negotiated deferral of payments to bondholders (the consent solicitation) as a result of the situation in Ukraine.

ROLE OF THE NON-EXECUTIVE DIRECTORS

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

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

NON-EXECUTIVE DIRECTOR INDEPENDENCE

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

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

In making its decision, the Board considers relationships with Management, major shareholders, associated companies and other parties with whom the Company conducts business.

At 31 December 2022, the Board had seven directors, three of whom are classified by the Board as independent.

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

He has had extensive experience over many years as an independent non-executive director of a wide range of public and private companies covering a variety of business sectors. He has been Senior Independent Director and has chaired the Audit and/or Remuneration Committees of several major public companies.

The Board values his broad business perspective and experience and continues to be satisfied that he possesses the necessary independence of character and judgement to be regarded as independent.

The Board is satisfied that Christakis Taoushanis and Philip J Wilkinson OBE fulfil its independence requirements for Non-Executive Directors.

Dr John Rich was viewed by the Board as independent on appointment as Chair in 2017. Following the Board's request for him to perform certain executive management functions his role was designated as Executive Chair and the Board does not view him as independent.

ROLE OF THE COMPANY SECRETARY

The Company Secretary ensures that the Board receives appropriate and timely information and provides advice and support to the Chair, the Board, Board Committees and senior management on regulatory and governance matters.

All Directors have direct access to the advice and services of the Company Secretary. Directors may also obtain independent advice as required at the Company's expense.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

There is a formal and rigorous procedure for the appointment of new Directors to the Board.

The process for new appointments is led by the Nominations and Remuneration Committee which makes a recommendation to the Board. Any Member of the Board so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

In line with the UK Corporate Governance Code, all members of the Board are subject to annual re-election by a majority of shareholders at the Annual General Meeting. Directors may be re-elected an unlimited number of times.

Shareholders have the power to appoint or remove any Board Director at a General Meeting of the Company.

The Board may also revoke or terminate Board appointments.

THE BOARD OF DIRECTORS IS ULTIMATELY RESPONSIBLE FOR THE COMPANY'S GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT

BOARD EFFECTIVENESS

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

ACCESS TO INFORMATION, ADVICE AND PROFESSIONAL DEVELOPMENT

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

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

The Chair is responsible for ensuring that the Directors receive accurate, timely and clear information. The Company's Executive Management team is obliged to provide such information and Directors may seek clarification or amplification where necessary.

The Chair ensures that Directors continually update their skills, knowledge and understanding of the Company's activities in order to fulfil their role effectively both on the Board and on Board Committees.

OTHER PROFESSIONAL COMMITMENTS

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

DIVERSITY AND INCLUSION

MHP values its distinctive culture and, in particular, its proactive approach to creating senior management and development opportunities for women. MHP believes that a pro-active approach to diversity and inclusion supports innovation, continuous improvement and increases efficiency.

The Board is also mindful of the recommendations contained within the FTSE Women Leaders Review (diversity) and Parker (gender) Review.

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

The Board and the Nominations and Remuneration Committee ("NRC") considered diversity and inclusion matters as part of the regular assessment of Board effectiveness and the appointments process (see also the NRC Report on pages 133 to 134).

The Board has determined that it will not set specific targets with respect to Board diversity but recognises the benefits that this brings to its effectiveness. It is committed to promoting diversity throughout the Group.

MHP is also committed to ensuring that equality is preserved within its remuneration arrangements for all its workforce throughout the business.

CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

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

If, in the opinion of the Board, a conflict of interest exists, the relevant Director does not participate in discussions and will abstain from a Board vote on the affected matter.

The Company's Conflict of Interest Policy covers any transactions involving conflicts of interest (whether actual or potential) of MHP's Management Team members, including Directors of subsidiaries and branches ("key management"):

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

A summary of the Company's framework for managing risks, and the Company's key business risks together with the risks related to War can be found on pages 127 to 132 of this Report.

AT THE END OF EACH YEAR, THE BOARD AND COMMITTEES UNDERTAKE AN ASSESSMENT OF THEIR OWN EFFECTIVENESS

CONFIDENTIAL INFORMATION

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

DIRECTORS' INTERESTS

The interests of Directors in MHP's GDRs at 31 December 2022 are shown in the table below.

DIRECTOR	NUMBER OF GDRs HELD
Dr John Rich	25,000
John Grant	17,000

ENGAGEMENT WITH STAKEHOLDERS

The Board recognises the importance of regular, effective and constructive communications with its shareholders and maintains a dedicated investor relations department to facilitate this. Following the outbreak of the conflict in Ukraine, the Board endeavoured to regularly engage with the financial and investment communities to communicate its effects on the business and to update them on actions of the management. More information about these activities is recorded in the Chair's Introduction to Corporate Governance on page 114.

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

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

Further information can also be found in the S172 Statement in Growth Pillar 1: Stakeholder Engagement on pages 59 to 62.

WORKFORCE ENGAGEMENT

MHP works closely with its workforce who play an active role in the management of the business through day-to-day dialogue and engagement with the senior management team. See also Growth Pillar 2: Our People and their Wellbeing. Clearly, following the outbreak of the conflict in Ukraine it became vital that the Company remained in close contact with, and supported all, of its workforce. More information is provided in the War in Ukraine section on pages 4 to 6 of this Report.

ANNUAL GENERAL MEETING

The next Annual General Meeting is scheduled to take place on 19 June 2023 at 10 am at 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus. The 2023 AGM notice will be published in due course.

DIRECTORS AND OFFICERS LITIGATION STATEMENT

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

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

MHP WORKS CLOSELY WITH ITS WORKFORCE WHO PLAY AN ACTIVE ROLE IN THE MANAGEMENT OF THE BUSINESS THROUGH DAY-TO-DAY DIALOGUE AND ENGAGEMENT WITH THE SENIOR MANAGEMENT TEAM

AUDIT & RISK COMMITTEE REPORT

"THE AUDIT & RISK COMMITTEE IS RESPONSIBLE FOR THE INTEGRITY OF THE GROUP'S FINANCIAL REPORTING AND OVERSEES ITS INTERNAL FINANCIAL CONTROLS AND RISK MANAGEMENT PROCESSES. THE COMMITTEE ALSO MAKES RECOMMENDATIONS TO THE BOARD ON THE APPOINTMENT OF EXTERNAL AND INTERNAL AUDITORS AND OVERSEES THEIR ACTIVITIES."

During the year and as at the date of this Report members of the Committee and the number of meetings they have attended have been as follows:

MEMBER	JOHN GRANT (Chair)	CHRISTAKIS TAOUSHANIS	PHILIP J WILKINSON OBE
MEETINGS ATTENDED	4/4	3/4	4/4

This Report describes how the Audit & Risk Committee (the "Committee") carried out its responsibilities during the year and how it addressed significant issues relating to the Financial Statements.

ROLE AND RESPONSIBILITIES

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

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

The Committee's primary responsibilities include:

INTERNAL CONTROLS AND RISK MANAGEMENT

- overseeing the Group's processes for monitoring and managing risk and reporting to the Board on the effectiveness of those processes, including the emergence of potential new risks;
- keeping under review the effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- in relation to disclosures required in the Annual Report, reviewing and approving statements concerning internal controls and risk management.

FINANCIAL AND NARRATIVE REPORTING

- reviewing and monitoring the integrity of the Company's Financial Statements, including its Annual, Interim and Quarterly Reports, and any other formal announcements relating to its financial performance;
- reviewing and reporting to the Board on significant reporting issues and judgements they contain;
- ensuring compliance with relevant accounting standards and consistency and appropriateness of accounting policies, and challenging the validity of assumptions underlying accounting estimates and judgements, taking into account the views of the external auditors;
- reviewing, challenging and reporting to the Board on the assumptions underlying the going concern basis and the longer-term viability assessment, drawing the Board's attention to any qualifications as necessary, and approving statements to be included in the Annual Report in relation to going concern and viability; and
- reviewing the Annual Report and Accounts to ensure they are fair, balanced and understandable, that they provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and advising the Board accordingly.

WHISTLEBLOWING AND FRAUD

- reviewing the adequacy and security of arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, in accordance with the Company's whistleblowing policy;
- ensuring that arrangements are in place for the proportionate and independent investigation of any matters raised by whistleblowers and appropriate follow-up action; and
- reviewing the Group's systems and controls for ensuring ethical behaviour, detecting fraud and preventing bribery.

INTERNAL AUDIT

- approving the appointment and removal of the head of internal audit;
- approving the remit of the internal audit function, ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- approving the internal audit plan and receiving periodic reports on the results of the internal auditor's work;
- monitoring Management's responsiveness to the internal auditor's findings and recommendations; and
- monitoring and reviewing the effectiveness of the Group's internal audit function in the context of the Company's overall risk management system.

EXTERNAL AUDIT

- reviewing and assessing annually the independence, objectivity and effectiveness of the external auditors, making recommendations to the Board to be put to shareholders for approval regarding their appointment, re-appointment and removal, and approving the terms of their engagement;
- ensuring that, at least once every ten years, the audit services contract is put out to tender and, in respect of such tender, overseeing the selection process;
- reviewing policy and practice regarding the provision of non-audit services by the external auditor;
- assessing annually the auditor's independence and objectivity taking account of relevant regulatory requirements and the relationship between fees for audit and non-audit services; and
- reviewing and approving the annual audit plan, reviewing the findings of the audit with the auditor and informing the Board of the outcome of the audit.

COMPOSITION

The Committee comprises a minimum of three non-executive directors, each of whom is deemed by the Board to be independent. Two members constitute a quorum. The Chair of the Committee is John Grant, who has significant and relevant financial experience in a wide range of senior non-executive roles including chairing audit committees in a number of major international businesses (see biography on page 120). Christakis Taoushanis (see biography on page 120) has been a member of the Committee since November 2018. Philip J Wilkinson OBE (see biography on page 120) joined the Committee in June 2020.

The Committee Chair invites the Chief Financial Officer, the Head of Internal Audit and senior representatives of the external auditor to attend meetings as appropriate. The Committee has the right to invite any other director or employee to attend meetings as it considers appropriate.

MEETINGS

The Committee meets at least four times a year. The scheduling of meetings is intended to align with the financial reporting timetable, enabling the Committee to review the annual and quarterly Financial Statements, to agree the audit plan in advance of the full year audit, and to maintain oversight of the Group's internal controls and processes throughout the year. In 2022, the Committee met four times. Member attendance at these meetings is shown in the table on page 122. During the year, because of war-related travel restrictions, a number of members and invitees necessarily attended certain meetings by video conference.

The Committee meets with the external auditors at least once a year in the absence of Management.

The Committee Chair reports the outcome of meetings to the Board.

PERFORMANCE

The performance of the Committee is assessed annually as part of a formal internal Board evaluation process. The 2022 evaluation, undertaken towards the end of the 2022 audit, revealed that Committee members came to meetings well prepared and offered robust challenge to Management and the auditors and that meeting agendas were structured so as to enable the Committee to cover effectively all the matters in its terms of reference, in addition to considering and responding to the challenging war-related circumstances and additional risks that arose during the year.

KEY ACTIVITIES DURING THE YEAR

In addition to matters relating to the 2022 Financial Statements (see below), other key activities addressed by the Committee during the year included:

- considering the financial implications for the Group of the Russian invasion of Ukraine in February 2022 and the associated risks, ensuring appropriate and accurate communication to the financial markets throughout the year and advising the Board accordingly;
- working with Management and the auditors to mitigate as far as possible the logistical challenge of producing the required financial reports in unusually challenging circumstances;
- in view of the highly uncertain outlook, particularly in the months following the Russian invasion, supporting the Board in considering how best to preserve liquidity for the Group while continuing to supply food within Ukraine and maintaining positive relationships with bondholders, banks and other stakeholders; and
- considering the Group's readiness for increased reporting requirements, particularly in relation to climate change and sustainability in the context of the recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures ("TCFD").

SIGNIFICANT ISSUES RELATING TO THE 2022 FINANCIAL STATEMENTS

The Committee undertook the following recurring activities in relation to the 2022 financial statements:

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

In addition, the Committee gave particular consideration to significant issues and risks relating to the 2022 financial statements, which are shown on the next page.

THE COMMITTEE COMPRISES A MINIMUM OF THREE NON-EXECUTIVE DIRECTORS, EACH OF WHOM IS DEEMED BY THE BOARD TO BE INDEPENDENT

SIGNIFICANT ISSUE OR RISK CONSIDERED	HOW THIS WAS ADDRESSED BY THE COMMITTEE
GOING CONCERN The Russian invasion of Ukraine on 24 February 2022 resulted in serious disruption throughout Ukraine, with devastating consequences which continue to the date of this Report. This has created a highly unusual degree of uncertainty not just in Ukraine but also in global markets, making it more-than-usually difficult to predict the future. In addition, financial markets are, at least until the situation stabilises, effectively closed to Ukrainian entities. This necessitates a particular focus on MHP's ability to maintain operations and to continue to meet its liabilities as they fall due.	Throughout 2022, the Committee was kept informed by Management on a range of financial forecasts covering various War scenarios, the associated risks and the actions taken to mitigate them. The Company's responses to the crisis enabled it to restore almost full utilisation of production capacity in the second half of the year, and strong global prices largely offset significant cost increases, such that adequate profitability has been maintained. In March 2022, holders of the Group's US$ 1.4 billion of Eurobonds agreed, through a consent solicitation process, to defer for a period of 270 days semi-annual coupon payments due in the March-May period, thus helping to preserve liquidity at a time of extreme uncertainty. Subsequent bond coupons, and the deferred payments, have been paid on their due dates. Nonetheless, in view of the continuing War situation, there remains some uncertainty over the ability of MHP to continue to service its debts in full, either because of restrictions that may be imposed by the National Bank of Ukraine or further adverse War developments. The Committee is of the opinion that, if necessary, the Company will be able to negotiate acceptable arrangements with bondholders, banks and other lenders to enable it to continue to meet its liabilities as they fall due at least for the next 12 months from the date of this Report. Accordingly, it accepted Management's recommendation and recommended to the Board that the Financial Statements should be prepared on a going concern basis, while acknowledging a material uncertainty. The Committee also agreed that there had been full and proper disclosure of the going concern matter in the report and accounts. EY concluded that the going concern assumption was appropriate and that the related disclosure was adequate but, in view of war-related uncertainties, and as required by ISA 570 (revised), they would add to their report a separate section to emphasise a material uncertainty relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.
REVENUE RECOGNITION There is a presumed risk of overstatement of revenue due to fraud.	The Committee, having discussed revenue recognition processes with Management and reviewed the tests and analyses conducted by EY, was satisfied that adequate processes and controls were in place to manage the risk of overstatement of revenue.
VALUATION OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE Forecasting models used to determine the fair value of biological assets and agricultural produce require extensive management judgements and the use of complex models. There is a risk of misstatement due to incorrect assumptions or estimates.	The Committee reviewed the assumptions and judgements applied by Management and discussed with EY the adequacy of internal controls around the valuation process and the tests and analyses they had performed to assess the reasonableness of input data and the accuracy of calculations.
VALUATION AND IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE Testing of impairment of goodwill is inherently subjective as calculation of value in use of the relevant asset or cash generating unit ("CGU") requires judgements and assumptions regarding future cashflows and the appropriate discount rate. As a consequence of the War in Ukraine, there is a heightened risk that certain facilities in Ukraine may be impaired.	The Committee challenged Management's assumptions and analysis underlying their review of potential impairment in respect of goodwill and the intangible assets of Perutnina Ptuj, and reviewed the audit work undertaken by EY. Discount rates used to calculate fair values of assets increased sharply in 2022, largely due to the effect of the War on market interest rates. Although the cash generating units (CGUs) concerned continued to perform well in 2022, and management expects them to continue to perform well in 2023 and beyond, the Committee accepted management's recommendation that the goodwill carrying value of the Ukraine grain growing CGU be written down by US$ 1.9 million.
VALUATION OF PROPERTY, PLANT AND EQUIPMENT The Group applies the revaluation model for property, plant and equipment. This requires revaluations to be performed with sufficient regularity to demonstrate that the carrying values do not differ materially from fair values. The Group uses an independent external appraiser to undertake valuations when required.	The Committee accepted Management's recommendation that revaluations would be performed for all fixed asset groups carried at revalued amounts. It reviewed the methods and assumptions adopted by Management and independent appraisal experts to calculate fair values and ensured that disclosures in the Financial Statements were appropriate.
COMPLIANCE WITH BOND AND BANK COVENANTS Compliance with covenants included in bond and bank debt agreements is an important ongoing focus for the Committee. If the Consolidated Leverage Ratio of Net Debt to LTM-adjusted EBITDA (as defined in the Eurobond indenture agreements) exceeds 3.0 to 1 the Group is not permitted to make certain restricted payments or to pay dividends in excess of US$ 30 million.	The Committee noted that the Consolidated Leverage Ratio had weakened from 1.90 to 1 as at 31 December 2021 to 3.22 to 1 as at 31 December 2022. As the Consolidated Leverage Ratio was below 3 to 1 from 30 June 2021 until 31 December 2022, no restrictions were in effect since publication of the Group's six-month 2021 results on 9 September 2021. Restrictions will come into effect again on publication of the full year 2022 results on 11 April 2023. The Committee confirmed that full and proper disclosure had been made in the Financial Statements in respect of the covenants.

EXTERNAL AUDIT

APPOINTMENT OF EXTERNAL AUDITOR AND ASSESSMENT OF EFFECTIVENESS

Ernst & Young ("EY") was appointed as the external auditor of the Company with effect from the 2020 financial year, replacing the previous auditor Deloitte, following a comprehensive tender and selection process in the fourth quarter of 2019. The Committee assessed the effectiveness of EY following completion of their audit of the 2021 and 2022 accounts and concluded that it was satisfied with the quality, integrity and effectiveness of their work.

NON-AUDIT SERVICES

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

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

AUDITOR INDEPENDENCE AND OBJECTIVITY

The Committee has a policy and procedures in place to ensure that auditor independence and objectivity are never compromised. These include approval requirements for engagement of the external auditor for non-audit services, periodic review of the cost of non-audit services provided by the external auditor and requirements for rotation of the audit partner every seven years. Each year, the auditor is required to provide to the Committee evidence of how it believes its independence and objectivity have been maintained. Based on these requirements and procedures, the Committee remains confident that auditor independence and objectivity have been and will be maintained.

THE COMMITTEE ASSESSED THE EFFECTIVENESS OF EY FOLLOWING COMPLETION OF THEIR AUDIT OF THE 2021 AND 2022 ACCOUNTS

INTERNAL AUDIT

The Company has an in-house Internal Audit function whose primary purpose is to provide independent assurance to Management and the Committee, and hence the Board, on the Company's risk management and control environment. Internal Audit coverage includes all the Company's operations, resources, services and responsibilities to other bodies, with no department or business unit of the Company being exempt from review.

Internal Audit responsibilities include:

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

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

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

THE INTERNAL AUDIT PROGRAMME IS APPROVED ANNUALLY BY THE COMMITTEE

RISK MANAGEMENT AND INTERNAL CONTROL

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

The annual review covers key risks that could potentially impact the achievement of the Group's strategic and financial objectives. New risks and changes in existing risks are identified on a continuous basis. A risk scoring system is used to help quantify both the probability and potential impact of each major risk after the effect of mitigating actions, to assess residual risks against the Company's risk appetite and to prioritise further risk management actions. The Company's approach to the identification and assessment of risks, and the response to risks, is based on best business practices and international COSO Enterprise Risk Management standards.

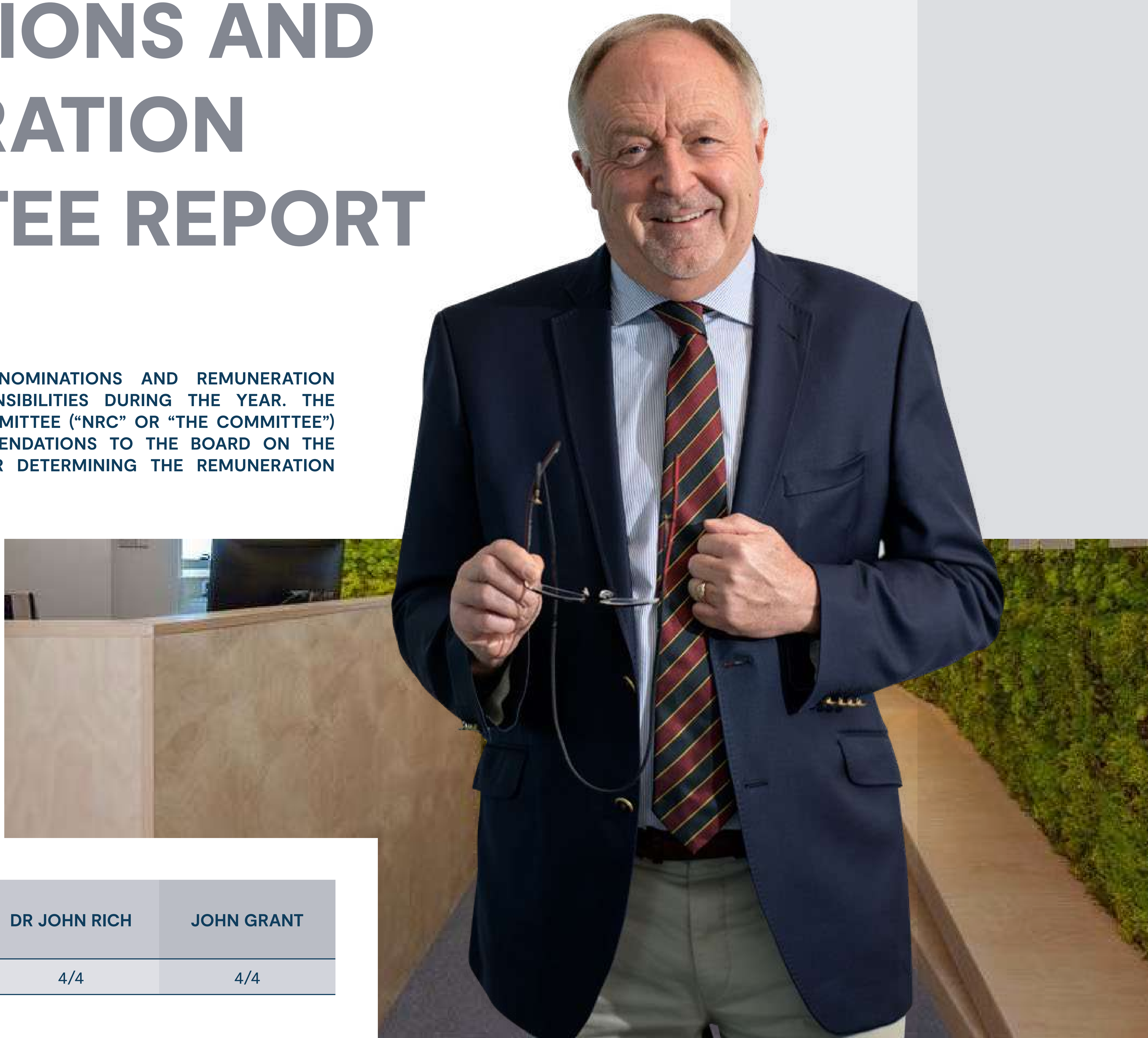
Following the operational disruption that resulted from the Russian invasion of Ukraine in February 2022, there was a necessary shift in emphasis to prioritise management of war-related risks. These included workforce safety, protection of Company facilities and resolving supply chain challenges affecting both the delivery of essential supplies and the distribution of production. For further information, please see the Principal Risks and Uncertainties section on pages 50 to 53 of this Annual Report.

In spite of the disruption and dislocation of personnel, no incidents of significant control weaknesses or failures were identified at any time during the year.

JOHN GRANT Chair, Audit & Risk Committee
11 April 2023

FOLLOWING THE OPERATIONAL DISRUPTION THAT RESULTED FROM THE RUSSIAN INVASION OF UKRAINE IN FEBRUARY 2022, THERE WAS A NECESSARY SHIFT IN EMPHASIS TO PRIORITISE MANAGEMENT OF WAR-RELATED RISKS

NOMINATIONS AND REMUNERATION COMMITTEE REPORT



"

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

ROLE AND RESPONSIBILITIES

The Committee's role and responsibilities are set out in its Terms of Reference, which can be viewed on the Company's website in the Corporate Governance Charter (Annex E). Further details regarding the Committee's composition, areas of focus in 2022 and diversity approach are set out next page.

MEMBER	PHILIP J WILKINSON OBE (Chair)	DR JOHN RICH	JOHN GRANT
NO OF MEETINGS	4/4	4/4	4/4

COMPOSITION

The Committee comprises a minimum of three Independent Non-Executive Directors. The Chair of the Company may also serve as a member. The Chair of the Committee is Philip J Wilkinson OBE, an Independent Non-Executive Director. The Company Secretary acts as secretary to the Committee. On occasion, the Committee invites the Chief Executive, the Chief Financial Officer or Deputy CEO, People to attend discussions where their input is required.

The Committee meets not less than twice a year. During 2022, the Committee met four times. Members' attendance is shown in the table above. One meeting was held by video conference as a consequence of the War.

AREAS OF FOCUS IN 2022

The focus of the Committee was impacted by the War. In practice this means that over and above the corporate governance points a standard NRC reports on, the Committee has been kept informed of, and supports, certain workforce-related initiatives in response to the conflict.

The principal matters considered by the Committee in 2022 are set out below.

- The search for an additional Independent Non-Executive Director was initially put on hold following the outbreak of War. Nevertheless, the recruitment process continued and Mr. Oscar Chemerinski was appointed as an Independent Non-Executive Director at the EGM held on 7 March 2023. Further information is given in the Chair 's Statement on page 15 and more detail can be found online.
- Following consideration by the Committee during the year, the Group has drafted a Diversity Statement which is due to be approved by the Board in 2023. This Statement sets out our commitment to creating an equal and inclusive working environment for people of all backgrounds.
- In 2021, I reported on progress with the compensation review. MHP had intended to implement a new "Pay Philosophy" for senior management and the Group had begun exploring a Senior Management Incentive Programme linked to the Group's five-year strategy. Progress has of course been slowed by the conflict, and the review will be further developed during 2023 and presented to the Committee for approval.
- A further component of the compensation exercise was a review of all salary grades, producing a new schedule for all Segments and departments. This was due to be completed and presented to the Committee during 2022. MHP was on the verge of implementing the outcome of the first of these reviews in the Production Department when the invasion took place. Since then, for obvious reasons, the work has been put on hold and will be resurrected when normality returns.
- The Committee has been kept informed of, and supports, initiatives to realign technical expertise and senior management structures to better underpin planned strategic developments. Progress in identifying key experts and managerial roles within the Group was made during 2022. Specifically, experts from the previously centralised Innovation Department were absorbed into the Segment verticals, becoming innovation business partners. This integration is expected to streamline innovation and expedite the Group's ongoing food and agrotech transformation.
- This exempts them from military duties as they are key workers in the food supply chain, providing essential nutrition for the People of Ukraine.

THE DIRECTORS' REMUNERATION POLICY WAS ADOPTED IN DECEMBER 2021 AND CAN BE FOUND HERE: MHP.UA/EN/MHP-SE/CODES-AND-POLICIES

PHILIP J WILKINSON OBE
Chair, Nominations and Remuneration Committee
11 April 2023

SUSTAINABILITY AND INTERNATIONAL AFFAIRS COMMITTEE REPORT

“THE INTERNATIONAL SUSTAINABILITY AND AFFAIRS COMMITTEE IS RESPONSIBLE FOR SETTING THE STRATEGY AND OBJECTIVES OF THE COMPANY’S SUSTAINABILITY AND INTERNATIONAL AFFAIRS EFFORTS.”

MEMBER	PHILIP J WILKINSON OBE (Chair)	DR JOHN RICH
NO OF MEETINGS	4/4	4/4

ROLES AND RESPONSIBILITIES

The role and responsibilities of the Sustainability and International Affairs Committee (“SI” or “the Committee”, formerly known as the International Government Relations and Public Affairs Committee) are set out in its Terms of Reference which can be viewed on the Company’s website in the Corporate Governance Charter (Annex F). This Report describes how the Committee carried out its responsibilities during the year and how it addressed political and industry concerns.

The Committee is responsible for developing the Company’s approach to sustainability and international affairs and reflecting the changing business and political environment in which the Company operates. This includes reviewing and providing input to Management on the Company’s response to the invasion, responsible business matters, and anticipating and preparing the reaction of the Company to any other potential crisis management situations stemming from political and operational issues that may arise.

COMPOSITION

The Committee comprises at least two Board members. The Chair of the Committee is Philip J Wilkinson OBE. Mr. Wilkinson has significant and relevant experience in international agricultural politics, has historically chaired agricultural sector boards and holds several non-executive directorships and advisory positions in global agri-businesses (see biography on page 120). The other member of the Committee is Dr John Rich (see biography on page 120).

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

Roberto Banfi has advised the Committee on a consultancy basis since he formally stood down from the Board and from this Committee on 9 February 2021. At the end of 2022, Mr. Banfi retired from his consultancy activities. I would like to thank Mr. Banfi for his contribution, his wise counsel and for sharing his wealth of industry knowledge. We wish him and his family well in his retirement.

MEETINGS IN THE YEAR

The Committee meets at least twice a year. A meeting may be convened at any time by the Chair of the Committee, the Chair of the Board or the Chief Executive Officer to consider any matters falling within the Committee's Terms of Reference. Four meetings were held during the year, two of which were held by video conference due to the impact of the War.

COMMITTEE PROGRESS AND ACHIEVEMENTS TO DATE

INTERNATIONAL GOVERNMENT RELATIONS

In what can only be described as the most difficult of years arising from the full-scale invasion of Ukraine by Russian forces in February 2022, we have been able to draw some comfort from the depth and breadth of the network of contacts and preparatory work undertaken by the Company both in advance of and since the invasion.

The Group has engaged with international industry experts and office holders to demonstrate the professionalism of our business in terms of supply chain management, stockmanship disciplines, and animal welfare practices. These efforts have paid dividends. In the EU, complex discussions with officials enabled the Company to transit product from Ukraine via the EU to EU ports for onward shipment to third countries, which would not have been possible under normal circumstances. Black Sea ports have been closed for much of the year due to Russian blockades. However, product for export has been granted passage via the EU provided it is in sealed containers which are inspected for seal integrity at the point of entry to and departure from the bloc. This has enabled exports to continue, albeit in lower volumes and at a higher cost.

THE GROUP HAS ENGAGED WITH INTERNATIONAL INDUSTRY EXPERTS TO DEMONSTRATE THE PROFESSIONALISM OF OUR BUSINESS IN TERMS OF SUPPLY CHAIN MANAGEMENT, STOCKMANSHIP DISCIPLINES, AND ANIMAL WELFARE PRACTICES

In the Middle East, international government relations efforts have also facilitated concessions being made on imported products normally exported directly from Ukrainian ports (currently blockaded). Products have been despatched from EU ports to the Middle East provided product integrity has been maintained during transit through the EU.

As touched upon in my 2021 report, Free Trade status was granted, meaning that no quotas and no tariffs are levied on products exported from Ukraine to the EU and the UK. This will be reviewed by both the EU and UK Governments in July 2023. If there are no tangible signs of the War ending soon, the Group will explore the possibility of this concession continuing beyond July 2023.

Last year, I noted the high levels of Avian Influenza ("AI") across Europe towards the end of 2021. In 2022, we experienced the highest incidence on record and at the time of writing this trend looks set to continue into 2023, impacting global supply chains. As I reported in 2021, our procedures for managing infected premises were approved by both the EU and UK veterinary authorities enabling trade to continue as normal from unaffected zones. Given the prevalence of AI, the industry globally is discussing the possibility of vaccination against this specific virus and trials are currently taking place. To this end the SI's view is that MHP should seriously consider the implications of this initiative and contribute its views to the industry debate.

PUBLIC AFFAIRS

I referred in last year's report to one of global society's largest challenges, that of carbon emissions. I am pleased to report that by working with our partner Alltech E-CO_2 albeit in the most difficult of circumstances, MHP is now awaiting Carbon Trust verification. This follows the submission of information on the Group's carbon footprint which is the outcome of over a year's diligent work by those involved. The team anticipates questions of clarification from the Carbon Trust but is optimistic of a positive outcome in the first half of 2023.

PHILIP J WILKINSON OBE
Chair, Sustainability and International Affairs Committee
11 April 2023

MANAGEMENT REPORT

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

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

MHP Group is a leading food and agrotech company that has, since the outbreak of the conflict in Ukraine, played a leading role in supporting the Ukrainian population with access to food during the crisis.

MHP Ukraine and Perutnina Ptuj in the Balkans operate vertically integrated business models, owning and operating each of the key stages of chicken production processes. The business models support the circular economy with the processing of biological production waste into clean energy and organic fertiliser. Detailed information on the Group's four business segments and the business model is set out in the Segment Overview and Our Business Model sections on pages 20 and 28 respectively.

During 2022, the principal activities of the Group remained unchanged year-on-year, although they were clearly materially affected by the War in Ukraine that commenced in February 2022. Until the conflict ceases, MHP's objectives in Ukraine are to continue operating its businesses as effectively as possible and to support the population with access to food and nutrition. MHP's long-term strategic objectives remain unchanged and are set out in the Our Purpose and Strategy section on page 11.

Detailed information on the Group's performance during the year can be found in the Key Performance Indicators section and the Financial and Operational Review on pages 33 and 38 respectively.

MHP'S PURPOSE

The Company's purpose is to provide its customers with high quality, sustainable proteins, food products and culinary solutions that are safe and responsibly produced. For further information about the Group's purpose and vision, see the MHP at a Glance and Our Purpose and Strategy sections on pages 10 and 11.

FUTURE DEVELOPMENTS

The outlook is difficult to determine due to uncertainty over the duration and impact of the War. The Group has endeavoured to continue operations as usual yet any stability the Group attempts to maintain is fragile due to factors outside our control.

DURING 2022, THE PRINCIPAL ACTIVITIES OF THE GROUP REMAINED UNCHANGED YEAR-ON-YEAR, ALTHOUGH THEY WERE CLEARLY MATERIALLY AFFECTED BY THE WAR IN UKRAINE THAT COMMENCED IN FEBRUARY 2022

Within that context, the Directors are cautiously optimistic that, following the conclusion of the conflict, there will be opportunities for growth at MHP Ukraine and Perutnina Ptuj, both internationally and domestically.

SUBSEQUENT EVENTS

As a result of the ongoing conflict, MHP has experienced significant disruption and operational issues in its Ukraine-based businesses which continued after the year-end and will continue until the conflict ends. These matters are described in detail in the War in Ukraine section on page 4.

All subsequent events are disclosed in the Financial and Operational Review section on page 38 and in Note 40 on page 216 of this Report.

DIVIDEND POLICY

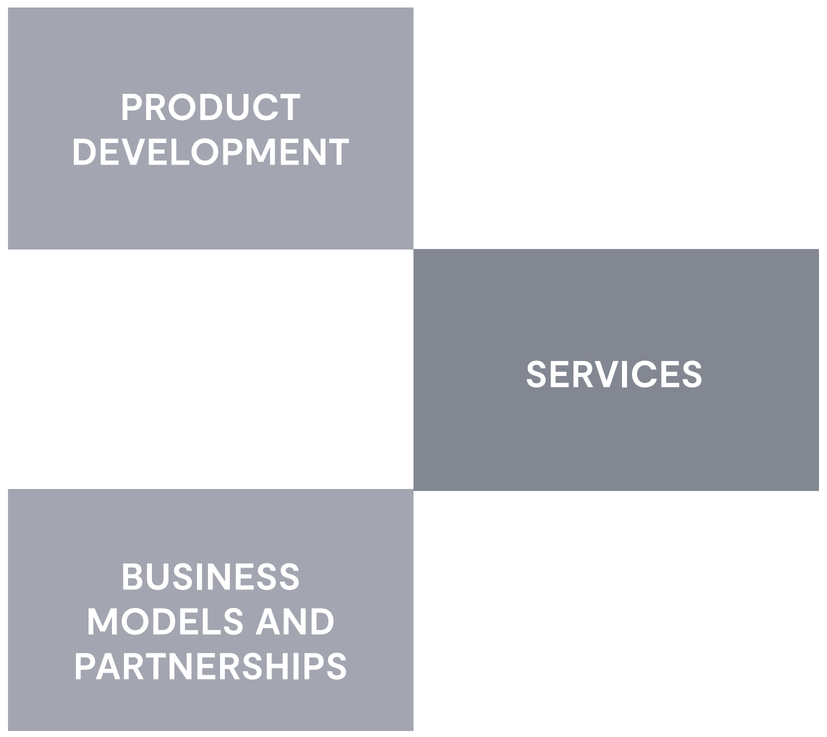
In March 2013, the Board of Directors approved the adoption of a dividend policy that maintains a balance between the need to invest in further development and the right of shareholders to share the net profits of the Company.

Taking into account the current risks and uncertainties following the Russian invasion of Ukraine, and the resulting need to preserve liquidity to support the Company's ongoing business operations and to help sustain the population of the country, no dividend is likely to be paid while the conflict continues.

RESEARCH AND DEVELOPMENT

Sustaining significant investment in R&D and innovation is fundamental to the Group's long-term growth strategy including its transformation to a culinary company and the development of a culinary ecosystem to create customer value. At the same time, it underpins the development of our responsible approach to society, our workforce, the environment, and animal welfare.

During the year, despite the ongoing conflict, MHP continued to invest, where possible, in R&D, driven by our innovation business partners who are now integrated across all business operations. Our focus on innovation spans three broad categories: product development; services; and business models and partnerships.



BUSINESS REVIEW AND RISKS

A review of the Group's performance and the key risks and uncertainties which face the business, as well as details on likely developments, can be found in the Financial and Operational Review on page 38, the Principal Risks and Uncertainties section on page 50, and the Audit & Risk Committee Report on page 127.

CORPORATE RESPONSIBILITY REPORTING AND ESG DIALOGUE

The Group initiated corporate responsibility reporting in 2015 and issued a separate Corporate Responsibility Report (Non-Financial Report) annually until 2021. This Report is MHP's first integrated report and includes information for MHP's material stakeholders; it applies the latest applicable Global Reporting Initiative's ("GRI") reporting framework (Core Compliance).

MHP has historically participated in a number of ESG research exercises conducted by specialist investor research agencies and readily responded to questions and information requests from shareholders concerning this aspect of its activities. Whilst the War is being fought, the ESG research agencies do not require these exercises to be completed. Once the War is concluded, the Group will resume this level of dialogue.

FINANCIAL REPORTING PROCESS

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

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

BRANCHES

MHP does not have any branches.

SHARE CAPITAL

The authorised share capital as of 31 December 2022 and 2021 was EUR 221,540 thousand represented by 110,770,000 shares with par value of EUR 2 each.

As at 31 December 2022, the Group had a direct holding of 3,731,792 treasury shares represented by an equal number of GDRs.

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

There was no change in share capital during the year ended 31 December 2022 (Note 26, page 200).

DIRECTORS AND THEIR INTERESTS

The Directors that served during the year ended 31 December 2022 appear on page 122. Details of Directors' Interests in the Company's GDRs are found on page 126 of the Corporate Governance report. Note 1 to the Financial Statements on page 155 reports the details of the controlling interest in the Company's ordinary shares.

POWERS OF DIRECTORS

The Directors are responsible for managing the business of the Company and may exercise all the powers of the Company, subject to the provisions of the Company's Articles of Association. Powers relating to the issuing of shares are also included in the Articles of Association.

CHANGES TO THE BOARD

There were no changes to the Board of Directors in 2022. A new Non-Executive Director was appointed post year end, see the Chair's Statement on page 15.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Total compensation of the Group's key management personnel, included primarily in selling, general and administrative expenses in the accompanying consolidated statements of profit and loss and other comprehensive income, amounted to US$ 14.0 million and US$ 16.9 million for the years ended 31 December 2022 and 2021 respectively. Compensation of key management personnel consists of contractual salary and performance bonuses.

Key management personnel totalled 20 and 22 individuals at 31 December 2022 and 2021 respectively, including 3 independent non-executive directors at 31 December 2022 and 2021 respectively.

The table below shows the total remuneration of Board members.

DIRECTOR	2022 US$ 000	2021 US$ 000
Executive Chair	571	696
NEDs	597	696
Executive Directors	6,164	6,497

SHARE OPTIONS

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

AUDITOR APPOINTMENTS

Ernst & Young was appointed as the auditor of the Company with effect from the 2020 financial year, replacing the previous auditor Deloitte, following a comprehensive tender and selection process in the fourth quarter of 2019. The auditor position is regularly reviewed by the Audit & Risk Committee.

AUDITORS' REMUNERATION AND INDEPENDENCE

Remuneration to the auditors amounted to US$ 904,000 for the year ended 31 December 2022 (2021: US$ 1,018,000), including both audit and non-audit services. Statutory audit fees amounted to US$ 866,000 for the year ended 31 December 2022 (2021: US$ 855,000); fees for tax advisory services US$ 9,000 (2021: US$ 86,000); and fees for other non-audit services US$ 30,000 for the year ended 31 December 2022 (2021: US$ 77,000).

The Company has rules and processes in place to ensure the independence of the auditors, including non-audit fee limitations set by the Board, and prior approvals by the Audit & Risk Committee to ensure any services provided are compatible with the independence of the auditors.

INTERNAL AUDIT

The Company maintains an internal audit function. The Head of Internal Audit has the right of access to the Audit & Risk Committee and the Chair. Further details can be found in the Audit & Risk Committee Report on page 127.

GOING CONCERN

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

DISCLOSURE OF INFORMATION TO AUDITORS

As far as each Director is aware, all information relevant to the audit of the Group's consolidated financial statements has been supplied to the Group's auditors. Each Director has taken all steps that they ought to have taken in their duty as Director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

POLITICAL DONATIONS

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

ADDITIONAL DISCLOSURES

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

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

OTHER RELEVANT INFORMATION WITHIN THIS REPORT

Other information that is relevant to the Management Report, and which is incorporated by reference into this Report, can be located on the pages recorded in the table below.

SECTION	PAGE NUMBER
Segment Overview	20
Purpose and Strategy	11
Our Business Model	28
Corporate Governance Report	116
KPIs	33
Financial and Operational Review	38
Principal Risks and Uncertainties	50
Measures of Financial Performance	46

The Company has chosen, in accordance with Section 414 C(11) of the UK Companies Act 2006, and as noted in this Management Report, to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Management Report. A non-financial information statement in line with Section 414CA and 414CB of the UK Companies Act 2006 can be found on page 111.

THE COMPANY HAS RULES AND PROCESSES IN PLACE TO ENSURE THE INDEPENDENCE OF THE AUDITORS

FINANCIAL STATEMENTS

CONTENTS

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view of the consolidated financial position of MHP SE (the "Company") and its subsidiaries (the "Group") as of 31 December 2022 and of the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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

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

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

The consolidated financial statements of the Group as of and for the year ended 31 December 2022 were authorized for issue by the Board of Directors on 11 April 2023.

BOARD OF DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with DTR4.1 on Annual Financial Reporting, providing for the disclosure and transparency requirements for issuers whose transferable securities are admitted to trading on a UK Recognised Investment Exchange, we, the members of the Board of Directors, responsible for the preparation of the annual consolidated financial statements of MHP SE for year ended 31 December 2022, hereby declare that to the best of our knowledge:

a) the consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

b) the Management Report includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

Yuriy Kosyuk
Director

John Grant
Director

Viktoriia Kapeliushna
Director

John Clifford Rich
Director

Philip J Wilkinson
Director

Andriy Bulakh
Director

Christakis Taoushianis
Director

Oscar Chemerinski
Director

INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young Cyprus Ltd
Jean Nouvel Tower
6 Stasinou Avenue
1060 Nicosia
P.O. Box 21656
1511 Nicosia, Cyprus
Tel: +357 22209999
Fax: +357 22209998
ey.com

TO THE MEMBERS OF MHP SE

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of MHP SE (the "Company"), and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group's operations are negatively affected by the Russian federation`s military invasion of Ukraine, with the magnitude of further developments or the timing of their cessation being uncertain. The Group incurred a net loss of USD 230,937 thousand during the year ended 31 December 2022. These conditions, along with other matters as set forth in Notes 2 and 33 indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

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

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
REVENUE RECOGNITION	
The total amount of revenue recognised in 2022 was USD 2,642,026 thousand. Revenue recognition was one of the matters of most significance in our audit since the amount of revenue is material to the consolidated financial statements and due to a large number of transactions and management judgment involved in the interpretation of contract terms, identification of performance obligations and timing of revenue recognition. Information on the accounting policy for revenue recognition is disclosed in Note 2 of the consolidated financial statements and disclosures related to revenue are included in Note 6 of the consolidated financial statements.	We considered the Group's accounting policy in respect of revenue recognition. We assessed the design and operating effectiveness of relevant internal controls over revenue recognition process, including IT-dependent manual controls. We analysed sales contracts terms and assessed the moment of transfer of control over goods and services. On a sample basis, we compared the date of transfer of control over goods and services with the date of revenue recognition. We also tested, on a sample basis, data of transaction records in the system to their respective customer contracts, underlying invoices and cash receipts. On a sample basis, we obtained confirmations of sales and accounts receivable balances from customers. We tested a sample of revenue transactions recognised shortly before and after the year end and assessed the period these transactions relate to. We performed analytical procedures in respect of revenue that included, among others, the analysis of monthly sales to detect unusual fluctuations and reconciliation with comparative information for prior periods. We assessed disclosures in respect of revenue included in the notes to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
VALUATION OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE	
The Group measures biological assets at fair value less costs to sell in accordance with IAS 41 Agriculture and IFRS 13 Fair Value Measurement. As at 31 December 2022, the carrying value of biological assets was USD 197,899 thousand, out of which USD 176,693 thousand was classified within current assets and USD 21,206 thousand within non-current assets. Agricultural produce harvested from biological assets is measured at fair value less costs to sell at the point of harvest in accordance with IAS 41 Agriculture and IFRS 13 Fair Value Measurement. As at 31 December 2022, the carrying value of agricultural produce was USD 361,427 thousand. The Group assesses the fair value of the biological assets based on the discounted cash flow technique. The key assumptions and inputs used in the measurement are average meat output, average productive life, expected yields, expected market prices, estimated future production costs and costs to sell and discount rates. The fair value of agricultural produce is determined by reference to market prices at the point of harvest. The valuation of biological assets and agricultural produce is one of the matters of most significance in our audit since the assessment of fair value requires assumptions and management judgement. Information on the accounting policy and key judgements and estimates for biological assets and agricultural produce is disclosed in Note 2 and 4 of the consolidated financial statements and disclosures related to the biological assets and agricultural produce are included in Notes 19 and 21 of the consolidated financial statements.	We analysed the Group's accounting policy in respect of biological assets and agricultural produce in accordance with the requirements of IFRS. We obtained an understanding of the internal controls surrounding the valuation process for biological assets and agricultural produce and assessed their design and implementation. For biological assets, we analysed the valuation methods used by management. Further, we compared management's assumptions to the Group's historical data and, where applicable, to market data and external benchmarks. We considered the discount rate used, with the support of our internal valuation specialists. For agricultural produce, we analysed management's identification of the principal market, we compared the prices used by management to the market data. We analysed costs required to sell agricultural produce and analysed how they are taken into consideration in calculation of fair value less cost to sell. We tested the mathematical accuracy of the models prepared by management. We also tested completeness and accuracy of input data, including the physical quantities and crop areas, where applicable, used in the valuation. We assessed the disclosures in respect of biological assets and agricultural produce made in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT	
The Group applies the revaluation model to measure carrying value of its property, plant and equipment. Due to high level of subjectivity in respect of assumptions underlying the assessment of the fair value of property, plant and equipment this matter was one of the most significance in our audit. The Group has a process of external valuations, when the value of property, plant and equipment is being measured by an independent external appraiser. Information about property, plant and equipment is disclosed in Note 14 to the consolidated financial statements. Description of the accounting policy and key judgements and estimates is included in Notes 2 and 4 to the consolidated financial statements.	We assessed the competence, capabilities and objectivity of the external appraiser. We engaged our internal valuation specialists in the assessment of the valuation methodology used and the assumptions made by the appraiser and management. We compared input data used by the external appraiser with internal sources of data and available industry data. We analyzed the underlying assumptions by inspecting historical data, available market data and other evidence provided by management. We compared the amount of revaluation results recognized in the consolidated financial statements with the valuation report. We assessed the disclosures in the consolidated financial statements related to fair value measurement of the property, plant and equipment.
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE	
As at 31 December 2022, the Group had significant balance of goodwill and intangible assets with indefinite useful life of USD 59,808 thousand and USD 29,688 thousand respectively. An impairment assessment of goodwill and intangible assets with indefinite useful life is a key audit matter due to the range of judgements and assumptions used in the impairment model for each CGU, as well as the significance of the carrying amount of goodwill and intangible assets with indefinite useful life. Disclosure relating to the impairment of goodwill and intangible assets with indefinite useful life is presented in Note 17 and Note 16 to the consolidated financial statements.	Our procedures included assessment of the assumptions and methodologies used by the Group in its value-in-use calculation of cash-generating units. We compared the Group's assumptions to externally derived data and our internal information on key inputs such as projected economic growth, sales volumes, inflation and discount rates. We analysed, for each cash generating unit, the excess of the recoverable amount over carrying amount. We tested sensitivity of the value in use to key assumptions. We have involved our internal valuation experts to analyze the scope of appraisal, the data, application of methods, and the methodology used in the valuation process and the assumptions made by the Group's management specialists and management. We tested mathematical accuracy of management's impairment analyses and sensitivity calculations. We analysed the disclosures related to impairment of goodwill and intangible assets with indefinite useful life presented in the Notes to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises information included in Group's 2022 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

Report on Other Legal Requirements

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

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

Other Matters

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

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

Andreas Avraamides

Certified Public Accountant and Registered Auditor

for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, 11 April 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

	NOTES	2022	2021
CONTINUING OPERATIONS			
Revenue	5, 6	2,642,026	2,372,262
Net change in fair value of biological assets and agricultural produce	5	(127,849)	184,926
Cost of sales	7	(1,905,964)	(1,812,672)
Gross profit		**608,213**	**744,516**
Selling, general and administrative expenses	8	(254,432)	(228,183)
Other operating income	9	13,404	11,835
Other operating expenses	10	(83,268)	(14,425)
Loss on impairment of goodwill and property, plant and equipment	14, 17	(29,242)	(10,607)
Operating profit		**254,675**	**503,136**
Finance income		6,033	10,531
Finance costs	12	(154,705)	(150,424)
Foreign exchange (loss)/gain, net	37	(365,018)	40,466
(Loss)/profit before tax		**(259,015)**	**403,709**
Income tax benefit/(expense)	13	28,078	(6,914)
(Loss)/profit for the year from continuing operations		**(230,937)**	**396,795**
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	3	–	(3,457)
(Loss)/profit for the year		**(230,937)**	**393,338**

The accompanying notes on the pages 155 to 216 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

	NOTES	2022	2021
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Increase in revaluation reserve of property, plant and equipment	14	350,770	246,106
Deferred tax charged directly to revaluation reserve	13	(81,317)	–
Deferred tax on revaluation of property, plant and equipment		(58,889)	(26,597)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
Cumulative translation difference		(325,697)	(2,931)
Other comprehensive (loss)/income		**(115,133)**	**216,578**
Total comprehensive (loss)/income for the year		**(346,070)**	**609,916**
(Loss)/profit attributable to:			
Equity holders of the Parent		(225,577)	375,511
Non-controlling interests	27	(5,360)	17,827
		(230,937)	**393,338**
Total comprehensive (loss)/income attributable to:			
Equity holders of the Parent		(337,017)	586,558
Non-controlling interests		(9,053)	23,358
		(346,070)	**609,916**
(LOSS)/EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS			
Basic and diluted (loss)/earnings per share (USD per share)		**(2.11)**	**3.51**
(LOSS)/EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic and diluted (loss)/earnings per share (USD per share)	39	**(2.11)**	**3.54**

On behalf of the Board:

Chief Executive Officer **Yuriy Kosyuk**

Chief Financial Officer **Viktoriia Kapeliushna**

The accompanying notes on the pages 155 to 216 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

	NOTES	31 DECEMBER 2022	31 DECEMBER 2021
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,855,731	1,939,607
Right-of-use assets	15	222,917	277,288
Intangible assets	16	79,628	97,791
Goodwill	17	59,808	66,382
Non-current biological assets	19	21,206	27,138
Non-current financial assets	18	7,813	28,764
Long-term deposits		3,105	9,904
Deferred tax assets	13	2,434	1,966
		2,252,642	**2,448,840**
Current assets			
Inventories	20	413,790	367,219
Biological assets	19	176,693	215,459
Agricultural produce	21	361,427	511,267
Prepayments		29,905	44,572
Other current financial assets	24	22,097	16,156
Taxes recoverable and prepaid	22	68,759	68,151
Trade accounts receivable	23	182,900	156,878
Cash and cash equivalents	25	300,489	275,237
		1,556,060	**1,654,939**
TOTAL ASSETS		**3,808,702**	**4,103,779**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	284,505	284,505
Treasury shares		(44,593)	(44,593)
Additional paid-in capital		174,022	174,022
Revaluation reserve		792,221	811,684
Retained earnings		1,558,826	1,557,284
Translation reserve		(1,337,610)	(1,018,514)
Equity attributable to equity holders of the Parent		**1,427,371**	**1,764,388**
Non-controlling interests	27	18,326	29,800
Total equity		**1,445,697**	**1,794,188**

	NOTES	31 DECEMBER 2022	31 DECEMBER 2021
Non-current liabilities			
Bank borrowings	28	117,719	103,604
Bonds issued	29	1,382,981	1,376,820
Lease liabilities	30	164,071	204,139
Deferred income	11	36,912	44,593
Deferred tax liabilities	13	123,677	44,704
Other non-current liabilities		5,081	6,468
		1,830,441	**1,780,328**
Current liabilities			
Trade accounts payable		122,576	162,641
Other current liabilities	31	95,793	93,289
Contract liabilities		30,945	53,584
Bank borrowings	28	176,112	121,458
Interest payable	28, 29	41,886	21,180
Lease liabilities	30	65,252	77,111
		532,564	**529,263**
TOTAL LIABILITIES		**2,363,005**	**2,309,591**
TOTAL EQUITY AND LIABILITIES		**3,808,702**	**4,103,779**

On behalf of the Board:

Chief Executive Officer **Yuriy Kosyuk**

Chief Financial Officer **Viktoriia Kapeliushna**

The accompanying notes on the pages 155 to 216 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
	SHARE CAPITAL	TREASURY SHARES	ADDITIONAL PAID-IN CAPITAL	REVALUATION RESERVE	RETAINED EARNINGS	TRANSLATION RESERVE	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 31 December 2020	**284,505**	**(44,593)**	**174,022**	**648,982**	**1,195,143**	**(1,020,229)**	**1,237,830**	**16,373**	**1,254,203**
Profit for the year	–	–	–	–	375,511	–	375,511	17,827	393,338
Other comprehensive income	–	–	–	**209,332**	–	**1,715**	**211,047**	**5,531**	**216,578**
Total comprehensive income for the year	–	–	–	209,332	375,511	1,715	586,558	23,358	609,916
Transfer from revaluation reserve to retained earnings	–	–	–	(70,240)	70,240	–	–	–	–
Dividends declared by the Parent (Note 35)	–	–	–	–	(60,000)	–	(60,000)	–	(60,000)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	(10,819)	(10,819)
Non-controlling interests arising in a business combination	–	–	–	–	–	–	–	888	888
Translation differences on revaluation reserve	–	–	–	23,610	(23,610)	–	–	–	–
Balance at 31 December 2021	**284,505**	**(44,593)**	**174,022**	**811,684**	**1,557,284**	**(1,018,514)**	**1,764,388**	**29,800**	**1,794,188**
Loss for the year	–	–	–	–	(225,577)	–	(225,577)	(5,360)	(230,937)
Other comprehensive income/(loss)	–	–	–	207,656	–	(319,096)	(111,440)	(3,693)	(115,133)
Total comprehensive income/(loss) for the year	–	–	–	**207,656**	**(225,577)**	**(319,096)**	**(337,017)**	**(9,053)**	**(346,070)**
Transfer from revaluation reserve to retained earnings	–	–	–	(49,891)	49,891	–	–	–	–
Dividends declared by subsidiaries	–	–	–	–	–	–	–	(2,421)	(2,421)
Translation differences on revaluation reserve	–	–	–	(177,228)	177,228	–	–	–	–
Balance at 31 December 2022	**284,505**	**(44,593)**	**174,022**	**792,221**	**1,558,826**	**(1,337,610)**	**1,427,371**	**18,326**	**1,445,697**

On behalf of the Board:

Chief Executive Officer **Yuriy Kosyuk**

Chief Financial Officer **Viktoriia Kapeliushna**

The accompanying notes on the pages 155 to 216 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

	NOTES	2022	2021
OPERATING ACTIVITIES			
(Loss)/profit before tax		(259,015)	403,709
Loss before tax from discontinued operations		–	(3,457)
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expense	5	158,906	192,858
Net change in fair value of biological assets and agricultural produce	5	127,849	(184,926)
Change in allowance for unrecoverable amounts and direct write-offs		37,700	(4,059)
Loss on impairment of goodwill and property, plant and equipment	14, 17	29,242	10,607
Loss on disposal of property, plant and equipment and other non-current assets		1,511	6,157
Finance income		(6,033)	(10,531)
Finance costs	12	154,705	150,424
Released deferred (expense)/income		(673)	711
Non-operating foreign exchange gain/(loss), net		365,018	(40,466)
Operating cash flows before movements in working capital		**609,210**	**521,027**
Working capital adjustments			
Change in inventories		(161,277)	(118,568)
Change in biological assets		(54,174)	(22,908)
Change in agricultural produce		(59,679)	(65,785)
Change in prepayments made		(3,010)	(29,997)
Change in other financial current assets		(2,787)	(7,800)
Change in taxes recoverable and prepaid		(23,833)	(11,647)
Change in trade accounts receivable		(60,202)	(39,656)
Change in contract liabilities		(10,038)	30,651
Change in other current liabilities		21,043	2,980
Change in trade accounts payable		13,634	17,641
Cash generated by operations		**268,887**	**275,938**
Interest received		3,563	10,170
Interest paid		(125,676)	(148,051)
Income taxes paid		(8,311)	(13,258)
Net cash flows from operating activities		**138,463**	**124,799**

	NOTES	2022	2021
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(159,485)	(140,074)
Purchases of other non-current assets		(450)	(2,825)
Purchases of intangible assets		(6,020)	(12,625)
Proceeds from disposals of property, plant and equipment		5,008	4,652
Proceeds from disposals of assets held for sale		–	2,964
Purchases of non-current biological assets		(2,809)	(1,640)
Acquisition of subsidiaries, net of cash acquired	3	–	(1,840)
Government grants received	11	4,004	142
Prepayments and capitalized initial direct costs under lease contracts		(12,459)	(9,737)
Investments in short-term deposits		(9,483)	(5,563)
Withdrawals of short-term deposits		8,121	433
Loans provided to employees, net		386	(1,158)
Loans and finance aid provided to related parties		(1,096)	(3,694)
Loans repaid by related parties		–	71,000
Net cash flows used in investing activities		**(174,283)**	**(99,965)**

The accompanying notes on the pages 155 to 216 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

	NOTES	2022	2021
FINANCING ACTIVITIES			
Proceeds from bank borrowings		231,876	329,462
Repayment of bank borrowings		(159,725)	(203,335)
Repayment of lease liabilities		(13,883)	(20,536)
Dividends paid	35	–	(60,000)
Dividends paid by subsidiaries to non-controlling shareholders	27	(392)	(10,842)
Consent solicitation payment		(1,222)	–
Net cash flows used in financing activities		**56,654**	**34,749**
Net increase in cash and cash equivalents		20,834	59,583
Net foreign exchange difference on cash and cash equivalents		4,418	(1,925)
Cash and cash equivalents at 1 January		275,237	217,579
Cash and cash equivalents at 31 December	**25**	**300,489**	**275,237**
NON-CASH TRANSACTIONS			
Non-cash repayments of lease liabilities	30	9,013	10,793

On behalf of the Board:

Chief Executive Officer **Yuriy Kosyuk**

Chief Financial Officer **Viktoriia Kapeliushna**

The accompanying notes on the pages 155 to 216 form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

1. CORPORATE INFORMATION

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

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

The principal business activities of the Group are poultry and related operations, grain growing, as well as meat processing and other agricultural operations. The Group's poultry and related operations integrate all functions related to the production of chicken, including hatching, fodder manufacturing, raising chickens to marketable age ("grow-out"), processing and marketing of branded chilled products and include the production and sale of chicken products, vegetable oil and mixed fodder. Grain growing comprises the production and sale of grains. Meat processing and other agricultural operations comprise the production and sale of cooked meat, sausages, convenience food products, milk and feed grains. As of 31 December 2022 the Group employed 31,701 people (31 December 2021: 30,890 people).

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent's effective ownership interest as of 31 December 2022 and 2021 were as follows:

NAME	COUNTRY OF REGISTRATION	YEAR ESTABLISHED/ ACQUIRED	PRINCIPAL ACTIVITIES	31 DECEMBER 2022	31 DECEMBER 2021
MHP Lux S.A.	Luxembourg	2018	Finance Company	100.0%	100.0%
MHP	Ukraine	1998	Management, marketing and sales	99.9%	99.9%
Myronivsky Plant of Manufacturing Feeds and Groats	Ukraine	1998	Fodder and vegetable oil production	88.5%	88.5%
Vinnytska Ptakhofabryka	Ukraine	2011	Chicken farm	100.0%	100.0%
Peremoga Nova	Ukraine	1999	Breeder farm	99.9%	99.9%
Oril-Leader	Ukraine	2003	Chicken farm	99.9%	99.9%
Myronivska Pticefabrika	Ukraine	2004	Chicken farm	99.9%	99.9%
Starynska Ptakhofabryka	Ukraine	2003	Breeder farm	100.0%	100.0%
Zernoprodukt MHP	Ukraine	2005	Grain cultivation	99.9%	99.9%
Katerinopilskiy Elevator	Ukraine	2005	Fodder production and grain storage, vegetable oil production	99.9%	99.9%
SPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	99.9%
Agrofort	Ukraine	2006	Grain cultivation	99.9%	99.9%
MHP-Urozhayna Krayina	Ukraine	2010	Grain cultivation	99.9%	99.9%
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9%	79.9%
MHP-AgroKryazh	Ukraine	2013	Grain cultivation	51.0%	51.0%
MHP-Agro-S	Ukraine	2013	Grain cultivation	51.0%	51.0%
Zakhid-Agro MHP	Ukraine	2015	Grain cultivation	100.0%	100.0%
Perutnina Ptuj d.d.	Slovenia	2019	Poultry production	100.0%	100.0%
MHP Food Trading	United Arab Emirates	2016	Trading in vegetable oil and poultry meat	100.0%	100.0%
MHP B.V.	Netherlands	2014	Trading in poultry meat	100.0%	100.0%
MHP Trade B.V.	Netherlands	2018	Trading in poultry meat	100.0%	100.0%
MHP Saudi Arabia Trading	Saudi Arabia	2018	Trading in poultry meat	75.0%	75.0%
MHP Food UK Limited	United Kingdom	2021	Trading in poultry meat	100.0%	100.0%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and accounting

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

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

Basis of preparation

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

Going concern

As a result of the Russian invasion, the Group has experienced a number of significant disruptions and operational issues within its business. The Group incurred a net loss of USD 230,937 thousand in 2022. During 2022 and up to the date of authorization to issue these consolidated financial statements the Group has analyzed the observable impact of the War on its business as described below, but not limited to:

- the Group's poultry production facilities have not suffered any physical damage;
- certain inventories and biological assets were damaged and written-off;
- a substantial amount of poultry products was provided as humanitarian aid to the population of Ukraine; for details please refer to Note 33 Operating environment;
- 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;
- during the first half of 2022, export sales reduced significantly due to closure of all Ukrainian seaports. Only certain roads and railways were available for export. However, beginning from 22 July, the date of signing of a grain agreement between the United Nations (UN), Ukraine, Russia and Turkey, the large-scale demining of Ukraine's ports was performed and movement of cargo ships carrying grain in the Black Sea was partially renewed. This allowed the Group to facilitate optimization of certain export sales of vegetable oils and grain;
- due to lower sales, MHP slightly decreased poultry production comparing to the pre-war level, but as at 31 December 2022 has already returned to normal capacity utilization;
- operations of "Ukrainian Bacon" (a meat-processing operation with 34,000 tonnes annual capacity located in the Donetsk region) were temporarily suspended due to continuing military attacks and further escalation of the situation in the Donetsk region;
- during the fourth quarter of 2022, there were severe power outages in Ukraine caused by Russia's attacks on Ukrainian power generation and distribution infrastructure. These outages caused temporary instability of oilseed processing, poultry and silo operations;
- the Group's European operations at Perutnina Ptuj have not been directly affected 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;
- for the period after the Russian invasion of Ukraine more than 1,800 MHP employees joined the Ukrainian military forces and territorial defence;
- as a result of the disruptions described above, the Group's ability to service debt in 2022 was limited, and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Going concern** (continued)*
negotiations were held with creditors regarding deferral of debts repayment.

During 2022 and up to the date of authorization to issue these consolidated financial statements, in response to these matters, the Group has taken the following actions:

- optimized utilization of production facilities to meet domestic demand and export orders;
- inventories were maintained at the normal level during the year. As a result of these actions, as well as the relative stabilization of the economic and political situation in Ukraine, the Group has returned to normal production capacity;
- established alternative export routes, including by road and rail, to address the logistical issues caused by the war and optimized transport costs in the existing circumstances;
- the Group asked its employees of “Ukrainian Bacon” (over 1,900 people) and their families to relocate to safer regions of Ukraine. Some employees were redeployed to other Group production facilities. Production has been partly redeployed on the Group`s production sites in central Ukraine. Full commissioning of all production which will require additional time and resources, is planned to be completed by the end of 2023;
- to mitigate the impact of power outages on its business, the Group equipped its key assets with diesel generators as well as continued to operate two biogas facilities to produce electricity, industrial steam and heating;
- MHP has accumulated sufficient seeds, fertilizers, fuel, pesticides and other inputs required for the 2022 sowing and harvesting campaigns, as well as the necessary vehicles, agricultural machinery and human resources. As a result, the harvesting campaign was 98% complete as at 31 December 2022, with a small amount of corn harvested in January 2023;
- the Group has secured forthcoming sowing campaign by building up the required level of inventories. It is planned to sow and harvest more than 350,000 hectares of grains and oilseeds in 2023 (73,000 hectares are represented by already planted winter crops);
- 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. As at the date of publication, all the postponed amounts had been paid in time (Note 29);
- to comply with consent solicitation restrictions, the Group has agreed a general postponement of debt servicing under the loan agreements with the bank lenders, where the payments were initially scheduled during the 270-days support period as mentioned above. During the year ended 31 December 2022, Management signed legally binding agreements for relevant bank loans with the total amount of USD 137 million to comply with consent solicitation requirements (Note 28);
- the Directors have decided not to declare any dividends for the 2021 and 2022 financial years.

Management have prepared adjusted 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. The Group considered the impact of conditions and events described in the Notes 33 and 40 on the financial forecast.

These forecasts were based on the following key assumptions:

- the impact of the War on business will continue for the next 12 months;
- further development of the War will not severely affect the Group's assets and will allow the Group to have 85% utilization of poultry production facilities;
- all of the Group’s assets remain safe and in good condition;
- remaining logistic routes (rail and road) will continue to be available;
- the Group takes into consideration restrictions imposed by the existing indebtedness agreements (Notes 28 and 29);
- 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern *(continued)*

- the Group will be able to run the sowing and harvesting campaign on its entire landbank.

These forecasts indicate that, 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 these consolidated financial statements. However, due to the currently unpredictable effects of the ongoing War on the significant assumptions underlying management forecasts, the Directors have concluded that a material uncertainty exists, which may cast significant doubt about the Group's ability to continue as a going concern, in which case the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Adoption of new and revised International Financial Reporting Standards

The Group applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following standards were adopted by the Group on 1 January 2022:

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases;
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities;
- IAS 41 Agriculture – Taxation in fair value measurements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfill the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts within the scope of these amendments during the reporting period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items and the costs of producing those items in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the Parent's consolidated financial statements, based on the Parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the Parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised International Financial Reporting Standards *(continued)*

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

This amendment had no impact on the consolidated financial statements of the Group.

IAS 41 Agriculture – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

This amendment had no impact on the consolidated financial statements of the Group.

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

IFRS 17: Insurance Contracts
The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. This standard is not applicable to the Group as the Group does not have contracts in scope of IFRS 17.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)
The amendments become effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations in issue but not effective *(continued)*

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)
The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Group is currently assessing the impact of the amendments on the consolidated financial statements.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)
The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that Management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments)
The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations in issue but not effective *(continued)*

Functional and presentation currency

The functional currency of Ukrainian companies of the Group is the Ukrainian Hryvnia ("UAH"); the functional currency of the Cyprus companies and Luxembourg company of the Group is the US Dollar ("USD"); the functional currency of the European companies of the Group is the Euro ("EUR"); the functional currency of the United Arab Emirates companies is the Dirham ("AED"); the functional currency of the UK company is the British Pound ("GBP"); the functional currency of the Saudi Arabia company is the Saudi Riyal ("SAR"). Transactions in currencies other than the functional currency of the entities concerned are treated as transactions in foreign currencies.

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

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

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

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

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

The relevant exchange rates were:

CURRENCY	CLOSING RATE AS OF 31 DECEMBER 2022	AVERAGE FOR 2022	CLOSING RATE AS OF 31 DECEMBER 2021	AVERAGE FOR 2021
UAH/USD	36.5686	32.3684	27.2782	27.2835
UAH/EUR	38.9510	33.9954	30.9226	32.3009
USD/EUR	1.0651	1.0503	1.1336	1.1839

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Accounting for acquisitions
The acquisitions of subsidiaries from third parties are accounted for using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values.

The consideration transferred by the Group is measured at fair value, which is the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquired subsidiary and the equity interests issued by the Group in exchange for control of the subsidiary. Acquisition-related costs are recognised in the consolidated statement of profit or loss as incurred.

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

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent.

In acquisition of a legal entity that does not constitute a business, the cost of the group of assets is allocated between the individual identifiable assets in the group based on their relative fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

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

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

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

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

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

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

Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Contingent liabilities and assets

Contingent liabilities are not recognised in the consolidated financial statements. Rather, they are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognised only when it has become virtually certain that an inflow of economic benefits will arise.

Segment information

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Segment information** (continued)*

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

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

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

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

Non-current assets held for sale and discontinued operations

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

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

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss and other comperensive income.

Revenue recognition

The Group generates revenue primarily from the sale of agricultural products to the end customers. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue is adjusted for estimates of known or expected variable consideration, which includes consumer incentives, trade promotions, and allowances, such as rebates, volume-based incentives and other programs. Variable consideration related to these programs is recorded as a reduction to revenue based on amounts the Group expects to pay. These estimates are based on current performance, historical utilization, and projected redemption rates of each program. The Group reviews and updates these estimates regularly until the incentives are realized and the impact of any adjustments are recognized in the period the adjustments are identified. Non-monetary exchanges or swaps of goods which are of similar nature and value are not treated as transactions which generate revenue.

The Group recognises revenue from the following major sources:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the consolidated statement of profit or loss as incurred.

For all Groups property, plant and equipment carried at revalued amounts, the revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. If the asset's carrying amount is increased as a result of a revaluation, the increase is credited to equity through other comprehensive income as a revaluation reserve. However, such increase is recognised in the consolidated statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit or loss. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the consolidated statement of profit or loss. However, such decrease is debited to the revaluation reserve through other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment *(continued)*
The carrying amount of asset is adjusted by eliminating of accumulated depreciation against gross carrying amount and subsequent increase or decrease of gross carrying amount to fair value.

Depreciation on revalued assets is charged to the consolidated statement of profit or loss. The excess of depreciation charge on the revalued asset over the depreciation that would have been charged based on the historical cost of the asset is transferred from revaluation reserve directly to retained earnings over the assets useful life. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Depreciation of property, plant and equipment is charged so as to write off the depreciable amount over the useful life of an asset and is calculated using a straight line method. Useful lives of the groups of property, plant and equipment are as follows:

Buildings and structures	5 - 60 years
Grain storage facilities	10 - 60 years
Production machinery	5 - 35 years
Auxiliary and other machinery	5 - 30 years
Utilities and infrastructure	15 - 60 years
Vehicles and agricultural machinery	7 - 40 years
Other fixed assets	3 - 10 years

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Intangible assets** (continued)*

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

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

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

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

Right-of-use assets

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of goodwill

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

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

Income taxes

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

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

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

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

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

Deferred tax assets and liabilities are offset when:

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

The Group companies that are involved in agricultural production (those involved in grain and oilseeds growing) benefit substantially from the status of an agricultural producer. These companies are exempt from income taxes and pay the Fixed Agricultural Tax (FAT) instead (Note 13).

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

(iii) Cattle
Cattle comprise cows and bulls held for regeneration of livestock population and animals raised for milk and beef meat production. The fair value of livestock is determined based on cash flows that will be obtained from sales of milk, calves and meat during the life of cattle.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Biological assets and agricultural produce *(continued)*
(v) Hatchery eggs
The fair value of hatchery eggs is determined by reference to market prices at the point of harvest.

Agricultural Produce
(i) Dressed poultry, beef and pork
The fair value of dressed poultry, beef and pork is determined by reference to market prices at the point of harvest.

(ii) Grain
The fair value of fodder grain is determined by reference to market prices at the point of harvest.
The Group's biological assets are classified into bearer and consumable biological assets depending upon the function of a particular group of biological assets in the Group's production process. Consumable biological assets are those that are to be harvested as agricultural produce, and include hatchery eggs and live broiler chickens intended for the production of meat, as well as pork and meat cows. Bearer biological assets include poultry held for hatchery eggs production, milk cows and breeding bulls.

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

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

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

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

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost (this category is the most relevant to the Group):
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial assets** (continued)*

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

Impairment of financial assets

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

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

For all other financial instruments, a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument (Stage 1) at an amount equal to 12-month ECLs. If the Group identifies a significant increase in credit risk since initial recognition, the financial instrument is transferred to Stage 2, but it is not considered to be credit-impaired, the Group recognises lifetime ECLs. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECLs is measured as a Lifetime ECLs.

Lifetime ECLs 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 ECLs represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

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

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

Low credit risk financial instruments

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

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

Default definition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial assets** (continued)*

Credit impaired financial assets
A financial asset is credit-impaired (Stage 3) 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 Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade accounts receivable, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the consolidated statement of profit or loss. Inputs, assumptions and estimation techniques used by measurement and recognition of expected credit losses are disclosed in respective Notes 18 and 23 on financial assets.

Financial liabilities
Initial recognition and measurement
The Group's financial liabilities include loans and borrowings, lease liabilities and derivative financial instruments.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The Group recognises interest on lease liabilities and presents it within interest expenses in the consolidated profit or loss.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

3. CHANGES IN THE GROUP STRUCTURE

Discontinued operation

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

During the year ended 31 December 2021, the Group disposed of the assets of its subsidiary Dobropilskyi GPP PrJSC, which was located in Ukraine and carried out grain storage operations, and was previously presented within Poultry and Related Operations Segment. The net assets as of the date of disposal amounted to USD 620 thousand. Before sale the property plant and equipment included in the net assets disposed were impaired by USD 4,105 thousand. Impairment was recognized as a decrease in revaluation reserve related to those property, plant and equipment. The total cash consideration amounted to USD 671 thousand, which was received during 2021.

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

Acquisitions

On 1 June 2021, the Group acquired a 51% share in the company Lubnym`yaso LLC, a Ukrainian meat production plant, whose main economic activity is the production and sale of beef meat under the trade-mark Scott Smeat. As of the date of acquisition, the net assets of the acquired meat production plant amounted to USD 1,800 thousand. Purchase consideration of the acquired share amounted to USD 1,840 thousand and was paid in cash. Goodwill in the amount of USD 921 thousand is attributable to the expectation that this acquisition will support strategic transformation to a culinary company through launch of additional products.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Going concern

The Group has concluded that it is appropriate to apply the going concern basis of accounting in preparing these consolidated financial statements. Management exercises significant judgement in assessment of the existence of a material uncertainty related to going concern by taking into consideration the effects of the ongoing War on the Group`s activities. The information about material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern is disclosed in Note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Determination of variable lease payments

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

Revaluation of property, plant and equipment

As described in Note 2, the Group applies the revaluation model to the measurement of all groups of property, plant and equipment, except land and other fixed assets (Note 14). At each reporting date, the Group carries out a review of the carrying amount of items of property, plant and equipment accounted for using a revaluation model to determine whether the carrying amount differs materially from fair value.

When determining whether to perform a fair value assessment in a given period, Management considers development of macroeconomic indicators including changes in prices (producer price indices, price indices for non-residential buildings, transport facilities, utilities and other engineering structures), inflation rates, GDP growth rates and changes of the Ukrainian Hryvnia ("UAH") against USD and EUR. Also, different internal and external factors such as changes in political, legislative, economic situation are reviewed.

Based on the results of this review, Management concluded that all groups of property, plant and equipment accounted for using the revaluation model should be revalued as of 31 December 2022. Accordingly, the Group engaged independent valuation specialists to assess fair values of the relevant property, plant and equipment as at 31 December 2022. The key assumptions used to determine the fair value of the properties are provided in Note 14.

Change in income tax status of certain Group's subsidiaries

Starting from 1 January 2022, the change in tax status of poultry producers has become effective as the respective amendments to the Tax Code of Ukraine came into force. As a result, starting from 1 January 2022, profits of agricultural producers engaged in rearing chickens, chicken meat and eggs production, are subject to regular 18% income tax. Until 31 December 2021, profits of the chicken and egg producers were non-taxable as these entities had exempt status for corporate income tax purpose and were subject to the fixed agricultural tax, similar to other agribusinesses.

Management has applied significant judgment to consider that the new tax law effected a change in tax status for the Group`s subsidiaries rather than a change in tax law or tax rates, and given that there is no specific guidance in IAS 12 Income tax for when to account for a change in tax status, significant judgment was applied in considering the timing of deferred tax recognition. As the above has caused a change to the tax status, for certain subsidiaries of the Group, from non-tax payer to tax payer by becoming income taxpayers from 1 January 2022, the Group has recognized deferred tax liabilities in the amount of USD 81,317 thousand as of this date. These deferred tax liabilities of the Group`s poultry farms arise on temporary tax differences from property, plant and equipment measured using the revaluation model. Accordingly, the resulting deferred tax liabilities at 1 January 2022 were recognized through other comprehensive income and presented in a separate line as Deferred tax charged directly to revaluation reserve.

Presentation of the expenses as war-related

In determining if the expenses incurred by the Group relate to war and should be presented accordingly in Note 33, several critical assumptions have been used. These assumptions include but are not limited to timing of the expenses, their nature, prerequisites of their incurrence, ordinariness and necessity of expenses, and possibility of their incurrence in significant amounts during routine operations during the pre-war period.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of goodwill and intangibles with indefinite useful lives

As disclosed in Notes 16 and 17, the Group determines at least on an annual basis whether indefinite life intangible assets and goodwill have been impaired. This requires an estimate of an asset's recoverable amount which is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use and it is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate and growth rates in order to calculate the present value of those cash flows.

The Group constantly monitors climate-related matters affecting the value-in-use of intangibles and goodwill. At the current time, there no material effects that will impact the Group. The Group will adjust the key assumptions used in value-in-use calculations should a change be required.

Determination of incremental borrowing rate

As described in Note 2, the Group uses incremental borrowing rate as the discounting factor for the purpose of calculating of lease liability if the rate implicit in the lease is not readily determinable. Incremental borrowing rate is determined as the available rate for the Group adjusted for the specifics of particular lease contracts.

Fair value less costs to sell of biological assets and agricultural produce

Biological assets are recorded at fair values less costs to sell. The Group estimates the fair values of biological assets based on the following key assumptions:

- Average meat output for broilers and livestock for meat production;
- Average productive life of breeders and cattle held for regeneration and milk production;
- Expected crops output;
- Estimated changes in future sales prices;
- Projected production costs and costs to sell; and,
- Discount rate.

During the year ended 31 December 2022 the fair value of biological assets was estimated using discount factors of 25.0% and 42.7% (31 December 2021: 11.2% and 11.5%) for non-current and current assets, respectively.

Although some of these assumptions are obtained from published market data, the majority of these assumptions are estimated based on the Group's historical and projected results (Note 19).

In determining fair value measurement, the impact of potential climate-related matters, including legislation, climate change, and company climate objectives which may affect the fair value measurement of biological assets and agricultural produce has been considered. At present, the impact of climate-related matters is not material to the Group's financial statements.

Revaluation of property, plant and equipment

During the year ended 31 December 2022, Management appointed an independent appraiser to perform a revaluation of buildings and structures, grain storage facilities, production machinery, utilities and infrastructure, vehicles and agricultural machinery, auxiliary and other machinery as of 31 December 2022.

The independent appraiser has performed the valuation in accordance with International Valuation Standards applying the following techniques:

- depreciated replacement cost for grain storage facilities;
- market comparable approach for vehicles and agricultural machinery; and
- depreciated replacement cost and market comparable approach, if applicable, for buildings and structures, utilities and infrastructure, production, auxiliary and other machinery.

Key assumptions used by the independent appraiser in assessing the fair value of property, plant and equipment using the depreciated replacement cost and market comparable methods were as follows:

- changes in market prices of assets and construction materials from the date of their acquisition/construction/date of previous valuation to the date of this valuation;
- external market prices for vehicles and equipment;
- normative and remaining useful lives;
- rates of physical depreciation.

The revaluation results using the depreciated replacement cost and market comparable approaches were compared with a revaluation performed using the income approach to identify level of economic obsolescence, if any. Management used probability-based discounted cash flow scenarios, where all possible impacts of war were incorporated in cash flows, while all CGUs in Ukraine were discounted by a factor of 19.1%, reflecting risks except for uncertainties related to the war. If the above impacts and uncertainties would have been taken into determination of the discount factor as alternative to incorporating them into the cashflows, such the discount factor would approximate 25%. An increase by 100 basis points in the discount rate would result in a decrease in the fair value of property plant and equipment by USD 24,226 thousand.

For CGUs in Ukraine, the terminal growth rate of 5.0% was used for all cash flows beyond the five-year projected period, while the average revenue growth rates within the five-year period were in range from 10.9% to 11.4%. A decrease in the terminal growth rate by 100 basis points or in the revenue growth rate by 100 basis points would lead to a decrease in the fair value of property, plant and equipment by USD 15,765 thousand or USD 29,339 thousand, respectively. Key assumptions used for the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Revaluation of property, plant and equipment *(continued)*
identification of economic obsolence, if any, for European operating segment are described in the Note 17.

In determining fair value measurement, the impact of potential climate-related matters, including legislation, climate change, and Company climate objectives which may affect the fair value measurement of property, plant and equipment has been considered. At present, the impact of climate-related matters is not material to the Group's financial statements.

Useful lives of property, plant and equipment
The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, Management considers the expected usage, estimated technical obsolescence, physical wear and tear, the physical environment in which the asset is operated and other factors (including climate-related matters). Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Deferred tax assets
Deferred tax assets, including those arising from unused tax losses are recognised to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Based on Management's assessment, the Group determined it was appropriate to recognize deferred tax assets on unused tax losses, which will be utilized in future against existing deferred tax liabilities and available future tax profits.

The estimation uncertainty therefore pertains to the level of deferred tax assets to be recognised.

5. SEGMENT INFORMATION

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

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

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

Poultry and Related Operations Segment:	· sales of chicken meat · sales of vegetable oil and related products · culinary products and other poultry related sales
Grain Growing Operations Segment:	· sales of grain
Meat Processing and Other Agricultural Operations Segment:	· sales of meat processing products and other meat · other agricultural operations (milk, feed grains and other)
European Operating Segment:	· sales of meat processing and chicken meat products in Southeast Europe

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

5. SEGMENT INFORMATION (continued)

As of 31 December 2022 and for the year then ended the Group's segmental information from continuing operations was as follows:

YEAR ENDED 31 DECEMBER 2022	POULTRY AND RELATED OPERATIONS	GRAIN GROWING OPERATIONS	MEAT PROCESSING AND OTHER AGRICULTURAL OPERATIONS	EUROPEAN OPERATING SEGMENT	TOTAL REPORTABLE SEGMENTS	ELIMINATIONS	CONSOLIDATED
External sales	1,886,814	157,612	134,099	463,501	2,642,026	–	2,642,026
Sales between segments	55,234	338,425	470	–	394,129	(394,129)	–
Total revenue	**1,942,048**	**496,037**	**134,569**	**463,501**	**3,036,155**	**(394,129)**	**2,642,026**
Segment result	**198,324**	**88,480**	**4,030**	**44,886**	**335,720**	**–**	**335,720**
Unallocated corporate expenses							(51,803)
Loss on impairment of goodwill and property, plant and equipment [4]	(8,024)	(7,462)	(11,321)	(1,977)	(28,784)	–	(29,242)
Other expenses, net [1]							(513,690)
Profit before tax from continuing operations							**(259,015)**
OTHER INFORMATION:							
Additions to property, plant and equipment [2]	68,958	22,371	1,844	62,975	156,148	–	156,148
Depreciation and amortization expense [3]	72,130	61,398	3,796	20,139	157,463	–	157,463
Net change in fair value of biological assets and agricultural produce	13,008	(141,516)	(1,231)	1,890	(127,849)	–	(127,849)

[1] Include finance income, finance costs, foreign exchange loss, net and other expenses, net.
[2] Additions to property, plant and equipment in 2022 do not include unallocated additions in the amount of USD 12,242 thousand.
[3] Depreciation and amortization for the year ended 31 December 2022 does not include unallocated depreciation and amortization in the amount of USD 1,443 thousand.
[4] Loss on impairment of property, plant and equipment for the year ended 31 December 2022 includes unallocated loss in amount of USD 458 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

5. SEGMENT INFORMATION (continued)

As of 31 December 2021 and for the year then ended the Group's segmental information from continuing operations was as follows:

YEAR ENDED 31 DECEMBER 2021	POULTRY AND RELATED OPERATIONS	GRAIN GROWING OPERATIONS	MEAT PROCESSING AND OTHER AGRICULTURAL OPERATIONS	EUROPEAN OPERATING SEGMENT	TOTAL REPORTABLE SEGMENTS	ELIMINATIONS	CONSOLIDATED
External sales	1,607,067	188,344	176,264	400,587	2,372,262	–	2,372,262
Sales between segments	67,752	312,277	522	–	380,551	(380,551)	–
Total revenue	**1,674,819**	**500,621**	**176,786**	**400,587**	**2,752,813**	**(380,551)**	**2,372,262**
Segment result	**170,424**	**325,812**	**4,339**	**48,136**	**548,711**	**–**	**548,711**
Unallocated corporate expenses							(32,101)
Loss on impairment of property, plant and equipment [4]	(4,635)	(1,832)	(312)	(3,642)	(10,421)	–	(10,607)
Other expenses, net [1]							(102,294)
Profit before tax from continuing operations							**403,709**
OTHER INFORMATION:							
Additions to property, plant and equipment [2]	92,663	26,247	1,267	24,639	144,816	–	144,816
Depreciation and amortization expense [3]	96,482	71,377	6,245	17,436	191,540	–	191,540
Net change in fair value of biological assets and agricultural produce	13,871	169,057	(1,096)	3,094	184,926	–	184,926

[1] Include finance income, finance costs, foreign exchange gain, net and other expenses, net.
[2] Additions to property, plant and equipment in 2021 do not include unallocated additions in the amount of USD 10,442 thousand.
[3] Depreciation and amortization for the year ended 31 December 2021 does not include unallocated amount of USD 1,318 thousand.
[4] Loss on impairment of property, plant and equipment for the year ended 31 December 2021 includes unallocated loss in amount of USD 186 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

5. SEGMENT INFORMATION (continued)

The Group's export sales to external customers by major product types were as follows during the years ended 31 December 2022 and 2021:

	2022	2021
Chicken meat and related products	986,857	769,563
Vegetable oil and related products	448,747	290,230
Grain	121,706	140,072
Other agricultural segment products	43,861	65,564
	1,601,171	**1,265,429**

Export sales includes revenue from shipping and handling services in the amount of USD 149,074 thousand as for the year ended 31 December 2022 (2021: USD 70,527 thousand).

Export sales of vegetable oil and related products and export sales of grains are primarily made to global trading companies. The sales of chicken meat to major markets of the Group - MENA and EU amounted to 34% and 36% of total export sales respectively (2021: 38% and 21%).

Non-current assets (excluding deferred tax assets, long-term deposits and non-current financial assets) based on the geographic location of the manufacturing facilities were as follows as of 31 December 2022 and 31 December 2021:

	2022	2021
Ukraine	1,922,334	2,148,821
Europe	314,620	257,967
The Middle East and North Africa (MENA)	2,336	1,418
	2,239,290	**2,408,206**

No single customer contributed more than 10% amount to the Group's revenue in either 2022 or 2021.

6. REVENUE

Revenue for the years ended 31 December 2022 and 2021 was as follows:

	2022	2021
POULTRY AND RELATED OPERATIONS SEGMENT		
Chicken meat	1,327,741	1,223,635
Vegetable oil and related products	462,405	307,541
Other poultry related sales	96,668	75,891
	1,886,814	**1,607,067**
GRAIN GROWING OPERATIONS SEGMENT		
Grain	157,612	188,344
	157,612	**188,344**
MEAT PROCESSING AND OTHER AGRICULTURAL OPERATIONS SEGMENT		
Meat-processing products	102,199	143,152
Other agricultural sales	31,900	33,112
	134,099	**176,264**
EUROPEAN OPERATING SEGMENT		
Chicken meat	305,643	253,404
Meat-processing products	122,565	121,155
Other agricultural sales	35,293	26,028
	463,501	**400,587**
	2,642,026	**2,372,262**

The geographic structure of revenue for the years ended 31 December 2022 and 2021 was as follows:

	2022	2021
Export[1]	1,601,171	1,265,429
Domestic	1,040,855	1,106,833
	2,642,026	**2,372,262**

[1] Includes revenue generated outside of the Group's production entity residency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

6. REVENUE (continued)

Advances received from third parties as of 31 December 2021 in the amount of USD 41,983 were recognized as revenue during the year ended 31 December 2022. Advances received from third parties as of 31 December 2020 in the amount of USD 15,227 were recognized as revenue during the year ended 31 December 2021.

7. COST OF SALES

Cost of sales for the years ended 31 December 2022 and 2021 was as follows:

	2022	2021
Poultry and related operations segment	1,372,881	1,260,528
Grain growing operations segment	63,121	96,742
Meat processing and other agricultural operations segment	117,592	157,854
European operating segment	352,370	297,548
	1,905,964	**1,812,672**

Cost of sales includes shipping and handling expenses and were for the years ended 31 December 2022 and 2021 as follows:

	2022	2021
Poultry and related operations segment	160,229	75,916
Grain growing operations segment	17,695	19,438
Meat processing and other agricultural operations segment	2,887	4,420
European operating segment	9,404	8,851
	190,215	**108,625**

Revenue includes shipping and handling costs in the price of the product.

For the years ended 31 December 2022 and 2021 cost of sales comprised the following:

	2022	2021
Costs of raw materials and other inventory used	1,319,715	1,201,855
Payroll and related expenses	286,653	287,210
Depreciation and amortization expense	140,737	172,619
Other costs	158,859	150,988
	1,905,964	**1,812,672**

Social security contributions, included in Payroll and related expenses above, amounted to USD 46,023 thousand for the year ended 31 December 2022 (2021: USD 45,921 thousand).

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2022 and 2021 were as follows:

	2022	2021
Payroll and related expenses	119,441	113,377
Services	78,535	55,536
Depreciation and amortization expense	18,169	20,501
Advertising expense	12,781	14,363
Representative costs and business trips	9,834	8,909
Fuel and other materials used	7,226	6,691
Insurance expense	2,695	2,671
Bank services and conversion fees	1,079	749
Other	4,672	5,386
	254,432	**228,183**

Payroll and related expenses includes social security contributions which amounted to USD 12,797 thousand for the year ended 31 December 2022 (2021: USD 12,204 thousand).

Remuneration to the auditors, included in Services above, amounted to USD 904 thousand for the year ended 31 December 2022 (2021: USD 1,018 thousand). This includes both audit and non-audit services, with the statutory audit fees amounting to USD 866 thousand for the year ended 31 December 2022 (2021: USD 855 thousand), tax advisory service fees amounting to USD 9 thousand (2021: USD 86 thousand) and other non-audit services fees amounting to USD 30 thousand for the year ended 31 December 2022 (2021: USD 77 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

9. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2022 and 2021 was as follows:

	2022	2021
Government grants	5,428	7,405
Gain on extinguisment of trade accounts payable	2,124	1,328
Insurance compensation	1,758	1,238
Other income	4,094	1,864
	13,404	**11,835**

10. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2022 and 2021 were as follows:

	2022	2021
Expected credit losses and write-off of financial assets	36,817	–
Charity expenses and community support donations	24,994	8,105
Written-off inventories and biological assets	9,527	–
Loss on disposal of property, plant and equipment	3,983	992
Provision for claims, penalties and indemnification	2,021	1,924
Other expenses	5,926	3,404
	83,268	**14,425**

11. DEFERRED INCOME

The Ukrainian Government supports domestic agricultural producers and attracts investments into the agricultural sector. Also, during the years ended 31 December 2022 and 2021, the Group received government compensations in accordance with EU farming subsidies policy and other compensations in accordance with the EU national programs of employment, assigned contributions for employees, and refunds of excise duties.

For the years ended 31 December 2022 and 2021 the following government grants were received:

	2022	2021
Compensation received in EU	4,306	5,997
Compensation of construction and reconstruction of livestock farms	1,024	1,514
Compensation of the cost of machinery and equipment	23	50
Other compensations	75	195
	5,428	**7,756**

Government grants for compensation of construction and reconstruction of livestock farms and compensation of cost of machinery and equipment are presented in the Statement of Financial Position as deferred income, which is recognised in profit or loss on a systematic basis over the useful life of the related assets. All other compensations received were recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in full. There are no unfulfilled conditions or contingencies attached to these grants.

12. FINANCE COSTS

Finance costs for the years ended 31 December 2022 and 2021 were as follows:

	2022	2021
Interest on corporate bonds	109,201	104,700
Interest on obligations under leases	38,859	45,284
Interest on bank borrowings	6,754	2,163
Bank commissions and other charges	3,168	2,068
Total finance costs	**157,982**	**154,215**
Less:		
Finance costs included in the cost of qualifying assets	(3,277)	(3,791)
	154,705	**150,424**

For qualifying assets, the weighted average capitalization rate on funds borrowed during the year ended 31 December 2022 was 7.80% (2021: 7.80%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

12. FINANCE COSTS (continued)

Interest on corporate bonds for the years ended 31 December 2022 and 2021 includes the amortization of premium and debt issue costs on bonds issued in the amounts of USD 6,161 thousand and USD 5,821 thousand, respectively.

13. INCOME TAX

The majority of the Group's operating entities are located in Ukraine, therefore the effective tax rate reconciliation is completed based on Ukrainian statutory rates.

During the year ended 31 December 2022, the Group's companies that have the status of Corporate Income Tax (the "CIT") payers in Ukraine were subject to 18% income tax. The deferred income tax assets and liabilities as of 31 December 2022 and 2021 are measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

Before 1 January 2022 the majority of the Group companies that were involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer as these companies were exempt from income taxes and pay the fixed agricultural tax (FAT) instead. The tax rate for agricultural producers was calculated as a percentage of the target-ratio based monetary valuation per hectare of agricultural land. Agricultural manufacturers were eligible to apply for a single tax if they meet both the following two requirements:

1. The share of the entity's revenue from agricultural production (i.e. sale of the entity's cultivated and processed products) to the total share of its income equals or exceeds 75 per cent; and
2. These agriproducts were cultivated on land that such agricultural manufacturers own or lease, and the ownership title and leases had been duly registered.

Starting from 1 January 2022, the change in tax status of poultry producers has become effective as the respective amendments to the Tax Code of Ukraine came into force. As a result, starting from 1 January 2022, profits of the agricultural producers engaged in rearing chickens, chicken meat and eggs production, are subject to regular 18% income tax, as described in Note 4.

The components of income tax (benefit)/expense were as follows for the years ended 31 December 2022 and 2021:

	2022	2021
Current income tax expense	9,301	9,773
Withholding tax	–	8,605
Deferred tax benefit	(37,379)	(11,464)
Income tax (benefit)/expense	**(28,078)**	**6,914**

The reconciliation between (loss)/profit before tax from continuing operations multiplied by the statutory tax rate and the tax expense for the years ended 31 December 2022 and 2021 was as follows:

	2022	2021
Accounting (loss)/profit before tax from continuing operations	(259,015)	403,709
Loss before tax from a discontinued operation	–	**(3,457)**
Income tax (benefit)/expense calculated at rates effective during the year ended in respective jurisdictions	(47,262)	71,686
TAX EFFECT OF:		
(Loss)/income generated by FAT payers and other exempt from income tax	2,056	(75,129)
Effect on income tax generated by EU companies	2,627	532
Change in unrecognised deferred tax asset	(888)	(3,421)
Withholding tax	–	8,605
Non-deductable expenses and non-taxable income, net	14,621	3,692
Translation (gain)/loss	768	949
Income tax (benefit)/expense	**(28,078)**	**6,914**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

13. INCOME TAX (continued)

Derecognition of previously recognised tax losses results from the reversal of deferred tax liabilities related to property revaluation that were the source of taxable income relied on previously to support recognition.

As of 31 December 2022 and 2021 deferred tax assets and liabilities recognised the following:

	2022	2021
DEFERRED TAX ASSETS ARISING FROM:		
Other current liabilities	3,397	3,334
Current assets	1,716	3,129
Tax losses	47,631	29,498
Total deferred tax assets	**52,744**	**35,961**
DEFERRED TAX LIABILITIES ARISING FROM:		
Property, plant and equipment	(170,977)	(77,647)
Current assets	(2,681)	–
Total deferred tax liabilities	**(173,658)**	**(77,647)**
Net deferred tax liabilities	**(120,914)**	**(41,686)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as of 31 December 2022 and 2021:

	2022	2021
Deferred tax assets	2,763	3,018
Deferred tax liabilities	(123,677)	(44,704)
Unrecognised deferred tax assets	(329)	(1,052)
	(121,243)	**(42,738)**

During the years ended 31 December 2022 and 2021 the Group did not recognize deferred tax asset in respect of tax losses in the amount of USD 1,828 (USD 329 thousand of deferred tax assets), USD 5,851 thousand (USD 1,052 thousand of deferred tax asset), respectively, as the Group did not intend to deduct the relevant expenses for tax purposes in subsequent periods, as there are uncertainties on whether sufficient taxable profits will be generated by particular companies of the Group in the future. There is no expiration date of accounting tax losses according to Tax Code of Ukraine.

Deferred tax liabilities have not been recognised in respect of unremitted earnings of Ukrainian subsidiaries as the earnings can be remitted free from taxation currently and in future years, based on current legislation.

The movements in net deferred tax liabilities for the years ended 31 December 2022 and 2021 were as follows:

	2022	2021
Net deferred tax liabilities as of beginning of the year	**(42,738)**	**(28,045)**
Deferred tax charged directly to revaluation reserve (Note 4)	(81,317)	–
Deferred tax benefit	37,379	11,464
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income	(58,889)	(26,597)
Translation difference	24,322	440
Net deferred tax liabilities as of end of the year	**(121,243)**	**(42,738)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

14. PROPERTY, PLANT AND EQUIPMENT

The following table represents movements in property, plant and equipment for the year ended 31 December 2022:

	LAND	BUILDINGS AND STRUCTURES	GRAIN STORAGE FACILITIES	PRODUCTION MACHINERY	AUXILIARY AND OTHER MACHINERY	UTILITIES AND INFRASTRUCTURE	VEHICLES AND AGRICULTURAL MACHINERY	OTHER FIXED ASSETS[1]	CONSTRUCTION IN PROGRESS[2]	TOTAL
Cost or fair value:										
At 31 December 2021	**34,639**	**951,315**	**101,970**	**387,968**	**81,662**	**148,854**	**212,135**	**27,887**	**112,829**	**2,059,259**
Additions	1,559	52,731	2,491	38,055	12,760	4,556	22,848	6,545	25,198	166,743
Transfer from Right-of-use assets	–	–	–	–	–	–	4,949	–	–	4,949
Transfers	–	–	–	–	(7,667)	1,465	–	6,202	–	–
Disposals	(1,068)	(8,162)	(105)	(1,843)	(377)	(270)	(4,099)	(1,508)	(998)	(18,430)
Disposal of subsidiary	–	–	–	–	–	–	–	–	–	–
Revaluation	–	94,628	4,707	55,028	5,001	15,841	9,582	–	–	184,787
Impairment loss	–	(6,098)	(631)	(11,416)	(2,725)	(515)	(3,787)	–	(2,196)	(27,368)
Translation difference	(3,405)	(220,587)	(26,125)	(90,557)	(19,699)	(38,118)	(55,118)	(7,305)	(26,555)	(487,469)
At 31 December 2022	**31,725**	**863,827**	**82,307**	**377,235**	**68,955**	**131,813**	**186,510**	**31,821**	**108,278**	**1,882,471**
Accumulated depreciation:										
At 31 December 2021	**–**	**81,924**	**–**	**–**	**258**	**17,379**	**34**	**20,057**	**–**	**119,652**
Depreciation charge for the year	–	29,906	3,894	30,721	5,553	8,625	27,769	3,536	–	110,004
Elimination upon disposal	–	(653)	(8)	(529)	(78)	(156)	(393)	(368)	–	(2,185)
Elimination upon revaluation	–	(90,809)	(3,440)	(21,810)	(4,239)	(20,093)	(25,592)	–	–	(165,983)
Disposal of subsidiary	–	–	–	–	–	–	–	–	–	–
Transfers	–	165	(165)	–	243	(174)	–	(69)	–	–
Transfer from Right-of-use assets	–	–	–	–	–	–	3,302	–	–	3,302
Translation difference	–	(20,517)	(281)	(2,750)	(1,043)	(4,986)	(3,298)	(5,175)	–	(38,050)
At 31 December 2022	**–**	**16**	**–**	**5,632**	**694**	**595**	**1,822**	**17,981**	**–**	**26,740**
Net book value										
At 31 December 2021	**34,639**	**869,391**	**101,970**	**387,968**	**81,404**	**131,475**	**212,101**	**7,830**	**112,829**	**1,939,607**
At 31 December 2022	**31,725**	**863,811**	**82,307**	**371,603**	**68,261**	**131,218**	**184,688**	**13,840**	**108,278**	**1,855,731**

[1] Other fixed assets include bearer plants, office furniture and equipment;
[2] Construction in progress include advances for property plant and equipment, machinery and equipment not in use, construction materials and spare parts, projects in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The following table represents movements in property, plant and equipment for the year ended 31 December 2021:

	LAND	BUILDINGS AND STRUCTURES	GRAIN STORAGE FACILITIES	PRODUCTION MACHINERY	AUXILIARY AND OTHER MACHINERY	UTILITIES AND INFRASTRUCTURE	VEHICLES AND AGRICULTURAL MACHINERY	OTHER FIXED ASSETS[1]	CONSTRUCTION IN PROGRESS[2]	TOTAL
Cost or fair value:										
At 31 December 2020	**37,591**	**922,975**	**95,639**	**413,912**	**62,569**	**136,953**	**180,060**	**31,648**	**71,347**	**1,952,694**
Additions	1,517	23,526	1,427	30,993	13,498	6,099	21,564	8,277	40,669	147,570
Transfer from Right-of-use assets	–	–	–	–	–	–	11,848	–	–	11,848
Transfers	122	(2,776)	(3,244)	(48)	9,044	1,537	(560)	(7,064)	2,989	–
Disposals	(1,462)	(9,444)	(4)	(4,848)	(887)	(52)	(6,938)	(2,888)	(3,552)	(30,075)
Disposal of subsidiary	(246)	(2,484)	–	(475)	–	–	(20)	(384)	–	(3,609)
Revaluation	–	–	5,088	(59,438)	(2,102)	(346)	2,972	(928)	–	(54,754)
Impairment loss	(732)	–	(181)	(3,466)	(1,889)	(169)	(2,708)	(1,462)	–	(10,607)
Translation difference	(2,151)	19,518	3,245	11,338	1,429	4,832	5,917	688	1,376	46,192
At 31 December 2021	**34,639**	**951,315**	**101,970**	**387,968**	**81,662**	**148,854**	**212,135**	**27,887**	**112,829**	**2,059,259**
Accumulated depreciation:										
At 31 December 2020	**–**	**48,341**	**8,707**	**118,354**	**9,731**	**9,532**	**58,481**	**20,631**	**–**	**273,777**
Depreciation charge for the year	–	35,574	8,216	40,921	8,475	8,454	43,023	5,248	–	149,911
Elimination upon disposal	–	(2,011)	(2)	(4,482)	(609)	(36)	(3,828)	(1,823)	–	(12,791)
Elimination upon revaluation	–	–	(17,046)	(157,916)	(17,593)	(655)	(103,618)	(4,032)	–	(300,860)
Disposal of subsidiary	–	(292)	–	–	(166)	–	(7)	(282)	–	(747)
Transfers	–	186	(186)	(2)	254	(174)	–	(78)	–	–
Transfer from Right-of-use assets	–	–	–	–	–	–	4,193	–	–	4,193
Translation difference	–	126	311	3,125	166	258	1,790	393	–	6,169
At 31 December 2021	**–**	**81,924**	**–**	**–**	**258**	**17,379**	**34**	**20,057**	**–**	**119,652**
Net book value										
At 31 December 2020	**37,591**	**874,634**	**86,932**	**295,558**	**52,838**	**127,421**	**121,579**	**11,017**	**71,347**	**1,678,917**
At 31 December 2021	**34,639**	**869,391**	**101,970**	**387,968**	**81,404**	**131,475**	**212,101**	**7,830**	**112,829**	**1,939,607**

[1] Other fixed assets include bearer plants, office furniture and equipment;
[2] Construction in progress include advances for property plant and equipment, machinery and equipment not in use, construction materials and spare parts, projects in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

As of 31 December 2022, included within construction in progress were prepayments for property, plant and equipment in the amount of USD 28,185 thousand (2021: USD 24,333 thousand).

As of 31 December 2022, included within property, plant and equipment were fully depreciated assets with the original cost of USD 6,009 thousand (2021: USD 22,635 thousand).

As of 31 December 2022, certain of the Group's property, plant and equipment with the collateral amount of USD 100,789 thousand (2021: USD 91,931 thousand) were pledged as collateral to secure its bank borrowings.

Revaluation of property, plant and equipment

During the year ended 31 December 2022, the Group engaged independent appraisers to perform a revaluation to revalue its buildings and structures, grain storage facilities, production machinery, utilities and infrastructure, vehicles and agricultural machinery, auxiliary and other machinery as at 31 December 2022. Previous revaluations have been performed with the engagement of external independent appraisers as follows: for buildings and structures and utilities and infrastructure – as at 30 September 2019, and for other groups of property, plant and equipment accounted for under the revaluation model – as of 31 December 2021.

The revaluation process conformed to International Valuation Standards and was performed using the following methods and approaches:

- buildings and structures – depreciated replacement cost method by reference to observable prices in an active market adjusted by the cumulative index of inflation of construction works and index of physical depreciation (based on age and condition of buildings and structures;
- grain storage facilities – depreciated replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the facilities;
- vehicles and agricultural machinery – market comparable approach adjusted based on age and condition of the machinery;
- production machinery – depreciated replacement cost method for items of specialized nature and market comparable approach adjusted based on age and condition of the machinery for other items;
- auxiliary and other machinery – depreciated replacement cost method for items of specialized nature and market comparable approach adjusted based on age and condition of the machinery for other items;
- utilities and infrastructure – depreciated replacement cost method by reference to observable prices in an active market adjusted based on age and condition of facilities, the fluctuations of the cumulative index of inflation of construction works and the index of physical depreciation.

During the year ended 31 December 2022, impairment loss (in profit or loss) and increase in revaluation (in other comprehensive income) as a result of regular valuation procedures amounted to USD 16,254 thousand and USD 360,259 thousand respectively. Additionally, the Group reviews its property, plant and equipment each period to determine if any indication of impairment exists. During the year ended 31 December 2022, the Group has recognised an impairment loss of USD 11,114 thousand (in profit or loss) and decrease in revaluation reserve of USD 9,489 thousand (in other comprehensive income) in respect of certain property, plant and equipment of its subsidiairy, Ukrainian Bacon, located in Donetsk region as described in Notes 2 and 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The following unobservable inputs were used to measure Buildings and structures, Utilities and infrastructure, Grain storage facilities, Vehicles and agricultural machinery, Auxiliary and other machinery and Production machinery:

DESCRIPTION	VALUATION TECHNIQUE(S)	UNOBSERVABLE INPUTS	RANGE OF UNOBSERVABLE INPUTS 2022 (AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Buildings and structures	Depreciated replacement cost method	Index of physical depreciation	0 – 80% (30.12%)	The higher the index of physical depreciation, the lower the fair value
		Cumulative index of inflation of construction works	1.00 – 18.13 (3.29)	The higher the index, the higher the fair value
Utilities and infrastructure	Depreciated replacement cost method	Index of physical depreciation	0 – 80% (31.16%)	The higher the index of physical depreciation, the lower the fair value
		Cumulative index of inflation of construction works	1.00 – 18.45 (2.93)	The higher the index, the higher the fair value
Grain storage facilities	Depreciated replacement cost method	Index of physical depreciation	0 – 80% (43.68%)	The higher the index of physical depreciation, the lower the fair value
		Cumulative index of inflation of construction works	1.00 – 19.71 (3.96)	The higher the index, the higher the fair value
Vehicles and agricultural machinery	Market comparable approach	Index of physical depreciation	0 – 90% (41.59%)	TThe higher the index of physical depreciation, the lower the fair value
Auxiliary and other machinery	Depreciated replacement cost method	Index of physical depreciation	0 – 90% (31.55%)	The higher the index of physical depreciation, the lower the fair value
		Cumulative index of producer inflation	1.00 – 19.71 (2.51)	The higher the index, the higher the fair value
Production machinery	Depreciated replacement cost method	Market comparable approach	0 – 90% (41.71%)	The higher the index of physical depreciation, the lower the fair value
		Cumulative index of producer inflation	1.00 – 19.71 (3.32)	The higher the index, the higher the fair value

Had the Group's property plant and equipment been measured on a historical cost basis, their carrying amount would have been as follows:

	FAIR VALUE HIERARCHY	NET BOOK VALUE UNDER REVALUATION MODEL		NET BOOK VALUE IF CARRIED AT COST	
		2022	2021	2022	2021
Buildings and structures	Level 3	863,811	869,391	249,218	338,921
Production machinery	Level 2, 3	371,603	387,968	170,657	279,710
Utilities and infrastructure	Level 3	131,218	131,475	54,583	75,899
Vehicles and agricultural machinery	Level 2	184,688	212,101	81,209	178,284
Grain storage facilities	Level 3	82,308	101,970	23,102	53,348
Auxiliary and other machinery	Level 2, 3	68,261	81,404	39,608	56,577
		1,701,889	**1,784,309**	**618,377**	**982,739**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

There are no restrictions on the distribution of the revaluation surplus to the shareholders.

15. RIGHT-OF-USE ASSETS

The following table represents movements in right-of-use assets for the years ended 31 December 2022 and 2021:

	LAND	BUILDINGS AND VEHICLES	TOTAL
Net book value:			
As of 31 December 2020	**173,283**	**33,718**	**207,001**
Additions	15,865	15,287	31,152
Depreciation charge for the year	(37,736)	(6,439)	(44,175)
Termination of the lease	(2,589)	(9,712)	(12,301)
Reassessment of the lease	90,025	125	90,150
Translation difference	5,815	(354)	5,461
As of 31 December 2021	**244,663**	**32,625**	**277,288**
Additions	9,980	11,882	21,862
Depreciation charge for the year	(31,778)	(6,512)	(38,290)
Termination of the lease	(5,937)	(2,007)	(7,944)
Reassessment of the lease	38,559	(138)	38,421
Translation difference	(62,750)	(5,670)	(68,420)
As of 31 December 2022	**192,737**	**30,180**	**222,917**

16. INTANGIBLE ASSETS

The following table represents movements in intangible assets for the year ended 31 December 2022:

	LAND LEASE RIGHTS	TRADEMARKS	CUSTOMER RELATIONS	OTHER INTANGIBLE ASSETS	TOTAL
Cost:					
As of 31 December 2021	**71,881**	**31,597**	**19,820**	**27,628**	**150,926**
Additions	–	–	–	7,956	7,956
Disposals	–	–	–	(1,003)	(1,003)
Translation difference	(18,262)	(1,909)	(1,197)	(6,707)	(28,075)
As of 31 December 2022	**53,619**	**29,688**	**18,623**	**27,874**	**129,804**
Accumulated amortization:					
As of 31 December 2021	**41,635**	**–**	**2,807**	**8,693**	**53,135**
Amortization charge for the year	6,046	–	918	4,014	10,978
Disposals	–	–	–	(96)	(96)
Translation difference	(11,273)	–	(157)	(2,411)	(13,841)
As of 31 December 2022	**36,408**	**–**	**3,568**	**10,200**	**50,176**
Net book value:					
As of 31 December 2021	**30,246**	**31,597**	**17,013**	**18,935**	**97,791**
As of 31 December 2022	**17,211**	**29,688**	**15,055**	**17,674**	**79,628**

The following table represents movements in intangible assets for the year ended 31 December 2021:

	LAND LEASE RIGHTS	TRADEMARKS	CUSTOMER RELATIONS	OTHER INTANGIBLE ASSETS	TOTAL
Cost:					
As of 31 December 2020	**69,349**	**34,505**	**21,481**	**14,837**	**140,172**
Additions	–	–	–	11,504	11,504
Disposals	–	(249)	–	(103)	(352)
Translation difference	2,532	(2,659)	(1,661)	1,390	(398)
As of 31 December 2021	**71,881**	**31,597**	**19,820**	**27,628**	**150,926**
Accumulated amortization:					
As of 31 December 2020	**33,929**	**–**	**1,968**	**7,434**	**43,331**
Amortization charge for the year	6,466	–	1,035	1,208	8,709
Disposals	–	–	–	(71)	(71)
Translation difference	1,240	–	(196)	122	1,166
As of 31 December 2021	**41,635**	**–**	**2,807**	**8,693**	**53,135**
Net book value:					
As of 31 December 2020	**35,420**	**34,505**	**19,513**	**7,403**	**96,841**
As of 31 December 2021	**30,246**	**31,597**	**17,013**	**18,935**	**97,791**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

16. INTANGIBLE ASSETS (continued)

The Group has recognised certain trademarks and customer relationships as a part of intangible assets through the acquisition of subsidiaries in previous years. Customer relationships were identified among customers of the core products portfolio of acquired subsidiaries. The remaining useful life of customer relationships was estimated at 20 years.

The trademarks acquired by the Group mainly consist of PP and Topiko poultry meat brands and the Poli meat processing products brand. The Group believes that, since trademarks are well-positioned and recognizable within a stable and mature industry, there are no technical barriers that would limit their lifetime, and as a result of further promotion of the trademarks, the Group will obtain economic benefits from them for an indefinite period of time. Accordingly, the trademarks that belong to the Group are considered to have an indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually.

The Group allocates trademarks to individual entities as separate cash-generating units (CGU). A summary of the allocation of trademarks values to separate CGUs is presented below:

SEGMENT	CASH-GENERATING UNIT	TRADEMARKS CARRYING VALUE	
		2022	2021
European operating	Slovenia	16,960	18,051
	Serbia	2,142	2,279
	Bosnia and Herzegovina	5,461	5,812
	Croatia	5,125	5,455
		29,688	**31,597**

The impairment testing of the value of trademarks was performed internally. The recoverable amount of trademarks of all cash-generating units is determined based on the value in use method which uses cash flow projections covering a five-year period.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors.

The weighted average discount rate of 18.1% (2021: 16.1%) was used. An increase by 1,048 basis points in the weighted average discount rate would result in impairment in 2022 (2021: 588 basis points).

The revenue within five-year period was extrapolated using a weighted average 4.8% sales growth rate and 2.7% terminal growth rate for revenue beyond this period (2021: 4.2% and 2.0% respectively). A reduction by 1,887 basic points in the budgeted sales growth would result in impairment in 2022 (2021: 3,279 basic points).

Weighted average royalty rate used in calculation of cash flows was set at a level of 2.2% (2021: 2.2%). A reduction by 83 basis points in the weighted average royalty rate would result in impairment in 2022 (2021: 77 basis points).

As of 31 December 2022 and 2021, no impairment of trademarks was identified.

17. GOODWILL

The following table represents movements in goodwill for the years ended 31 December 2022 and 2021:

	2022	2021
Cost:		
As of 1 January	**66,382**	**70,614**
Acquisitions of subsidiaries (Note 3)	–	921
Impairment recognized	(1,874)	–
Translation difference	(4,700)	(5,153)
As of 31 December	**59,808**	**66,382**
Net book value:		
As of 1 January	**66,382**	**70,614**
As of 31 December	**59,808**	**66,382**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

17. GOODWILL (continued)

The Group allocates goodwill to individual entities as to separate cash-generating units (CGU). A summary of goodwill allocation to separate CGUs is presented below:

SEGMENT	CASH-GENERATING UNIT	GOODWILL CARRYING VALUE		METHODOLOGY ASSUMPTIONS AND METHODS USED FOR GOODWILL
		2022	2021	2022 (2021)
Ukraine	Grain Ukraine	–	2,513	Average sales growth: 11.0% (-0.1%) Terminal sales growth: 5.0%(4.9%) Discount rate: 19.1%(13.6%) Projection period: 5 years
	Meat processing and other agricultural operations	712	954	Average sales growth: 11.0%(4.6%) Terminal sales growth: 5.0% (4.9%) Discount rate: 19.1%(13.6%) Projection period: 5 years
European operating	Slovenia	37,047	39,448	Average sales growth: 7.0% (2.1%) Terminal sales growth: 2.1%(2.0%) Discount rate: 9.9% (6.3%) Projection period: 5 years
	Serbia	3,842	4,089	Average sales growth: 8.2%(2.6%) Terminal sales growth: 3.0%(2.0%) Discount rate: 13.0%(8.1%) Projection period: 5 years
	Bosnia and Herzegovina	10,700	11,388	Average sales growth: 4.8%(2.6%) Terminal sales growth: 2.1%(2.0%) Discount rate: 19.0%(11.5%) Projection period: 5 years
	Croatia	7,507	7,990	Average sales growth: 7.3%(2.0%) Terminal sales growth: 1.8%(2.0%) Discount rate: 11.1%(7.6%) Projection period: 5 years
		59,808	66,382	

The recoverable amount of cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial forecasts approved by the Directors.

The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC), adjusted on segment-specific risk by applying individual beta factors. An increase by 338 basis points in the weighted average discount rate to 15,0% would result in impairment in 2022 (2021: 752 basis points to 15.5%).

The growth rates and gross margins used for cash flow extrapolations are supported by industry trends such as consumer prosperity and dietary trends. These inputs were estimated by the Directors based on past performance of the cash-generating unit and their expectations of market development. A reduction by 255 basis points in the budgeted sales growth or reduction in gross margin by 1,198 basis points would result in impairment in 2022 (2021: 1,245 and 628 respectively).

As of 31 December 2022 an impairment of goodwill in amount of USD 1,874 thousand attributable to Grain Growing segment was recognized due to lower projected cash-flows from operations as well as substantial increase in the discount rate. As of 31 December 2021, no impairment was identified.

18. NON-CURRENT FINANCIAL ASSETS

The balances of non-current financial assets were as follows as of 31 December 2022 and 2021:

	2022	2021
Loans provided to third parties	23,968	25,113
Receivables for claims and indemnification	385	1,757
Loans and finance aid provided to related parties (Note 32)	3,034	4,102
Other financial assets	939	2,131
Less: expected credit losses	(20,513)	(4,339)
	7,813	**28,764**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

18. NON-CURRENT FINANCIAL ASSETS (continued)

Loans receivable are mostly represented by loans with fixed interest at 2.5% (EIR of 4.25%) with maturities as of 31 December 2025, 31 December 2026 and 31 December 2027.

The Group determines the expected credit loss of other non-current loan receivables and other financial assets based on different scenarios of probability of default and expected loss applicable to each of the material underlying balances. The expected credit losses relate to loan provided to the third parties and loans and finance aid provided to related parties in amount of USD 20,237 thosand and USD 276 thousand respectively (2021: USD 3,942 thousand and 397 thosand respectively).

The movement in loss allowance for loan receivables and other financial assets classified at amortised cost is detailed below:

	2022	2021
1 January	**(4,339)**	**(4,268)**
Charged during the year	(16,174)	(71)
31 December	**(20,513)**	**(4,339)**

19. BIOLOGICAL ASSETS

The balances of non-current biological assets were as follows as of 31 December 2022 and 2021:

	THOUSAND UNITS	CARRYING AMOUNT	THOUSAND UNITS	CARRYING AMOUNT
	2022		2021	
Milk cows	15.2	17,239	14.9	22,746
Other non-current bearer biological assets		10		14
Total bearer non-current biological assets		**17,249**		**22,760**
Non-current cattle and pigs, units	5.2	3,957	4.9	4,378
Total consumable non-current biological assets		**3,957**		**4,378**
Total non-current biological assets		**21,206**		**27,138**

The balances of current biological assets were as follows as of 31 December 2022 and 2021:

	THOUSAND UNITS	CARRYING AMOUNT	THOUSAND UNITS	CARRYING AMOUNT
	2022		2021	
Breeders held for hatchery eggs production, units	4,943	59,795	4,969	79,583
Total bearer current biological assets		**59,795**		**79,583**
Broiler chickens, units	53,561	75,204	55,310	89,257
Hatchery eggs, units	42,041	10,541	42,389	11,688
Crops in fields, hectare	82	29,713	62	33,565
Cattle and pigs, units	3.5	1,328	3.4	1,293
Other current consumable biological assets		112		73
Total consumable current biological assets		**116,898**		**135,876**
Total current biological assets		**176,693**		**215,459**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

19. BIOLOGICAL ASSETS (continued)

The following table represents movements in major biological assets for the years ended 31 December 2022 and 2021:

	MILK COWS	BREEDERS HELD FOR HATCHERY EGGS PRODUCTION	BROILER CHICKENS	CROPS IN FIELDS
As of 31 December 2020	**21,947**	**70,059**	**67,481**	**24,846**
Costs incurred	12,921	143,927	1,010,123	323,462
Gains arising from change in fair value of biological assets less costs to sell	9,593	65,578	234,694	353,464
Transfer to consumable biological assets	–	(178,613)	178,613	–
Increase due to birth and weight increase	8,765	–	–	–
Decrease due to harvest	(31,229)	(23,268)	(1,403,791)	(669,029)
Translation difference	749	1,900	2,137	822
As of 31 December 2021	**22,746**	**79,583**	**89,257**	**33,565**
Costs incurred	11,945	126,772	935,411	330,785
Gains arising from change in fair value of biological assets less costs to sell	7,137	55,056	453,817	92,983
Transfer to consumable biological assets	–	(156,495)	156,495	–
Increase due to birth and weight increase	6,864	–	–	–
Decrease due to sale	–	(2,670)	–	–
Decrease due to harvest	(25,772)	(23,655)	(1,537,988)	(418,734)
Translation difference	(5,681)	(18,796)	(21,788)	(8,886)
As of 31 December 2022	**17,239**	**59,795**	**75,204**	**29,713**

Information on movements in hatchery eggs and cattle and pigs groups have been considered immaterial for disclosure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

19. BIOLOGICAL ASSETS (continued)

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy, except for cattle and pigs that can be measured based on market prices of livestock of a similar age, breed and genetic merit, and which are therefore measured at fair value within Level 2 of the fair value hierarchy. There were no transfers between any levels during the year.

The following unobservable inputs were used to measure biological assets:

DESCRIPTION	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE	RANGE OF UNOBSERVABLE INPUTS (AVERAGE)	SENSITIVITY OF THE INPUT TO FAIR VALUE INCREASE/(DECREASE) USD THOUSAND	
					INPUT 5% HIGHER	INPUT 5% LOWER
Crops in fields	DCF method	Crops yield - tonnes per hectare	The higher the crops yield, the higher the fair value	2022: 3.6 – 7.2 (5.4)	4,384	(4,384)
				2021: 3.0 – 5.5 (4.5)	4,962	(4,962)
		Crops price – per tonne	The higher the market price, the higher the fair value	2022: USD 157 - 498 (328)	4,384	(4,384)
				2021: USD 255 - 617 (403)	4,962	(4,962)
		Discount rate	The higher the discount rate, the lower the fair value	2022: 42.7%	(207)	212
				2021: 15.4%	(116)	116
Breeders held for hatchery eggs production	DCF method	Number of hatchery eggs produced by one breeder	The higher the number, the higher the fair value	2022: 165	1,187	(1,187)
				2021: 165	3,148	(3,148)
		Hatchery egg price – per egg	The higher the market price, the higher the fair value	2022: USD 0.25	4,295	(4,295)
				2021: USD 0.30	5,592	(5,592)
		Discount rate	The higher the discount rate, the lower the fair value	2022: 42.7%	(302)	308
				2021: 13.6%	(182)	184
Broiler chickens	Cash flows method	Average weight of one broiler - kg	The higher the weight, the higher the fair value	2022: 2.40	6,157	(6,157)
				2021: 2.41	7,888	(7,888)
		Poultry meat price – per kg	The higher the market price, the higher the fair value	2022: UAH 40.64 3.24 EUR*	6,157	(6,157)
				2021: UAH 35.80 2.27 EUR*	7,888	(7,888)
Milk cows	DCF method	Daily milk yield - litre per cow	The higher the milk yield, the higher the fair value	2022: 20.19 - 21.91 (21.40)	837	(837)
				2021: 15.55 – 20.54 (18.28)	1,060	(1,060)
		Weight of the cow - kg per cow	The higher the weight, the higher the fair value	2022: 559 - 587 (570)	112	(112)
				2021: 550 - 585 (562)	222	(222)
		Milk price – per litre	The higher the market price, the higher the fair value	2022: UAH 12.42 – 12.99 (12.73)	4,086	(4,086)
				2021: UAH 11.91 – 12.58 (12.22)	5,194	(5,194)
		Meat price – per kg	The higher the market price, the higher the fair value	2022: UAH 15.58 - 18.09 (16.77)	112	(112)
				2021: UAH 15.98 – 34.13 (22.97)	222	(222)
		Discount rate	The higher the discount rate, the lower the fair value	2022: 25.0%	(475)	498
				2021: 13.6%	(421)	434

** data of European operating segment*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

20. INVENTORIES

The balances of inventories were as follows as of 31 December 2022 and 2021:

	2022	2021
Components for mixed fodder production	157,099	192,362
Other raw materials	50,531	44,458
Fertilizers	49,603	40,969
Vegetable oil	49,540	15,153
Work in progress	39,580	40,103
Gas and fuel	25,851	5,057
Spare parts	15,610	18,935
Mixed fodder	15,043	6,180
Other inventories	10,933	4,002
	413,790	**367,219**

As of 31 December 2022 and 2021 work in progress was mainly comprised of expenses incurred in cultivating fields to be planted in the years 2023 and 2022 in amounts of USD 38,216 thousand and USD 39,225 thousand, respectively.

As of 31 December 2022 components for mixed fodder production mostly consist of sunflower seeds in amount of USD 95,613 thousand (31 December 2021: USD 59,832 thousand), corn in amount of USD 8,311 thousand (31 December 2021: USD 31,897 thousand) and soybeans in amount of USD 3,984 thousand (31 December 2021: USD 59,448 thousand).

Inventory is stated at the lower of cost and net realisable value. As at 31 December 2022 inventory write-downs to net realisable value in the amount of USD 2,799 thousand were recognised within cost of sales. No impairment or reversal of write-downs were made as of 31 December 2021.

21. AGRICULTURAL PRODUCE

The balances of agricultural produce were as follows as of 31 December 2022 and 2021:

	THOUSAND TONNES	CARRYING AMOUNT	THOUSAND TONNES	CARRYING AMOUNT
SEGMENT	2022		2021	
Grain	1,050	224,550	1,201	372,343
Chicken meat	70.6	127,908	72.3	128,757
Other various crops		8,967		9,181
Other various meat		2		986
		361,427		**511,267**

The fair value of Agricultural produce was estimated based on market price as of date of harvest and is within Level 2 of the fair value hierarchy.

As of 31 December 2022, agricultural produce in amount of USD 38,260 thousand was pledged as collateral to secure bank borrowings (2021: USD 38,188 thousand).

22. TAXES RECOVERABLE AND PREPAID

Taxes recoverable and prepaid were as follows as of 31 December 2022 and 2021:

	2022	2021
VAT recoverable	68,063	66,915
Miscellaneous taxes prepaid	696	1,236
	68,759	**68,151**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

23. TRADE ACCOUNTS RECEIVABLE

The balances of trade accounts receivable were as follows as of 31 December 2022 and 2021:

	2022	2021
Chicken meat	125,271	124,669
Meat processing and convenience food	18,220	28,153
Sunflower oil sales	29,737	304
Grain	3,133	1,874
Due from related parties (Note 32)	106	113
Other agriculture operations	19,696	16,981
Less: expected credit losses	(13,263)	(15,216)
	182,900	**156,878**

The average credit period on sales of poultry is 30 days and on sales of agricultural goods is 60 days. No interest is charged on outstanding trade accounts receivable. The expected credit losses on trade accounts receivable are estimated on a collective basis using a provision matrix and on individual basis using different scenarios of probability of default.

The provision matrix is used by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Thus, due to the worsening of current economic and political situation in Ukraine as a result of the Russian invasion, and in order to ensure that expected credit losses accurately reflects the credit risk of domestic trade accounts receivable in Ukraine, the credit default swap rate of 9.18%, was incorporated in calculation of expected credit losses as at 31 December 2022.

An individual assessment is used for the individually significant debtors with credit risk characteristics that are not aligned with others.

The Group has recognised a loss allowance of USD 5,387 thousand against all trade accounts receivable over 270 days past due, which are assessed on a collective basis, because historical experience has indicated that these trade accounts receivable are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The Group writes off a trade accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade accounts receivable are over 3 years past due, whichever occurs earlier. None of the trade accounts receivable that have been written off are subject to enforcement activities.

The following table details the risk profile of trade accounts receivable based on the Group's provision matrix. It discloses chicken meat Ukraine, chicken meat export and agricultural Ukraine, agricultural export sales and European operating segment as separate classes of financial instruments and applies the simplified approach to its trade accounts receivable so that the loss allowance is always measured at an amount equal to lifetime expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

23. TRADE ACCOUNTS RECEIVABLE (continued)

The following table illustrates the use of a provision matrix as a risk profile disclosure under the simplified approach as at 31 December 2022:

	TRADE ACCOUNTS RECEIVABLE – DAYS PAST DUE					
31 DECEMBER 2022	NOT PAST DUE	< 30	31-90	91-270	>270	TOTAL
PORTFOLIO ASSESSMENT:						
Chicken meat Ukraine						
ECL rate, %	9.19%	9.26%	9.53%	9.67%	100%	
Estimated total gross carrying amount at default	23,776	2,796	338	65	1,100	28,075
Lifetime ECL	(2,185)	(259)	(32)	(6)	(1,100)	(3,582)
Chicken meat export						
ECL rate, %	0.02%	0.06%	0.18%	0.79%	100%	
Estimated total gross carrying amount at default	34,769	16,076	4,512	632	430	56,419
Lifetime ECL	(7)	(10)	(8)	(5)	(430)	(460)
Agricultural Ukraine						
ECL rate, %	9.25%	9.35%	9.55%	9.74%	100%	
Estimated total gross carrying amount at default	10,776	3,900	1,012	401	3,794	19,883
Lifetime ECL	(997)	(365)	(97)	(39)	(3,794)	(5,292)
Agricultural export						
ECL rate, %	0.00%	0.00%	0.16%	0.50%	100%	
Estimated total gross carrying amount at default	442	32,119	331	251	4	33,147
Lifetime ECL	–	–	(1)	(1)	(4)	(6)
European operating segment						
ECL rate, %	0.01%	0.02%	0.25%	0.47%	100%	
Estimated total gross carrying amount at default	42,910	7,895	1,322	714	59	52,900
Lifetime ECL	(3)	(2)	(3)	(3)	(59)	(70)
Estimated total gross carrying amount at default						**190,424**
Total lifetime ECL						**(9,410)**
INDIVIDUAL ASSESSMENT:						
ECL rate, %	41.82%	43.61%	46.83%	64.03%	77.38%	
Estimated total gross carrying amount at default	165	133	126	3,339	1,976	5,739
Lifetime ECL	(69)	(58)	(59)	(2,138)	(1,529)	(3,853)
Estimated total gross carrying amount at default						**196,163**
Total lifetime ECL						**(13,263)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

23. TRADE ACCOUNTS RECEIVABLE (continued)

The following table illustrates the use of a provision matrix as a risk profile disclosure under the simplified approach as at 31 December 2021:

	TRADE ACCOUNTS RECEIVABLE – DAYS PAST DUE					
31 DECEMBER 2021	NOT PAST DUE	< 30	31-90	91-270	>270	TOTAL
PORTFOLIO ASSESSMENT:						
Chicken meat Ukraine						
ECL rate, %	0.00%	0.01%	0.06%	0.08%	100%	
Estimated total gross carrying amount at default	25,864	3,155	124	34	115	29,292
Lifetime ECL	–	–	–	–	(115)	(115)
Chicken meat export						
ECL rate, %	0.095%	0.22%	0.58%	1.95%	100%	
Estimated total gross carrying amount at default	32,843	14,664	3,690	350	899	52,446
Lifetime ECL	(31)	(32)	(21)	(7)	(899)	(990)
Agricultural Ukraine						
ECL rate, %	0.04%	0.11%	0.24%	0.50%	100%	
Estimated total gross carrying amount at default	18,606	7,604	2,126	913	1,714	30,963
Lifetime ECL	(7)	(8)	(5)	(5)	(1,714)	(1,739)
Agricultural export						
ECL rate, %	0.10%	0.13%	1.66%	13.00%	100%	
Estimated total gross carrying amount at default	163	1,017	187	35	–	1,402
Lifetime ECL	–	(1)	(3)	(5)	–	(9)
European operating segment						
ECL rate, %	0.02%	0.18%	0.47%	4.88%	100%	
Estimated total gross carrying amount at default	36,220	5,099	1,459	199	53	43,030
Lifetime ECL	(7)	(9)	(7)	(10)	(53)	(86)
Estimated total gross carrying amount at default						**157,133**
Total lifetime ECL						**(2,939)**
INDIVIDUAL ASSESSMENT:						
ECL rate, %	34.69%	79.25%	22.4%	24.61%	98.93%	
Estimated total gross carrying amount at default	735	425	1,023	1,593	11,185	14,961
Lifetime ECL	(255)	(337)	(229)	(392)	(11,064)	(12,277)
Estimated total gross carrying amount at default						**172,094**
Total lifetime ECL						**(15,216)**

The following table shows the movement in lifetime ECL that has been recognised for trade and other accounts receivable in accordance with the simplified approach set out in IFRS 9.

	COLLECTIVELY ASSESSED	INDIVIDUALLY ASSESSED
1 January 2021	**(2,535)**	**(11,987)**
Charged during the year	(404)	(290)
31 December 2021	**(2,939)**	**(12,277)**
Charged during the year	(6,795)	(1,716)
Utilised	324	10,140
31 December 2022	**(9,410)**	**(3,853)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

24. OTHER CURRENT FINANCIAL ASSETS

The balances of other current assets were as follows as of 31 December 2022 and 2021:

	2022	2021
Loans provided to third parties	8,429	14,469
Short-term bank deposits	5,901	9
Receivables for claims and indemnification	2,130	2,352
Loans and finance aid provided to related parties (Note 32)	4,223	3,643
Other financial assets	6,038	725
Less: allowance for irrecoverable amounts	(4,624)	(5,042)
	22,097	**16,156**

The Group determines the expected credit loss of loans and finance aid receivable and other financial assets based on different scenarios of probability of default and expected loss applicable to each of the material underlying balances. The expected credit losses relate to loan provided to third parties, loans and finance aid provided to related parties and receivables for claims and indemnification in amounts of USD 2,069 thousand, USD 2,117 thousand and USD 438 thousand respectively (2021: USD 2,521 thousand, USD 2,521 thousand and USD nill thousand respectively).

The movement in allowance for expected credit losses is detailed below:

	2022	2021
1 January	**(5,042)**	**(4,340)**
Charged during the year	418	(702)
31 December	**(4,624)**	**(5,042)**

25. CASH AND CASH EQUIVALENTS

The balances of cash and cash equivalents were as follows as of 31 December 2022 and 2021:

	2022		2021	
	DEPOSIT RATES	USD' 000	DEPOSIT RATES	USD' 000
Cash and cash equivalents at banks and on hand in:				
Ukrainian Hryvnia		23,611		44,535
Euro		87,826		105,416
US Dollars		80,266		91,150
British Pounds		9,677		2,611
Saudi Riyal		6,950		5,887
Other currencies		15,567		14,391
Short-term deposits with an original maturity of less than 90 days:				
Ukrainian Hryvnia	8.00-17.00%	12,661		–
US Dollars	0.04%	46,936		–
Euro	0.05-2.13%	16,971		–
Other currencies	0.00%	24		–
Government bonds:				
Ukrainian Hryvnia		–		11,247
Total cash and equivalents		**300,489**		**275,237**

In accordance with the international rating agency of Moody's, credit ratings of the banks with which the Group had accounts opened as of 31 December 2022 and 2021 were as follows:

	2022	2021
International banks with A rating	217,160	162,941
International banks with B rating	6,911	30,321
Subsidiaries of international banks with A rating	40,109	39,702
Subsidiaries of international banks with B rating	4,870	17,098
Ukrainian banks with B rating	–	9,677
Ukrainian banks with C rating	31,283	
Domestic government bonds (OVDPs) of Ukraine	–	11,247
Other banks without ratings	156	4,251
	300,489	**275,237**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

25. CASH AND CASH EQUIVALENTS (continued)

The impairment loss arising on cash and cash equivalent held in Ukrainian state banks with C rating was immaterial as at 31 December 2022 and 2021.

26. SHAREHOLDERS' EQUITY

Share capital
As of 31 December 2022 and 2021 the authorized, issued and fully paid share capital of MHP SE comprised the following number of shares:

	2022	2021
Number of shares issued and fully paid	110,770,000	110,770,000
Number of shares outstanding	107,038,208	107,038,208

The authorized share capital as of 31 December 2022 and 2021 was EUR 221,540 thousand represented by 110,770,000 shares with par value of EUR 2 each.

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

27. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

	PROPORTION OF OWNERSHIP INTERESTS AND VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS		PROFIT/(LOSS) ALLOCATED TO NON-CONTROLLING INTERESTS		ACCUMULATED NON-CONTROLLING INTERESTS	
NAME OF SUBSIDIARY	2022	2021	2022	2021	2022	2021
MHP-Agro-S	49.0%	49%	2,060	10,427	9,504	11,625
MHP-AgroKryazh	49.0%	49%	(1,786)	5,937	6,566	10,028
Myronivsky Plant of Manufacturing Feeds and Groats	11.5%	11.5%	(2,295)	(625)	4,380	4,944
Other subsidiaries with immaterial non-controlling interests	n/a	n/a	(3,339)	2,088	(2,124)	3,203
	n/a	**n/a**	**(5,360)**	**17,827**	**18,326**	**29,800**

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.
Summarised statement of financial position as of 31 December 2022 and 2021:

	MHP-AGRO-S		MHP-AGROKRYAZH		MYRONIVSKY PLANT OF MANUFACTURING FEEDS AND GROATS	
	2022	2021	2022	2021	2022	2021
Current assets	38,388	55,353	26,380	37,157	68,299	61,762
Non-current assets	21,927	29,137	19,097	22,655	106,467	117,710
Current liabilities	(32,390)	(49,243)	(27,682)	(35,667)	(131,771)	(132,105)
Non-current liabilities	(9,813)	(11,887)	(7,521)	(9,332)	(9,696)	(11,737)
Total equity	**18,112**	**23,360**	**10,274**	**14,813**	**33,299**	**35,630**
Attributable to:						
Owners of the Group	8,608	11,735	3,708	4,785	28,919	30,686
Non-controlling interest	9,504	11,625	6,566	10,028	4,380	4,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

27. NON-CONTROLLING INTERESTS (continued)

Summarised statements of profit or loss and other comprehensive income for the years ended 31 December 2022 and 2021:

	MHP-AGRO-S		MHP-AGROKRYAZH		MYRONIVSKY PLANT OF MANUFACTURING FEEDS AND GROATS	
	2022	2021	2022	2021	2022	2021
Revenue	30,830	39,717	23,472	27,604	110,793	80,144
Expenses	(26,626)	(18,440)	(27,114)	(15,496)	(130,797)	(85,594)
Profit/(loss) for the year	**4,204**	**21,277**	**(3,642)**	**12,108**	**(20,004)**	**(5,450)**
Profit/(loss) attributable to:						
Owners of the Group	2,144	10,850	(1,856)	6,171	(17,709)	(4,825)
Non-controlling interests	2,060	10,427	(1,786)	5,937	(2,295)	(625)
Total profit/(loss)	**4,204**	**21,277**	**(3,642)**	**12,108**	**(20,004)**	**(5,450)**
OCI attributable to:						
Owners of the Group	(1,832)	1,098	(1,744)	1,664	13,353	25,323
Non-controlling interests	(1,760)	1,057	(1,676)	1,598	1,731	3,281
Total OCI	**(3,592)**	**2,155**	**(3,420)**	**3,262**	**15,084**	**28,604**
Comprehensive income attributable to:						
Owners of the Group	312	11,948	(3,600)	7,835	(4,356)	20,498
Non-controlling interests	300	11,484	(3,462)	7,535	(564)	2,656
Total comprehensive income/(loss) for the year	**612**	**23,432**	**(7,062)**	**15,370**	**(4,920)**	**23,154**
Dividends declared to non-controlling interest	**(2,421)**	**(6,425)**	**–**	**(2,196)**	**–**	**–**

Summarised cash inflow/(outflow) for the years ended 31 December 2022 and 2021:

	MHP-AGRO-S		MHP-AGROKRYAZH		MYRONIVSKY PLANT OF MANUFACTURING FEEDS AND GROATS	
	2022	2021	2022	2021	2022	2021
Operating activities	1,203	16,252	(1,436)	8,816	2,695	10,310
Investing activities	(1,799)	(1,850)	(1,262)	(1,052)	(2,714)	(2,602)
Financing activities	(711)	(12,870)	(5)	(4,615)	(4)	(6,072)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

28. BANK BORROWINGS

The following table summarizes bank borrowings and credit lines outstanding as of 31 December 2022 and 2021:

		2022		2021	
	CURRENCY	WAIR [1]	USD' 000	WAIR [1]	USD' 000
NON-CURRENT					
	EUR	EURIBOR[2] + 1.35%	117,719	EURIBOR[2] + 1.23%	103,604
			117,719		**103,604**
CURRENT					
	UAH	20.00%[4]	2,456		–
	USD	SOFR[3] + 2.20%	10,550	SOFR[3] + 2.20%	10,550
	USD	6.06%	56,843	2.00%	99,536
	EUR	EURIBOR[2] + 2,3%	25,564		–
	EUR	4.32%	56,802		–
Current portion of long-term bank borrowings	EUR	EURIBOR[2] + 1.35%	23,897	EURIBOR[2] + 1.23%	11,372
			176,112		**121,458**
Total bank borrowings			**293,831**		**225,062**

[1] WAIR represents the weighted average interest rate on outstanding borrowings.
[2] According to the agreements terms, if market EURIBOR becomes negative, it shall be deemed to be zero for calculation of interest expense.
[3] The Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.
[4] Deduction interest amount equal to 3m UIRD+5% p.a. will be applied as interest compensation from Government, where Ukrainian Index of Retail Deposit Rates (UIRD) - indicative rate calculated at 15:00 Kyiv time of each Banking Day in the Thomson Reuters system based on nominal rates on time deposits of individuals in hryvnia for a period of 3 months with interest paid upon the expiration of the deposit agreement, operating in 20 largest Ukrainian banks in the size of the deposit portfolio of individuals. As of 31 December 2022 3m UIRD rate is equal 11.18% p.a.

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

As of 31 December 2022 and 31 December 2021, the Group's bank term loans and credit lines bear floating and fixed interest rates.

Term loans and credit line facilities were as follows as of 31 December 2022 and 2021:

	2022	2021
Credit lines	152,215	110,086
Term loans	141,616	114,976
	293,831	**225,062**

Bank borrowings and credit lines outstanding as of 31 December 2022 and 2021 were repayable as follows:

	2022	2021
Within one year	176,112	121,458
In the second year	27,170	13,233
In the third to fifth year inclusive	84,041	76,456
After five years	6,508	13,915
	293,831	**225,062**

As of 31 December 2022, the Group had available undrawn facilities of USD 36,819 thousand (2021: USD 255,970 thousand). These undrawn facilities expire during the period ending July 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

28. BANK BORROWINGS (continued)

The Group, as well as particular subsidiaries of the Group, have to comply with the following maintenance covenants imposed by the banks providing the loans: EBITDA to interest expenses ratio, current ratio and liabilities to equity ratio. Separately, in case of excess of Net Debt to EBITDA ratio (the Group's leverage ratio), there are negative covenants in respect of restricted payments, comprising dividends, capital expenditures, additional indebtedness and restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates.

As of 31 December 2022 the Group has complied with all bank covenants. As at 31 December 2022, the Group's leverage ratio increased to 3.22 to 1, compared with 1.90 to 1 as at 31 December 2021, leading to the certain restrictions as stated in Note 29.

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

As of 31 December 2022, the Group had borrowings of USD 109,258 thousand that were secured by property, plant and equipment with a collateral amount of USD 100,789 thousand (31 December 2021: USD 75,084 thousand and USD 91,931 thousand respectively) (Note 14).

As of 31 December 2022, the Group had borrowings of USD 30,608 thousand that were secured by agricultural produce with a carrying amount of USD 38,260 thousand (31 December 2021: USD 30,550 thousand and USD 38,188 thousand respectively) (Note 21).

As of 31 December 2022, the deposit with carrying amount of USD 23,137 thousand (31 December 2021: USD 2,555 thousand) was restricted as collateral to secure issued letters of credit.

As of 31 December 2022 and 31 December 2021, interest payable on bank borrowings was USD 774 thousand and USD 423 thousand, respectively.

Prolongation of bank borrowings

During the year ended 31 December 2022, the Group agreed with its bank lenders a general postponement of debt servicing in respect of bank borrowings in the total amount of USD 137,000 thousand. This agreement was made in order to comply with the restrictions on debt servicing as established by the consent solicitation obtained from the bondholders (as described in Note 29). In particular, during the 270-day support period for semi-annual interest payments on 2024 Notes, the 2026 Notes and the 2029 Notes agreed on 30 March 2022 the Group is committed to pay not more than USD 12.5 million in the aggregate in satisfaction of any debt service payments in respect of any indebtedness of the Group, excluding any interest payment in respect of any of the 2024 Notes, the 2026 Notes and the 2029 Notes and the repayment of Indebtedness with the net proceeds of Permitted Refinancing Indebtedness. During the year ended 31 December 2022, the Group signed legally-binding agreements for the above-mentioned bank borrowings to comply with consent solicitation requirements.

29. BONDS ISSUED

Bonds issued and outstanding as of 31 December 2022 and 2021 were as follows:

	CARRYING AMOUNT		NOMINAL AMOUNT	
SEGMENT	31 DECEMBER 2022	31 DECEMBER 2021	31 DECEMBER 2022	31 DECEMBER 2021
7.75% Senior Notes due in 2024	494,416	490,851	500,000	500,000
6.95% Senior Notes due in 2026	540,707	538,346	550,000	550,000
6.25% Senior Notes due in 2029	347,858	347,623	350,000	350,000
Unamortized debt issuance cost	–	–	(17,019)	(23,180)
Total bonds issued	**1,382,981**	**1,376,820**	**1,382,981**	**1,376,820**

As of 31 December 2022 and 2021 accrued interest on bonds issued was USD 41,112 thousand and USD 20,757 thousand, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

29. BONDS ISSUED (continued)

6.25% Senior Notes

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

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

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

6.95% Senior Notes

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

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

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

7.75% Senior Notes

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

29. BONDS ISSUED (continued)

***7.75% Senior Notes** (continued)*

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

Covenants

Certain restrictions under the indebtedness agreements (e.g. incurrence of additional indebtedness, restricted payments as defined above, dividends payment) are dependent on the leverage ratio of the Group calculated as Net Debt to EBITDA. Once the leverage ratio exceeds 3.0 to 1, it is not permitted for the Group to make certain restricted payments, declare dividends exceeding USD 30 million in any financial year, or incur additional debt except that 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). As at 31 December 2022 the leverage ratio of the Group is 3.22 to 1 (31 December 2021: 1.90 to 1), higher than the defined limit 3.0 to 1. The Group has tested all the transactions that occurred prior to publication of these financial statements and has complied with all the covenants defined by the indebtedness agreement during the reporting periods ended 31 December 2022 and 31 December 2021.

Consent solicitation

On 30 March 2022, the Group received consent from Holders to postpone the semi-annual interest payments on each of the 2024 Notes, the 2026 Notes and the 2029 Notes scheduled for Spring 2022 for a period up to 270 days (the “Support Period”). As a result, the Group postponed bonds` interest payments for a total amount of USD 49,425 thousand, and postponed interest payments continued to accrue during the Support Period. As of 31 December 2022 two deferred semi-annual interest amounts of the 2026 Notes and the 2029 Notes in a cumulative amount of USD 31,559 thousand were paid by Group on time. The last deferred coupon payment due in February 2023 in the amount of USD 20,501 thousand was paid on time after the reporting date.

As defined by the Consent Solicitation Memorandum, the Group subject to the following restrictions during the Support Period:

- the Company and its Restricted Subsidiaries shall not be able to incur Indebtedness pursuant to the ratio-based permission for the Incurrence of Indebtedness;
- the “general basket” for the incurrence of Permitted Debt shall be reduced to USD 10 million in aggregate principal amount;
- the Company and its Restricted Subsidiaries will be prohibited from incurring new Liens on existing Indebtedness for borrowed money, other than Permitted Refinancing Indebtedness relating to existing secured Indebtedness;
- the Company and its Restricted Subsidiaries will be prohibited from making Restricted Payments other than payments constituting Permitted Investments;
- the Permitted Investments “general basket” shall not be available;
- the threshold at which an Affiliate Transaction must be approved by a majority of the disinterested members of the Board of Directors shall be reduced to USD 1 million;
- the Group is committed to paying no more than USD 12.5 million in the aggregate in satisfaction of any debt service payments in respect of any Indebtedness of the Group, excluding any interest payment in respect of any of the 2024 Notes, the 2026 Notes and the 2029 Notes during the Support Period;
- within 25 days of each calendar month end, the Company will provide a trading update detailing operational data relating to the Group’s business segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

30. LEASE LIABILITIES

Long-term lease obligations represent amounts due under agreements for the leasing of agricultural land, trucks, agricultural machinery and equipment. As of 31 December 2022, the weighted average interest rates on lease obligations were 3.57% (2021: 3.21%) and 18.55% (2021: 17.60%) for lease obligations denominated in EUR and UAH respectively.

Amount of depreciation charge for right-of-use assets and additions to right-of-use assets for the year ended 31 December 2022 was USD 38,290 thousand and USD 21,862 respectively (2021: USD 44,175 thousand and USD 31,152 thousand).

The carrying amount of lease liabilities as at 31 December 2022 includes USD 204,864 thousand of land lease liabilities (2021: USD 254,036 thousand).

The following are maturity analyses of lease payments under the lease agreements as of 31 December 2022 and 2021:

	2022	2021
As at 1 January	**281,250**	**198,499**
Cash repayments of lease liabilities	(52,209)	(66,254)
Foreign exchange movements	1,604	(778)
Non-cash additions and change in terms	43,584	109,834
Non-cash repayments of lease liabilities[1]	(9,013)	(10,793)
Interest charged	38,859	45,398
Translation difference	(74,752)	5,344
As at 31 December	**229,323**	**281,250**
Current portion of lease liabilities	65,252	77,111
Long-term portion of lease liabilities	164,071	204,139

[1] Non-cash repayments are represented by grains and other agriculture produce provided to lessors of land as settlement of lease liabilities.

31. OTHER CURRENT LIABILITIES

Other current liabilities were as follows as of 31 December 2022 and 2021:

	2022	2021
Accrued payroll and related taxes	67,139	65,804
Amounts payable for property, plant and equipment	13,258	14,194
VAT paybable	5,063	3,215
Provision for claims, penalties and indemnification	2,494	1,042
Other financial liabilities	7,839	9,034
	95,793	**93,289**

32. RELATED PARTY BALANCES AND TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related if one party controls, is controlled by, or is under common control with the other party, or exercises significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties.

Transactions with related parties under common control

The Group, in the ordinary course of business, enters into transactions with related parties that are companies under common control of the Principal Shareholder of the Group (Note 1) for the purchase and sale of goods and services and in relation to the provision of financing arrangements. Terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction. The terms of the payables and receivables related to trading activities of the Group do not vary significantly from the terms of similar transactions with third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

32. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Transactions with related parties under common control *(continued)*

Transactions with related parties during the years ended 31 December 2022 and 2021 were as follows:

	2022	2021
Loans and finance aid provided to related parties	1,096	3,694
Loans and finance aid repaid by related parties	–	71,000
Interest charged on loans and financial aid repaid	–	7,849
Interest charged on loans and finance aid provided	293	5,014
Sales of goods	36	–
Purchases from related parties	410	398
Key management personnel of the Group:		
Loans provided	720	1,024
Loans repaid	867	766

The balances owed to and due from related parties were as follows as of 31 December 2022 and 2021:

	2022	2021
Loans and finance aid receivable	3,601	2,971
Less: expected credit losses	(2,117)	(2,521)
	1,484	**450**
Loans to key management personnel	3,656	4,774
Less: expected credit losses	(276)	(397)
	3,380	**4 377**
Trade accounts receivable (Note 23)	106	113
Payables due to related parties	21	25

Loans and finance aid receivable
For loans and finance aid receivable, credit risk increased to the point where it is considered credit-impaired. The expected credit loss for such loans amounted to USD 1,882 thousand and USD 2,482 thousand as at 31 December 2022 and 2021 respectively.

Compensation of key management personnel
Key management personnel totalled 20 individuals as of 31 December 2022 (31 December 2021: 22 individuals), including 3 independent non-executive directors as of 31 December 2022 and 2021.

Total compensation of the Group's key management personnel included primarily in selling, general and administrative expenses in the Consolidated Statements of Profit and Loss and Other Comprehensive Income amounted to USD 15,341 thousand and USD 16,886 thousand for the years ended 31 December 2022 and 2021, respectively. Compensation of key management personnel consists of contractual salary, compensations and performance bonuses.

Total compensation of the Group's non-executive directors, which consists of contractual salary, amounted to USD 597 thousand and USD 696 thousand in 2022 and 2021, respectively.

Total compensation of the Group's Executive Chairman, which consists of contractual salary, amounted to USD 571 thousand in 2022 (2021: USD 643 thousand).

Loans to key management personnel
The Group has provided several of its key management personnel with unsecured loans. The loans to key management personnel provided during 2022 and 2021 mainly include loans provided by the Ukraininan subsidiaries to the Group's executive directors which amounted to USD 720 thousand and USD 1,024 thousand, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

33. OPERATING ENVIRONMENT

On 24 February 2022, Russian forces commenced a military invasion of Ukraine resulting in a full-scale war across the Ukrainian State. The ongoing military attack has led, and continues to lead, to significant casualties, dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine. Sea ports and airports remain closed and some have been damaged, and many roads and bridges have been damaged or destroyed, further crippling transportation and logistics. Economic activity started to recover due to the liberation of northern regions and a decrease in the number of regions affected by active hostilities. Thanks to the rapid adaptation by businesses and households to the new conditions and improved results of in the second half of 2022, the decline in real GDP for the whole 2022 is estimated at 30.3%. According to the National Bank of Ukraine's (hereafter "NBU") most recent forecast, the NBU expects growth in real GDP to be weak in 2023 at 0.3%, increasing in 2024 to 4.1%, an accelerating in 2025 to 6.4%, however, the outlook could worsen sharply if the conflict lasts longer.

The War caused a disruption of supply chains, a decrease in supply of some goods, higher business costs, physical destruction of production facilities and infrastructure (in the energy sector in particular), and temporary occupation of some territories. Persistently high energy prices and record-high inflation in partner countries also fueled price pressures in Ukraine. Inflation expectations of businesses and households increased markedly. This was reflected in deteriorating maturity structure of bank deposits and higher spending on some durable goods, primarily imported goods. In the second half of 2022 inflation has stabilized, although it remains high at 26.6% as of the end of 2022; according to the NBU recent forecast it will decrease to 18.7% in 2023.

After months of Russia's blockade of Ukrainian sea ports, the "Grain deal" was signed by Ukraine, UN, Turkey and Russia on 22 July 2022, that allowed the movement of cargo ships carrying grain in the Black Sea. The document spells out a complex regime that establishes safe channels through the Black Sea and inspections in Turkey. As of March 2023, 24.7 million tonnes of agricultural produce have already been exported through the "grain corridor", and overall 44.4 million tonnes of agricultural produce have been exported from Ukraine during the 11 months of war (including 9.9 million tonnes of wheat and 18.2 million tonnes of corn).

The economic consequences are already very serious, the situation remains highly fluid and the outlook is subject to extraordinary uncertainty.

The Government has implemented 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.

International organizations (IMF, EBRD, EU, World Bank), along with individual countries and charities, are providing Ukraine with financing, donations and material support. In 2022, Ukraine received over USD 32 billion in international assistance, of which over USD 14 billion was in the form of grants. This enabled the country to finance a larger portion of the consolidated budget deficit (over 27% of GDP, excluding grants), and to increase international reserves, to USD 28.5 billion by the end of the year. With already announced international aid the overall official financing in 2023 could exceed USD 38 billion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

33. OPERATING ENVIRONMENT (continued)

In June 2022, the NBU established the key policy rate at 25% p.a. compared with its previous level of 10% p.a. The updated forecast envisages maintaining this unchanged at least until Q1 2024. The exchange rate remained fixed at UAH 29.25 to the US Dollar until 21 July, when it was increased to 36.57 by the NBU. The NBU has said that a fixed exchange rate remains an anchor for ensuring financial stability so the tight monetary conditions will be maintained. Once the economy and financial system return to normal operation, the NBU will revert to its traditional format of inflation targeting with a floating exchange rate.

In Q1 2022 the Government imposed export licensing of key foodstuffs including wheat, corn, poultry meat, and sunflower oil. The export licensing for corn and sunflower oil was cancelled later in Q1 2022, and wheat in Q3 2022.

Since 24 February 2022, the Group has suffered significant losses as a result of the continuous war in Ukraine. The Group considers the following expenses incurred during the year 2022 to be directly related to the war:

	2022
Loss on impairment of property, plant and equipment	11,114
Community support donations[1]	17,924
Write-off of inventories and biological assets[1]	9,940
Salary to mobilized employees[2]	12,653
Expected credit losses of trade accounts receivable and non-current financial assets[1]	24,815
Other war-related expenses[1]	3,435
Total amount recognized in profit or loss	**79,881**
Decrease in revaluation reserve	9,489
	89,370

[1] These expenses are presented within other operating expenses in the consolidated statement of profit or loss and other comprehensive income
[2] These expenses are presented within cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income

The Group, working with volunteers, has been providing humanitarian aid (mainly through food supply) to the people of Ukraine since the beginning of the war, despite logistical challenges. Since the invasion began, MHP has provided over 12,000 tonnes of poultry products pro bono.

34. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Taxation and legal issues

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

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

The Group exports vegetable oil, chicken meat and related products, and performs intercompany transactions which may potentially be in the scope of the Ukrainian transfer pricing ("TP") regulations. The Group has submitted the controlled transaction report for the years ended 31 December 2020 and 31 December 2021 within the required deadlines.

As of 31 December 2022, the Group's management assessed its possible exposure to tax risks for a total amount of USD 4,428 thousand related to corporate income tax (31 December 2021: USD 5,658 thousand). No provision was recognised relating to such possible tax exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

34. CONTINGENCIES AND CONTRACTUAL COMMITMENTS (continued)

Taxation and legal issues *(continued)*
Also, as of 31 December 2022, companies of the Group were engaged in ongoing litigation with tax authorities for the amount of USD 25,652 thousand (2021: USD 73,147 thousand), including USD 17,023 thousand (2021: USD 59,670 thousand) of litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. Of this amount, USD 20,332 thousand as of 31 December 2022 (2021: USD 48,912 thousand) relates to cases where court hearings have taken place and where the court in either the first or second instance has ruled in favour of the Group. Management believes that, based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and, therefore, no respective provision is required in the Group's financial statements as of the reporting date.

Contractual commitments on purchase of property, plant and equipment
During the years ended 31 December 2022 and 2021, the companies of the Group entered into a number of contracts with foreign suppliers for the purchase of property, plant and equipment for development of agricultural operations. As of 31 December 2022, purchase commitments amounted to USD 33,022 thousand (2021: USD 30,952 thousand).

35. DIVIDENDS

In view of the uncertainties created by the Russian invasion, the Directors have decided not to declare final dividends for 2021 and 2022 financial years.

At the extraordinary general meeting held on 28 April 2021, the Shareholders of MHP SE approved payment of an annual dividend from profits of 2020 of USD 0.2803 per share, equivalent to USD 30,000 thousand. At the meeting on 17 November 2021, in recognition of the Company`s exceptional performance in 2021, the Board of Directors approved the payment of a one-off special dividend of USD 0.2803 per share, equivalent to USD 30,000 thousand. As at 31 December 2021 dividends were fully paid to shareholders.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair value measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value is estimated to be the same as the carrying value for cash and cash equivalents, short-term bank deposits, trade accounts receivables, other current assets and trade accounts payable due to the short-term nature of the financial instruments.

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

	CARRYING AMOUNT		FAIR VALUE	
	2022	2021	2022	2021
FINANCIAL LIABILITIES				
Bank borrowings (Note 28)	294,605	225,485	296,294	225,574
Senior Notes due in 2024, 2026, 2029 (Note 29)	1,424,093	1,397,577	692,616	1,389,024

The fair value of bank borrowings was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 3.4% (31 December 2021: 1.8%), and is within Level 2 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

In determining fair value of financial instruments, the impact of potential climate-related matters, including legislation, climate change, and company climate objectives which may affect the fair value measurement of financial assets and liabilities has been considered. At present, the impact of climate-related matters is not material to the Group's financial statements.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	BANK BORROWINGS	BONDS ISSUED	LEASE OBLIGATIONS	TOTAL
As of 31 December 2021	**225,062**	**1,376,820**	**281,250**	**1,883,132**
Cash flow from proceeds/(repayments)	72,151	–	(52,209)	19,942
Non-cash movements				
Foreign exchange movements	47,026	–	1,604	48,630
Non-cash additions and change in terms	–	–	43,584	43,584
Non-cash repayments of lease liabilities[1)]	–	–	(9,013)	(9,013)
Acquisition of subsidiaries	–	–	–	–
Finance costs	7,172	113,447	38,859	159,478
Reclassification to interest payable	(6,754)	(105,924)	–	(112,678)
Translation difference	(50,826)	(1,362)	(74,752)	(126,940)
As of 31 December 2022	**293,831**	**1,382,981**	**229,323**	**1,906,135**

[1)] Non-cash repayments are represented by grains and other agriculture produce provided to lessors of land as settlement of lease liabilities.

	BANK BORROWINGS	BONDS ISSUED	LEASE OBLIGATIONS	TOTAL
As of 31 December 2020	**104,396**	**1,370,999**	**198,499**	**1,673,894**
Cash flow from proceeds/(repayments)	120,054	–	(66,254)	53,800
Non-cash movements				
Foreign exchange movements	414	–	(778)	(364)
Non-cash additions and change in terms	–	–	109,834	109,834
Non-cash repayments of lease liabilities[1)]	–	–	(10,793)	(10,793)
Acquisition of subsidiaries	595	–	–	595
Finance costs	2,741	106,730	45,398	154,869
Reclassification to interest payable	(2,227)	(100,909)	–	(103,136)
Translation difference	(911)	–	5,344	4,433
As of 31 December 2021	**225,062**	**1,376,820**	**281,250**	**1,883,132**

[1)] Non-cash repayments are represented by grains and other agriculture produce provided to lessors of land as settlement of lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

37. RISK MANAGEMENT POLICIES

During the years ended 31 December 2022 and 2021 there were no material changes to the objectives, policies and processes for managing credit risk, capital risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk and commodity price and procurement risk.

Capital management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holders through maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position. The management of the Group reviews its capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through new share issues and through the issue of new debt or the redemption of existing debt.

In addition to the target ratios of the covenants established under the terms of the bonds issued and bank borrowings (Notes 28 and 29), the Group's target is to achieve a gearing ratio of not higher than 2.5. The Group defines its gearing ratio as the proportion of total liabilities to total equity.

As of 31 December 2022 and 2021 the gearing ratio was as follows:

	2022	2021
Total Liabilities	2,363,005	2,309,591
Total Equity	1,445,697	1,794,188
Total Liabilities to Equity	1.63	1.29

Major categories of assets and liabilities considered by the Group from a risk management perspective

	2022	2021
ASSETS:		
Cash and cash equivalents (Note 25)	300,489	275,237
Trade accounts receivable (Note 23)	182,900	156,878
Other current financial assets (Note 24)	22,097	16,156
Non-current financial assets (Note 18)	7,813	28,764
Long-term bank deposits	3,105	9,904
	516,404	**486,939**
LIABILITIES:		
Bonds issued (Note 29)	1,382,981	1,376,820
Lease liabilities (Note 30)	229,323	281,250
Trade accounts payable	122,576	162,641
Bank borrowings (Note 28)	293,831	225,062
Accrued payroll and related taxes (Note 31)	67,139	65,804
Interest payable (Note 28, 29)	41,886	21,180
Amounts payable for property, plant and equipment (Note 31)	13,258	14,194
Provision for claims, penalties and indemnification (Note 31)	2,494	1,042
VAT payable (Note 31)	5,063	3,215
Other financial liabilities (Note 31)	7,839	9,034
	2,166,390	**2,160,242**

The main risks inherent to the Group's operations are those related to credit risk, liquidity risk, currency risk, interest rate and commodity price risk.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. The carrying amount of financial assets disclosed in the table "Major categories of assets and liabilities considered by the Group from a risk management perspective" represent the maximum credit exposure.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one customer or group of customers. The approved credit period for major groups of customers, which include franchisees, distributors and supermarkets, is set up to 30 days.

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. Management assesses amounts receivable from customers for recoverability starting from 30 and 60 days for receivables on sales of poultry meat and receivables on other sales, respectively. As of 31 December 2022, about 7% (2021: 17%) of trade accounts receivable comprise amounts due from 12 large supermarket chains, which have the shortest contractual receivable settlement period among customers.

The credit risk on liquid funds is limited because the almost the all counterparties are banks with high credit-ratings assigned by international credit-rating agencies; a relatively small portion of cash is held in Ukrainian state banks on current accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

37. RISK MANAGEMENT POLICIES (continued)

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows as of 31 December 2022 and 2021. The amounts in the table may not be equal to the statement of financial position carrying amounts since the table includes all cash outflows on an undiscounted basis.

	CARRYING AMOUNT	CONTRACTUAL AMOUNTS	LESS THAN 1 YEAR	FROM 2ND TO 5TH YEAR	AFTER 5TH YEAR
Year ended 31 December 2022					
Bank borrowings	294,605	309,690	182,794	120,227	6,669
Bonds issued	1,424,093	1,765,539	119,351	1,252,438	393,750
Lease liabilities	229,323	439,320	65,067	192,698	181,555
Trade accounts payable	122,576	122,576	122,576	–	–
Other current liabilities	95,793	95,793	95,793	–	–
Total	**2,166,390**	**2,732,918**	**585,581**	**1,565,363**	**581,974**
Year ended 31 December 2021					
Bank borrowings	225,485	229,766	123,615	92,188	13,963
Bonds issued	1,397,577	1,843,888	98,850	1,329,413	415,625
Lease liabilities	281,250	529,679	77,954	233,731	217,993
Trade accounts payable	162,641	162,641	162,641	–	–
Other current liabilities	93,289	93,289	93,289	–	–
Total	**2,160,242**	**2,859,263**	**556,349**	**1,655,332**	**647,581**

The Group's target is to maintain its current ratio, defined as the proportion of current assets to current liabilities, at the level of not less than 1.2. As of 31 December 2022 and 2021, the current ratio was as follows:

	2022	2021
Current assets	1,556,060	1,654,939
Current liabilities	532,564	529,263
	2.92	**3.13**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, but Management sets limits on the level of exposure to foreign currency fluctuations in order to manage currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

37. RISK MANAGEMENT POLICIES (continued)

Currency risk *(continued)*
The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December were as follows:

	2022		2021	
	USD	EUR	USD	EUR
Assets	177,509	116,847	140,705	41,883
Liabilties[1]	1,498,217	136,207	1,513,825	42,395
Net liabilities	**1,320,708**	**19,360**	**1,373,120**	**512**

[1] *Currency denominated liabilities consist mostly of bonds issued and bank borrowings.*

The table below illustrates the Group's sensitivity to a change in the exchange rate of the Ukrainian Hryvnia against the US Dollar and Euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for possible change in foreign currency rates.

	CHANGE IN FOREIGN CURRENCY EXCHANGE RATES	EFFECT ON PROFIT BEFORE TAX, GAIN/(LOSS)
2022		
Increase in USD exchange rate	20%	(264,142)
Increase in EUR exchange rate	20%	(3,872)
Decrease in USD exchange rate	2%	26,414
Decrease in EUR exchange rate	2%	387
2021		
Increase in USD exchange rate	15%	(205,968)
Increase in EUR exchange rate	15%	(77)
Decrease in USD exchange rate	15%	205,968
Decrease in EUR exchange rate	15%	77

During the year ended 31 December 2022 the Ukrainian Hryvnia depreciated against the EUR and USD by 20.61% and 25.41% respectively (2021: appreciated against the EUR by 12.34% and 3.65% against the USD). As a result, during the year ended 31 December 2022 the Group recognised net foreign exchange losses in the amount of USD 365,018 thousand (2021: foreign exchange gains in the amount of USD 40,466 thousand) and cumulative translation loss of USD 297,493 thousand (2021: USD 2,931 thousand) in the consolidated statement of profit or loss and other comprehensive income.

The currency risk is mitigated by the existence of USD-denominated proceeds from sales of sunflower oil, grain and chicken meat, which are sufficient for servicing the Group's foreign currency denominated liabilities and were as follows during the years, ended 31 December 2022 and 2021:

	2022	2021
Chicken meat and related products	986,857	769,563
Vegetable oil and related products	448,747	290,230
Grain	121,706	140,072
Other agricultural segment products	43,861	65,564
	1,601,171	**1,265,429**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

37. RISK MANAGEMENT POLICIES (continued)

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect primarily borrowings by changing future cash flows. For variable rate borrowings, interest is linked to SOFR or EURIBOR.

The below table illustrates the Group's sensitivity to increases or decreases of interest rates by 1%. The analysis was applied to interest bearing liabilities (bank borrowings and lease obligations) based on the assumption that the amount of liability outstanding as of the reporting date was outstanding for the whole year.

	INCREASE/ (DECREASE) OF FLOATING RATE	EFFECT ON PROFIT BEFORE TAX, GAIN/(LOSS)
2022		
SOFR	1%	(106)
SOFR	-1%	106
EURIBOR	1%	(1,799)
EURIBOR	-1%	1,799
2021		
SOFR	1%	(106)
SOFR	-1%	106
EURIBOR	1%	(1,200)
EURIBOR	-1%	969

The effect of interest rate sensitivity on shareholders' equity is equal to that on consolidated statement of profit or loss.

Livestock diseases risk
The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk. Management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

Commodity price and procurement risk
Commodity price risk arises from the risk of an adverse effect on current or future earnings from fluctuations in the prices of commodities. To mitigate this risk the Group continues expansion of its grain growing segment, as part of its vertical integration strategy, and also accumulates sufficient commodity stock to meet its production needs.

38. PENSIONS AND RETIREMENT PLANS

The employees of the Group receive pension benefits from the government in accordance with the laws and regulations of respective jurisdictions.

The Group's contributions to the State Pension Fund for the year ended 31 December 2022 were USD 64,089 thousand and are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on an accrual basis (2021: USD 58,458 thousand). The Ukrainian companies of the Group are not liable for any other supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

In accordance with the legislative regulations, collective contract, and internal rules, the companies of the European Operating Segment are committed to the payment of loyalty bonuses to employees and severance payments upon their retirement for which long-term provisions are made. Provisions are recognized in other operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and in other non-current liabilities in the Statement of Financial Position.

The balances of provisions for employee benefits are presented within other non-current liabilities and were as follows as of 31 December 2022 and 2021:

	2022	2021
Provisions for severance payments	3,846	4,731
Provisions for loyalty bonuses	919	1,182
	4,765	**5,913**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of US dollars, unless otherwise indicated)

38. PENSIONS AND RETIREMENT PLANS (continued)

The following table represents movements in provisions for employee benefits for the years ended 31 December 2022 and 2021:

	PROVISIONS FOR SEVERANCE PAYMENTS	PROVISIONS FOR LOYALTY BONUSES	TOTAL
31 December 2020	**4,932**	**1,328**	**6,260**
Formation	272	49	321
Expenditure	(85)	(95)	(180)
Translation Differences	(388)	(100)	(488)
31 December 2021	**4,731**	**1,182**	**5,913**
Formation	361	67	428
Expenditure	(952)	(257)	(1,209)
Translation Differences	(294)	(73)	(367)
31 December 2022	**3,846**	**919**	**4,765**

39. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

FROM CONTINUED OPERATIONS	2022	2021
Loss/(profit) for the year attributable to equity holders of the Parent	(225,577)	378,968
(Loss)/earnings used in calculation of earnings per share	**(225,577)**	**378,968**
Weighted average number of shares outstanding	107,038,208	107,038,208
Basic and diluted (loss)/earnings per share (USD per share)	**(2.11)**	**3.54**

The Group has neither potentially dilutive ordinary shares nor other dilutive instruments; therefore, the diluted earnings per share equal basic earnings per share. The denominators used are the same as those detailed above for both basic and diluted earnings per share from discontinued operations presented in Note 3.

40. SUBSEQUENT EVENTS

Facility agreement with the European Bank for Reconstruction and Development

In February 2023, the Group entered into a facility agreement with the European Bank for Reconstruction and Development (EBRD) in the amount of USD 100 million (EBRD of USD 90 million and other lender of USD 10 million). The loan is for the purpose of financing of needs of the Group's Poultry and related operations segment. This is a seasonal loan, secured by sunflower seeds and oil stocks with maturity in August 2023 and will be used to finance the purchase of sunflower seeds and other operational expenses associated with production of sunflower oil and related products. The loan agreement includes a number of covenants and other terms and conditions, including a requirement that the Group maintain certain financial ratios in-line with Bonds. The Group has tested this transaction and concluded on its compliance with the covenants as stated in Note 29, defining this new indebtedness as permitted debt.

41. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Board of Directors of MHP SE on 11 April 2023.

SHAREHOLDER INFORMATION

KEY CONTACTS & ADVISORS

Company Registered Office
16–18 Zinas Kanther Street,
Ayia Triada,
3035 Limassol,
Cyprus

Company Office
EB 1, Nicolaides Sea View City Block AB,
3–7 Archbishop Makarios III Avenue,
6017 Larnaca,
Cyprus

Registrar
Citigroup Global Markets Deutschland AG
Reuterweg 16 60323 Frankfurt
Germany

Auditor
Ernst & Young Cyprus Limited,
Jean Nouvel Tower,
6 Stasinou Avenue,
1511 Nicosia,
Cyprus

Website
Shareholders are encouraged to visit our websites to obtain information on the Company, including its history, reports, news and press information:
- www.mhp.ua
- www.mhp.com.cy

ANASTASIYA SOBOTYUK

Director of Investor Relations and International Communications

Email: a.sobotyuk@mhp.com.ua
+38 050 339 29 99
+38 641 30 72 65
+357 99 76 71 26

FINANCIAL CALENDAR

MHP's financial calendar can be found here:
www.mhp.ua/en/mhp-se/financial-calendar

The calendar is updated to show relevant events and dates.

GLOSSARY OF TERMS

AGM	Annual general meeting
AI	Avian Influenza
AI	Artificial Intelligence
AMCU	Anti-Monopoly Committee of Ukraine
ARC	Audit & Risk Committee
B2B	Business-to-Business
B2C	Business-to-Customer
BRCGS	Organisation that harmonises food safety standards across the supply chain. Also known as BRC Global Standard
Broiler	A young chicken raised for meat
CAPEX	Capital expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CIS	Commonwealth of Independent States
Company	MHP SE
COP 26	The 2021 United Nations climate change conference
COSO	Committee of Sponsoring Organisations
CO2	Carbon Dioxide
CO2e	Carbon Dioxide Equivalent
Covid-19	Coronavirus Disease 2019
CSR	Corporate Social Responsibility
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBRD	European Bank for Reconstruction and Development
EGM	Extraordinary general meeting
EOS	European Operating Segment
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
EU	European Union
EUR	Euro
FOB	Free On Board
Fodder	Food for livestock
FX	Foreign Exchange
GDP	Gross Domestic Product
GFSI	Global Food Safety Initiative
GDR	Global depositary receipt
GMO	Genetically Modified Organisms
GMP	Good management practices
Greenfield	Relating to previously undeveloped sites
GRI	Global Reporting Initiative
Group	MHP SE and its subsidiaries
Grow-out	The period during which the broilers are raised
GWP	Global warming potential
HoReCa	HOtel, REtail and CAfe
Ha	Hectares
HR	Human resources
IAS	International Accounting Standards
IDP	Internally Displaced Persons
IEA	International Energy Agency
IFC	International Finance Corporation
IFI	International financial institution
IFRS	International Financial Reporting Standards
IGR&PA	International Government Relations & Public Affairs Committee, now known as the Sustainability and International Affairs Committee
IR	Investor relations
JV	Joint venture
Kg	Kilogram
KPIs	Key performance indicators
KSA	Kingdom of Saudi Arabia
LHS	Left Hand Scale
LTM	Last twelve months
M&A	Mergers and acquisitions
MENA	Middle East and North Africa region
MW	Megawatt
NBU	National Bank of Ukraine
NED	Non-executive director
NGO	Non-governmental organisation
NRC	Nominations and Remuneration Committee
OECD	Organisation for Economic Co-operation and Development
PP	Perutnina Ptuj, acquired during 2019
PPE	Personal Protective Equipment
pps	Percentage Points
RTC	Ready-to-cook
RTE	Ready-to-eat
R&D	Research and development
RHS	Right Hand Scale
UN SDGs	United Nations Sustainable Development Goals
SE	Societas Europaea
SI	Sustainability and International Affairs Committee, formerly known as the International Government Relations & Public Affairs Committee
SKU	Stock keeping unit, or distinct type of item for sale
SPOT	A contract for immediate settlement on the spot date
TCFD	Task Force on Climate-Related Financial Disclosures
TJ	Terajoule, a measurement of energy
UAE	United Arab Emirates
UAH	Ukrainian Hryvnia
UK	United Kingdom
UNIC	Ukrainian Network of Integrity and Compliance
US	United States
US$/USD	United States Dollar
y/y	Year-on-year
VAT	Value-added tax