
EXPLANATORY BOARD REPORT

prepared in accordance with article 101-4 of the Luxembourg law of August 10, 1915 on commercial companies and article 8 (§3) of the Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (SE)

The board of directors (the "Board") of:

MHP SE, a European company (or *Societas Europae*), having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg *Registre de Commerce et des Sociétés* under number B 116.838 (the “**Company**”),

hereby sets out the reasons for and consequences of the activities in relation to the intended transfer of the registered office of the Company from Luxembourg to Cyprus:

Preamble

- A. The Company was incorporated under the form of a Luxembourg *société anonyme* pursuant to a deed enacted by Maître Jean-Joseph Wagner, notary, on May 30, 2006 published in the Luxembourg *Mémorial C, Recueil des Sociétés et Associations* on August 4, 2006, number 1497.
- B. The Company was converted from a *société anonyme* to a European company (or *Societas Europae*), and the articles of association of the Company were amended, pursuant to a deed enacted by Maître Jacques Kessler, notary, on July 27, 2017 published in the Luxembourg *Recueil Electronique des Sociétés et Associations* on August 7, 2017, number RESA_2017_186.108.
- C. The issued share capital of the Company is currently of an amount of EUR 221,540,000 (two hundred twenty-one million five hundred forty thousand Euro) represented by 110,770,000 (one hundred ten million seven hundred seventy thousand) shares with a nominal value of EUR 2 (two Euro) each.
- D. On admission to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange in 2008 the Company listed Global Depositary Receipts (“**GDRs**”) representing approximately 22.32% of the Company's issued share capital (although all of the Company's shares are eligible to be listed on the London Stock Exchange, if additional GDRs are issued). As part of this offering, The Bank of New York (“**BNY**”) was appointed as the depositary for the ordinary shares that were offered and for the issuance of the GDRs. As of 3 March 2017, BNY (Nominees) Limited, as depositary for GDRs, owned 54.7% of the total outstanding share capital of the Company which in turn was represented by GDRs listed on the London Stock Exchange. Since 2015, the Company's shares have also been listed in Ukraine, as described on the Company's website. Through these listings, the Company has a number of different shareholders.

- E. It is contemplated that the Company transfers its registered office from 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, to 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus (the "**Transfer**"), in accordance with the provisions of article 101-1 and seq. of the Luxembourg law of August 10, 1915 on commercial companies as amended (the "**Luxembourg Company Law**") and article 8 of the Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (SE) (the "**SE Regulation**").
- F. The Board has prepared a transfer proposal setting forth the draft terms of the contemplated Transfer, which will be published in the Luxembourg *Recueil Electronique des Sociétés et Associations* on or around the date hereof (the "**Transfer Terms**").
- G. The purpose of this report, which has been prepared in accordance with article 101-4 of the Luxembourg Company Law and article 8 (§3) of the SE Regulation, is for the Board to explain and justify in a written statement the legal and economic grounds of the Transfer and to indicate the consequences of the Transfer for the Company's shareholders, creditors and employees.

1) Rationale for the proposed Transfer

The Transfer is motivated by reasons of restructuring and rationalization of the structure and activities of the Company and its direct subsidiaries, most of which are Cyprus companies. In addition, the proposed Transfer will enable the Company to reduce its costs, which should benefit its shareholders, while keeping the benefits of having its registered office in a European Union Member State.

2) Conditions for the proposed Transfer

The implementation of the Transfer is conditional upon all resolutions required to implement the Transfer, as set out in the notice of the extraordinary general meeting of the shareholders of the Company, being duly passed.

In addition, the Transfer is subject to the following further conditions:

- the Transfer will be on the terms and, amongst other things, subject to the conditions which are set out in the convening notice for the extraordinary general meeting of the shareholders of the Company; and
- the Board will not take the necessary steps to implement the Transfer unless the above conditions have been satisfied (or waived if capable of waiver) and, at the relevant time, it considers that it continues to be in the Company's and its shareholders' best interests to implement the Transfer.

The Company will make announcements (i) prior to the extraordinary general meeting where the

Transfer will be confirmed, and (ii) when all of the above conditions are satisfied or waived (if capable of waiver). This is expected to be on or around the date hereof.

3) Consequences of the proposed Transfer

a) Legal consequences

i) *Corporate name of the Company*

Upon Transfer, the Company's name will remain "MHP SE".

ii) *Registered office and central administration of the Company*

Upon the Transfer, the registered office and central administration of the Company will be at 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus.

iii) *Articles of association of the Company*

Upon the Transfer, the Company will adopt new Memorandum and Articles of Association to comply with the Cyprus Companies Law, Cap. 113, Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European Company with regard to the involvement of employees, the SE Regulation and the European Public Limited – Liability Company Regulations 2006 applicable in Cyprus (the "**New Memorandum and Articles**"). The New Memorandum and Articles will replace the existing articles of association of the Company. A copy of the proposed New Memorandum and Articles, together with a copy of the existing articles of association of the Company, will be available for inspection at the registered office of the Company, and will be published on the Company's website at www.mhp.com.ua, from the date hereof and for a period of at least two (2) years. The New Memorandum and Articles are set out in the Transfer Terms. The New Memorandum and Articles will not change the rights of the Company's shareholders as regards the number of shares they hold in the Company and their par value, as well as the proportion of the total number of voting rights attached to the shares they hold in the Company. The required changes to the existing articles of association include, in particular, provisions regulating:

- the procedure and requirements for convening general meetings of the shareholders of the Company;
- the constitution, conduct of proceedings and powers of the administrative organ of the Company (its Board of Directors) and of the members of the administrative organ of the Company (the Directors); and
- the appointment and removal of the members of the administrative organ of the Company (the Directors).

The New Memorandum and Articles are compliant with the SE Regulation, Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European Company with regard to the involvement of employees, the European Public Limited – Liability Company Regulations 2006 applicable in Cyprus and with applicable provisions of the Cyprus Companies Law, Cap. 113 (the "**Cyprus Company Law**").

At the outcome of its Transfer, in accordance with the provisions of articles 38b and 43 to 45 of the SE Regulation, the Company will remain organized as a one-tier system company, and will therefore continue to have a board of directors (which shall be called “the Company’s administrative organ” pursuant to the SE Regulation) (see (vi) below).

iv) Legal personality

The Transfer will not result in the winding up of the Company or in the creation of a new legal person. After completion of the Transfer, and of its registration with the Registrar of Companies in Cyprus, the Company will continue to conduct its business under the form of a SE having its registered office in Cyprus and will be governed by the the laws of Cyprus, including the Cyprus Company Law.

v) Shares of MHP SE

The number of shares issued by the Company as well as their par value will not be modified by reason of the Transfer.

vi) Structure of the SE

The SE Regulation provides for a limited number of rules in respect of the organization of the SE and refers to applicable provisions of the law of the country in which the SE has its registered office. Therefore, upon completion of the Transfer, the organisation of MHP SE will be mainly governed by the provisions of the Cyprus Company Law and the SE Regulation. Both provisions require the the administrative organ of the Company (its Board of Directors) to meet at least every three months.

As a result, the Company will keep its current corporate bodies in accordance with the provisions of the SE Regulation and the Cyprus Company Law, notably:

- a general meeting of the Company’s shareholders; and
- a one-tier system company with a board of directors (“the administrative organ of the Company” pursuant to the SE Regulation). Following completion of the Transfer, the members of the board of directors of the Company will be referred to as “the members of the administrative organ of the Company” in the New Memorandum and Articles and will remain the same as before the Transfer. Accordingly, the terms of the current mandates of the Company’s directors will be confirmed.

vii) *Statutory auditor of the Company*

Following completion of the Transfer, the mandate of the Company's current statutory auditor will be terminated and a new Cyprus statutory auditor of the Company will be appointed.

b) Consequences for the Company's shareholders

The Transfer will in itself not change the rights of the Company's shareholders who will keep the same number of shares in the share capital of the Company, as well as the same proportion of the total number of voting rights attached to the shares of the Company.

Subject to the provisions of the New Memorandum and Articles, the Transfer will not have any effect on the transferability of the Company's shares, or the right for a shareholder to receive a dividend, whenever distributed by the Company.

c) Consequences for the Company's creditors

The Transfer will in itself not result in any change in the rights of the Company's creditors.

Each third party which was a creditor of the Company prior to the completion of the Transfer will retain all of its rights with regards to the Company after the completion of the Transfer process.

Without prejudice to the other applicable legal provisions:

- pursuant to article 101-7 of the Luxembourg Company Law:

"Creditors of a société européenne (SE) [European company] which is transferring its registered office, whose claims predate the publication of the transfer proposal pursuant to Article 101-3, may, notwithstanding any agreement to the contrary, within two months of such publication, apply to the judge presiding the chamber of the Tribunal d'Arrondissement [District Court] dealing with commercial matters in the district in which the registered office of the debtor company is located and sitting as in urgency matters, for the constitution of security for matured or unmatured claims, in case the transfer would have as an effect to jeopardise the general lien of such creditors or to impede the enforcement of their claims. The president shall reject such application, where the creditor already has adequate safeguards or if such security is not necessary having regard to the position of the company after the transfer. The debtor company may cause the application to be turned down by paying the creditor even if his claim has not matured.

If the security is not provided within the time limited prescribed, the claim shall become immediately due and payable."

- pursuant to article 101-8 of the Luxembourg Company Law:

"Without prejudice to the rules governing the collective exercise of their rights, Article 101-7 shall apply to holders of bonds of the company transferring its registered office, unless the transfer has been approved by a meeting of the bondholders or by the bondholders individually."

d) Consequences for the Company's employees

The Company has no employees.

e) Other consequences

The Transfer will not entitle third parties to terminate any existing agreement and legal relationship with the Company. Nor will they be entitled to damages against the Company on the grounds of the Transfer.

4) Procedure to be followed

a) Registration and publicity of the proposed Transfer

The Transfer Terms have to be filed with the Luxembourg *Registre de Commerce et des Sociétés* and published in the Luxembourg *Registre Electronique des Sociétés et Associations* at least two months ahead of the extraordinary general meeting of the Company's shareholders which will be convened to vote on the Transfer project.

b) Approval of the proposed Transfer and of the New Memorandum and Articles

In accordance with article 8 (§6) of the SE Regulation and article 101-6 of the Company law, the Company's shareholders will vote on the Transfer and on the New Memorandum and Articles under the quorum and majority rules which are required for the amendment of the articles of association of the Company.

c) Effective date of the Transfer

The Transfer will be effective from the date when the Company will be registered with the Registrar of Companies in Cyprus.

5) Effect of the projected Transfer on admission of the Company's GDRs to the Official List of the UK Listing Authority and to trading on the London Stock Exchange

The Company's GDRs will continue to be admitted to the Official List of the UK Listing Authority

and admitted to trading on the Main Market of the London Stock Exchange immediately before and after the Transfer, provided that the Company corresponds with the London Stock Exchange and the UK Listing Authority to notify them of the Transfer in a timely manner prior to the Transfer.

6) Economic aspects of the Transfer

The Transfer will have no adverse effects on the capital and results of the Company. The Company's business and activities remain unchanged.

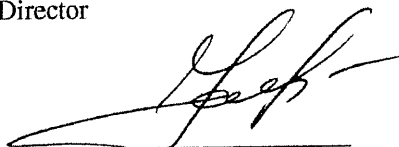
(Signature page follows)

Signed in _____ on 22 August, 2017.

The board of directors of MHP SE

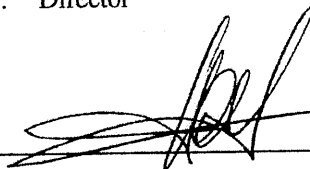
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Title: Director



Name: Victoriya B. KAPELUSHNA

Title: Director

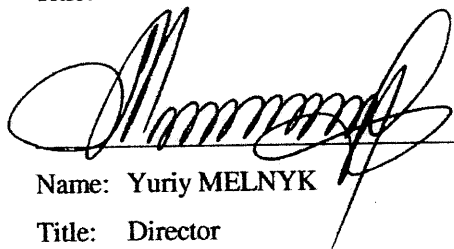


Name: Yuriy KOSYUK

Title: Director

Name: Philippe LAMARCHE

Title: Director



Name: Yuriy MELNYK

Title: Director



Name: John Clifford RICH

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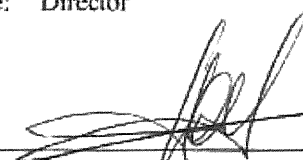
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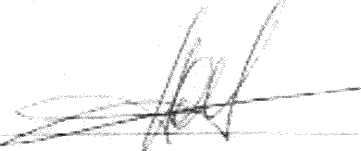
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www.mhp.com.ua