THE FOLLOWING DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS DOCUMENT MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITHIN THE UNITED STATES TO QIBs (AS DEFINED BELOW) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**"), OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Confirmation of your representation: In order to be eligible to view this document or make an investment decision with respect to the securities, you must be (1) a person that is outside the United States or (2) a QIB that is acquiring the securities for its own account or for the account of another QIB. By accepting the e-mail and accessing this document, you shall be deemed to have represented to us that you are outside the United States or that you are a QIB and that you consent to delivery of such document by electronic transmission. You are reminded that this document has been delivered to you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document to any other person. The materials relating to the Offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and the Joint Bookrunners, as named in this document, or any affiliate of the Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Company in such jurisdiction. Under no circumstances shall this document constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this document who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the Prospectus in its final form and any supplementary prospectus, which may be different from the information contained in this document.

This document and the contents thereof are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. Recipients of this document who intend to subscribe for and/or purchase GDRs in the Offering are reminded that any such subscription or purchase may only be made on the basis of the information contained in the Prospectus in its final form and any supplementary prospectus.

No representation or warranty, expressed or implied, is made or given by or on behalf of Morgan Stanley & Co. International plc, UBS Limited or any of their respective parent or subsidiary undertakings or the subsidiary undertakings of any such parent undertakings, or any of such person's directors, officers or employees, or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in this document and they accept no responsibility or liability for any such information or opinions.

This document and the Offering are only addressed to and directed at persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) ("**Qualified Investors**"). In addition, in the United Kingdom, this document is being distributed only to and is directed only at Qualified Investors (a) who are persons who have professional experience in manners relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") or (b) who are high net worth entities falling within Article 49 of the Order, and (c) other persons to whom it may otherwise lawfully be communicated, (all such persons together referred to as "**relevant persons**"). Any investment or investment activity to which this document relates is available only to (i) in the United Kingdom, relevant persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons and subject to all local laws and regulations in such member state.

You should note the following characteristics of the Offering in Canada: *This document is not, and under no circumstances is to be construed as, a prospectus, an advertisement or a public offering of the GDRs or any other securities in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the GDRs described herein, and any representation to the contrary is an offence.* You acknowledge and agree that the Offering is only available to certain persons resident in the provinces of British Columbia, Ontario and Québec by way of private placement (the "**Canadian Jurisdictions**") and that in all other provinces or territories of Canada, this document appears as a matter of record only and does not constitute an offering of the GDRs described herein or an offering memorandum related to such GDRs under the securities legislation of any jurisdiction in Canada other than the Canadian Jurisdictions.

This document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Bookrunners, as named in this document, nor any person who controls a Joint Bookrunner nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners.

Morgan Stanley & Co. International plc and UBS Limited are acting exclusively for the Company and WTI Trading Limited (the "**Selling Shareholder**") and no one else in connection with the Offering and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Offering and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients or for providing advice in relation to the Offering or any other matter referred to in this document.

MHP S.A.

(incorporated in Luxembourg as a company with limited liability (société anonyme))

Global Offering of 21,500,000 Shares in the form of 21,500,000 Global Depositary Receipts
one Global Depositary Receipt represents one Share

Offer Price: U.S.$15.00 per Global Depositary Receipt

This Prospectus relates to an offering by MHP S.A. (the "**Company**" or the "**Issuer**") of 10,750,000 new ordinary shares, with a nominal value of €2 per share (the "**Shares**") and an offering by WTI Trading Limited, a company incorporated in Cyprus (the "**Selling Shareholder**" or "**WTI**") of 10,750,000 existing Shares in the form of global depositary receipts ("**GDRs**") (collectively, the "**Offering**"), with one GDR representing an interest in one Share.

The Offering consists of an offering of GDRs (a) in the United States to certain qualified institutional buyers ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") in reliance on Rule 144A (the "**Rule 144A GDRs**") and (b) outside the United States to certain persons in offshore transactions in reliance on Regulation S ("**Regulation S**") under the Securities Act (the "**Regulation S GDRs**"). GDRs are not being made available, in whole or in part, to the public in connection with the Offering.

The Selling Shareholder has granted to the Managers (as defined below) an option (the "**Over-allotment Option**") exercisable within 30 days of the announcement of the offer price to purchase up to 3,225,000 additional GDRs at the Offer Price referred to above to cover over-allotments, if any, in the Offering and/or to cover short positions relating to stabilisation activities. See "Subscription and Sale".

This document, including the financial information contained herein, comprises a prospectus relating to the Company prepared in accordance with the Prospectus Rules of the United Kingdom Listing Authority (the "**UKLA**") made under section 73A of the Financial Services and Markets Act 2000 (the "**FSMA**"). Application has been made (A) to the U.K. Financial Services Authority (the "**FSA**") in its capacity as competent authority under the FSMA for a block listing of up to 110,770,000 GDRs, consisting of (i) 10,750,000 GDRs to be sold by the Company in the Offering; (ii) 10,750,000 GDRs to be sold by the Selling Shareholder in the Offering; (iii) up to 3,225,000 additional GDRs to be sold by the Selling Shareholder pursuant to the Over-allotment Option and (iv) up to 86,045,000 additional GDRs to be issued from time to time against the deposit of Shares with The Bank of New York, as depositary (the "**Depositary**"), to be admitted to the official list of the UKLA (the "**Official List**") and (B) to the London Stock Exchange plc (the "**London Stock Exchange**") for such GDRs to be admitted to trading under the symbol MHPC on the London Stock Exchange's main market for listed securities (the "**Main Market**") and, in particular, on the International Order Book (the "**IOB**"). This market is a segment of the Regulated Market of the London Stock Exchange (the "**Regulated Market**"). The Regulated Market is regulated market for the purposes of Directive 2004/39/EC (the "**Directive on Markets and Financial Instruments**"). Admission to the Official List together with admission to trading on the London Stock Exchange's Main Market constitute admission to official listing on a regulated market ("**Admission**"). Application has been made for the Rule 144A GDRs to be designated as eligible for trading in The PORTAL Market of The Nasdaq Stock Market, Inc. ("**PORTAL**"). Prior to the Offering there has not been any public market for the Shares or the GDRs. It is expected that conditional trading through the IOB will commence on a "when issued" basis on or about 9 May 2008, and unconditional trading through the IOB will commence on or about 15 May 2008. **All dealings in the GDRs prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. No application is currently intended to be made for the GDRs to be admitted to listing or dealt with on any other exchange. The Shares have not been, and are not expected to be, listed on any stock exchange.**

The GDRs offered hereby have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The Shares and the GDRs are not and will not be listed on the Luxembourg Stock Exchange. The GDRs will not be offered to residents of Luxembourg other than to professional investors. This Prospectus has not been reviewed, approved or disapproved by any regulatory authority in Luxembourg.

The GDRs are of a specialist nature and should normally only be bought and traded by investors who are particularly knowledgeable in investment matters. See "Risk Factors" beginning on page 11 for a discussion of certain matters that prospective investors should consider prior to making an investment decision.

The GDRs offered hereby are offered severally by the Managers referred to in "Subscription and Sale" (the "**Managers**") or through their selling agents, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. The Regulation S GDRs will be evidenced by a Master Regulation S Global Depositary Receipt (the "**Master Regulation S GDR**") registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for The Bank of New York, London branch, as common depositary for Euroclear Bank N.V./S.A. as operator of the Euroclear system ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). The Rule 144A GDRs will be evidenced by a Master Rule 144A Global Depositary Receipt (the "**Master Rule 144A GDR**" and, together with the Master Regulation S GDR, the "**Master GDRs**") registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**") in New York. Except as described herein, beneficial interests in the Master GDRs will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their direct and indirect participants. It is expected that delivery of the GDRs will be made on or about 14 May 2008 (the "**Closing Date**") through Euroclear and Clearstream, Luxembourg with respect to the Regulation S GDRs and through DTC with respect to the Rule 144A GDRs.

Joint Global Co-ordinators and Joint Bookrunners

Morgan Stanley **UBS Investment Bank**

The date of this Prospectus is 9 May 2008.

The Company accepts responsibility for the information contained in this Prospectus. To the best of the Company's knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The contents of the Company's websites do not form any part of this Prospectus.

Morgan Stanley & Co. International plc and UBS Limited are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Offering and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Offering and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients or for providing advice in relation to the Offering or any other matter referred to in this document.

In making an investment decision regarding the GDRs offered hereby, prospective investors must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved. No person is authorised to give any information or to make any representation in connection with the Offering other than as contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Depositary or any of the Managers. This Prospectus is being furnished by the Company solely for the purpose of enabling a prospective investor to consider the purchase of the GDRs.

Prospective investors should not consider any information in this Prospectus to be investment, legal or tax advice and should consult their own counsel, accountants and other advisors for legal, tax, business, financial and related advice regarding purchasing the GDRs. The Company is not, and the Managers are not, making any representation to any offeree or purchaser of the GDRs regarding the legality of an investment in the GDRs by such offeree or purchaser under appropriate investment or similar laws.

No representation or warranty, express or implied, is made by any Manager or any of their affiliates or advisors as to the accuracy or completeness of any information contained in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any Manager as to the past or the future. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the GDRs is prohibited, except to the extent that such information is otherwise publicly available.

Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct at any time subsequent to such date. Each prospective investor, by accepting delivery of this Prospectus, agrees to the foregoing.

This Prospectus does not constitute an offer to sell, or a solicitation by or on behalf of the Company, the Selling Shareholder, the Depositary or any Manager to any person to subscribe for or purchase any of the GDRs in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The distribution of this Prospectus and the offering or sale of the GDRs in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Company, the Selling Shareholder and the Managers to inform themselves about and to observe such restrictions. No action has been taken by the Company, the Selling Shareholder or the Managers that would permit, otherwise than under the Offering, an offer of the GDRs, or possession or distribution of this Prospectus or any other offering material or application form relating to the GDRs in any jurisdiction where action for that purpose is required. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. Further information with regard to restrictions on offers and sales of the GDRs is set forth under "Selling and Transfer Restrictions" and "Terms and Conditions of the Global Depositary Receipts".

In connection with the Offering, Morgan Stanley & Co. International plc and UBS Limited and any of their respective affiliates acting as an investor for its or their own accounts may subscribe for and/or acquire GDRs and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own accounts in the GDRs, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the GDRs being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, Morgan Stanley & Co. International plc or UBS Limited and any of their respective affiliates acting as an investor for its or their own accounts. Morgan Stanley & Co. International plc and UBS Limited do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

STABILISATION

UBS Limited, acting as stabilising manager (the "Stabilising Manager") on behalf of the Managers, or any of its agents, may, to the extent permitted by applicable laws, regulations and rules of the London Stock Exchange, at its discretion, engage in transactions that stabilise, support, maintain or otherwise affect the price of the GDRs for a period of 30 calendar days from the date of announcement of the offer price. Specifically, the Stabilising Manager or any of its agents may, for a limited period, over-allot in connection with the Offering or effect transactions with a view to supporting the market price of the GDRs at a higher level than that which might otherwise prevail in the open market. However, there is no obligation on the Stabilising Manager or any of its agents to do this and there can be no assurance that any such activities will be undertaken. To the extent permitted by applicable law, such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise. Such stabilising, if commenced, may be discontinued at any time or end after a limited period. Save as required by law or regulation, none of the Stabilising Manager, any of its agents or either of the Managers intends to disclose the extent of any stabilisation and/or any over-allotment transactions in connection with the Offering.

NOTICE TO U.K. AND EEA INVESTORS

This Prospectus and the Offering are only addressed to and directed to persons in member states of the European Economic Area ("**EEA**"), who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive ("**Qualified Investors**"). In addition, in the United Kingdom, this Prospectus is being distributed only to, and is directed only at Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "**Order**") and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, or (ii) or to whom it may otherwise lawfully be communicated (all such persons together being referred to as relevant persons). This Prospectus must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the EEA other than in the United Kingdom, by persons who are not Qualified Investors. The GDRs are only available to, and any investment or investment activity to which this Prospectus relates is available only to (i) in the United Kingdom, relevant persons, and (ii) in any member state of the EEA other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons and subject to all local laws and regulations in such member state.

This Prospectus has been prepared on the basis that once it has been approved under the Prospectus Directive all offers of GDRs will be made pursuant to an exemption under the Prospectus Directive as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of GDRs. Accordingly, any person making or intending to make any offer within the EEA of GDRs which are the subject of the Offering should only do so in circumstances in which no obligation arises for the Company or the Managers to produce a prospectus for such offer. The Company and the Managers have not authorised and do not authorise the making of any offer of GDRs through any financial intermediary, other than offers made which constitute the final placement of GDRs contemplated herein.

NOTICE TO LUXEMBOURG INVESTORS

The Offering is not a public offering in the Grand Duchy of Luxembourg ("**Luxembourg**"). This Prospectus may not be reproduced or used for any purpose in Luxembourg other than the Offering, nor provided to any person in Luxembourg other than the recipient thereof. The securities are offered in Luxembourg to a limited number of sophisticated investors in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations in Luxembourg are banned and the Offering may not be publicly advertised nor may the Prospectus be circulated to the general public in Luxembourg.

NOTICE TO UKRAINIAN INVESTORS

Under Ukrainian law, the GDRs are securities of a foreign issuer. The GDRs are not eligible for initial offering and public circulation in Ukraine. Neither the issue of the GDRs nor a securities prospectus in respect of the GDRs has been, or is intended to be, registered with the State Commission for Securities and the Stock Market of Ukraine. The information provided in this document is not an offer, or an invitation to make offers, to sell, exchange or otherwise transfer the GDRs in Ukraine.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA 421-B**") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION, MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CANADIAN RESIDENTS

The GDRs have not been nor will they be qualified by prospectus for sale to the public in Canada under applicable Canadian securities laws and, accordingly, any offer or sale of the GDRs in Canada will be made pursuant to an exemption from the applicable prospectus filing requirements, and otherwise in compliance with applicable Canadian laws. Investors in Canada should refer to the section entitled "Selling and Transfer Restrictions—Selling Restrictions—Canada" and Ontario purchasers in particular should refer to the subsection entitled "Rights of Action for Damages or Rescission (Ontario)".

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes "forward-looking statements", which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Among the important factors that could cause the Company's actual results, performance or achievements to differ materially from those expressed in such forward-looking statements include those in "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Prospectus. These forward-looking statements speak only as at the date of this Prospectus. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the

Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

Targets and estimates for increased production are based on MHP's business plan and relate solely to targeted or estimated production capacity. Sales levels, revenues and other data cannot be extrapolated from production capacity numbers as they will be entirely dependent on demand for MHP's products and prices in addition to any other factors including taxes, competition and costs of production. Production capacity increases are completely dependent upon completion of various construction projects (including the completion of construction of additional facilities at the Myronivka chicken farm) which MHP has assumed can be made at the times contemplated by the business plan and at the budgeted costs and that no extraordinary events will occur which might delay construction and/or commencement of production.

AVAILABLE INFORMATION

For so long as any Shares or GDRs are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company is incorporated under the laws of Luxembourg. Certain persons referred to herein are residents of Ukraine and the Selling Shareholder and certain other entities referred to herein are organised under the laws of Ukraine, Cyprus or Luxembourg. Except for Mr John Grant, a non-executive member of the Company's Board of Directors, who is a resident of the United Kingdom, all or a substantial portion of the assets of such persons, entities and the Company are located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process upon such persons in the United States or the United Kingdom or to enforce against them or the Company judgments obtained in United States courts predicated upon the civil liability provisions of U.S. securities laws.

The enforcement of judgments obtained outside of Luxembourg in Luxembourg is conditional upon obtaining an enforcement order in Luxembourg. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Luxembourg.

In Cyprus, enforcement of judgments that have been given by, and are enforceable by, the courts of a foreign country with which Cyprus has entered into a bilateral treaty or a convention for reciprocal enforcement of judgments may be conditional upon obtaining an enforcement order in Cyprus. Judgments given in an European Union state and enforceable in that state shall be enforceable in Cyprus on application to the Cypriot court for a declaration of enforceability (Council Regulation (EC) No. 44/2001). If there is no such bilateral treaty or convention entered between Cyprus and the foreign country and the latter is not a member state of the EU ("**Member State**"), the judgment given by the court of the foreign country may only be enforced in Cyprus by bringing an action in Cyprus with respect to such judgment. However, enforcement in Cyprus could be refused if the judgment is liable to impeachment for fraud or its enforcement would be contrary to public policy.

Neither the United States nor Cyprus currently has a bilateral or other treaty with the other providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. A final and conclusive judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not be automatically recognised or enforceable in Cyprus. In order to obtain a judgment which is enforceable in Cyprus, the party in whose favour a final and conclusive judgment of a U.S. court has been rendered must file, under principles of Common Law, its claim as a fresh action with a court of competent jurisdiction of Cyprus to be adjudicated. Under current practice, this party may submit, to the Cypriot court, under the fresh action, the final judgment rendered by the U.S. court. If and to the extent that the Cypriot court finds the jurisdiction of the U.S. court to have been based on internationally acceptable grounds and that legal procedures comparable with Cypriot concepts of due process have been followed, the Cypriot court will, in principle, grant the same judgment as the judgment of the U.S. court, unless such judgment would contravene Cypriot principles of public order. Subject to the foregoing and service of process in accordance with applicable treaties, investors may be able to enforce in Cyprus judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that those judgments will be enforceable. In addition, even if a Cypriot court has jurisdiction, it is uncertain whether such court will impose civil liability in an original action commenced in Cyprus and predicated solely upon U.S. federal securities laws.

Judgments rendered by a court in any jurisdiction outside Ukraine will be recognised and/or enforced by courts in Ukraine only if an international treaty providing for the recognition and enforcement of judgments in civil cases that was ratified by the Ukrainian Parliament exists between Ukraine and the relevant country. A foreign judgment may also be recognised and/or enforced in Ukraine based on an "ad hoc" arrangement between Ukraine and the relevant country, although there are currently no examples of such arrangements publicly available. If there is such a treaty or arrangement, the Ukrainian courts may nonetheless refuse to recognise and enforce a foreign judgment on the grounds provided in the relevant treaty and in Ukrainian legislation in effect on the date on which such recognition and/or enforcement are sought. Furthermore, Ukrainian legislation may be changed by way of, among other things, adding further grounds allowing refusal of recognition and/or enforcement of foreign judgements in Ukraine. There is no such treaty or "ad hoc" arrangement in effect between Ukraine, on the one hand, and any of the United States, the United Kingdom or Luxembourg, on the other.

The United Kingdom, Luxembourg, Cyprus and Ukraine are, however, parties to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). The courts of Cyprus will recognise as valid any arbitral award and enforce any final, conclusive and enforceable arbitral award obtained by arbitration in accordance with the relevant arbitration provisions of any agreement provided any such enforcement is in accordance with the provisions of the New York Convention. Luxembourg and Ukraine are both parties to the New York Convention with a reservation to the effect that, with regard to arbitral awards made on the territory of the states which are not party to the New York Convention, they will only apply the New York Convention on a reciprocal basis. Consequently, an arbitral award from an arbitral tribunal in the United Kingdom (which is also a party to the New York Convention) should generally be recognised and enforced in Luxembourg or Ukraine, as the case may be, on the basis of the rules of the New York Convention, subject to qualifications set out therein and compliance with applicable Ukrainian or, as the case may be, Luxembourg legislation. The Underwriting Agreement and the Relationship Agreement (as defined herein) contain provisions allowing for arbitration of disputes with London, England, designated as the seat of arbitration. Since the United Kingdom is a party to the New York Convention, arbitral awards in relation to those disputes may be enforced in Luxembourg, Cyprus and Ukraine, subject to the terms of the New York Convention and compliance with the applicable rules of local law.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain Defined Terms

In this Prospectus:

The "**Company**" means MHP S.A.;

"**JSC MHP**" means Open Joint-Stock Company "Myronivsky Hliboproduct" or, as the context requires, its legal predecessors;

"**MHP**" means (i) the Company together with its subsidiaries and the other companies consolidated in its consolidated IFRS financial statements at the relevant time or (ii) for dates or periods prior to the formation of the Company, JSC MHP together with the other companies consolidated in its consolidated IFRS financial statements at the relevant time; and

"**Management**" means the Board of Directors of the Company.

"**Agrofort**" means CJSC Agrofort; "**CJSC Myronivska**" means CJSC Myronivska Ptahofabryka; "**Crimea Fruits**" means CJSC Crimea Fruits Company; "**Druzhba**" means ALLC Druzhba Narodiv; "**Druzhba Nova**" means CJSC Druzhba Narodiv Nova; "**Katerynopilsky Elevator**" means LLC Katerynopilsky Elevator; "**Kyivska**" means LLC Agrofirma Kyivska; "**Kyivska Group**" means Kyivska, Druzhba and Crimea Fruits; "**Lypivka**" means LLC Zernoproduct-Lypivka; "**MFC**" means OJSC Myronivsky Plant for Manufacturing of Feeds and Groats (also known as OJSC Myronivsky Plant for Manufacturing of Feeds and Cereals or JSC Myronivskiy Zavod po Vygotovlennyu Krup i Kombikormiv); "**MMPP**" means Myronivsky Meat Processing Plant "LEHKO"; "**Oril Leader**" means CJSC with foreign investments Oril Leader; "**Peremoga**" means SE Peremoga Nova; "**RHL**" means Raftan Holding Limited; "**Shahtarska**" means SE Ptahofabryka Shahtarska Nova; "**Snyatynska**" means LLC Ptahofabryka Snyatynska Nova; "**Snyatynska Group**" means Snyatynska, Katerynopilsky Elevator and Zernoproduct; "**Starynska**" means ALLC Starynska Ptahofabryka; "**TKZ**" means LLC Tavriysky Kombikormovy Zavod; "**Urozhay**" means LLC Scientific-Production Firm Urozhay; "**Zavod ZBV**" means LLC Cherkasky Zavod ZBV; "**Zernoproduct**" means CJSC Zernoproduct MHP; and "**ZZG**" means LLC Zolotoniske Zvirogospodarstvo.

"**2005 Acquisitions**" means the acquisitions of Snyatynska, Zernoproduct and Katerynopilsky Elevator and "**2006 Acquisitions**" means the acquisitions of Crimea Fruits, Druzhba and Kyivska.

All references to "**U.S.**" and "**United States**" are to the United States of America, all references to "**U.K.**" and "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland and all references to the "**EU**" are to the European Union and its member states as of the date of this Prospectus. All references to the "**CIS**" are to the following countries that formerly comprised the Union of Soviet Socialist Republics and that are now members of the Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Ukraine and Uzbekistan.

All references to "**UAH**" and "**hryvnia**" are to the currency of Ukraine, all references to "**€**", "**EUR**" and "**Euro**" are to the currency of the participating Member States in the third stage of the Economic and Monetary Union of the Treaty Establishing the European Community, and all references to "**U.S.$**", "**U.S. dollar**" and "**dollar**" are to the currency of the United States of America.

Presentation of Financial Information

The audited consolidated financial statements of the Company and its subsidiaries as at and for the years ended 31 December 2005, 2006 and 2007 (together, the "**Audited Consolidated Financial Statements**") included in this Prospectus have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), including International Accounting Standards ("**IAS**") and Interpretations issued by the International Accounting Standards Board. IFRS as set out by the International Accounting Standards Board differs in certain respects from IFRS as adopted by the EU for purposes of Regulation (EC) No. 1606/2002 ("**EU IFRS**"). Management believes that the Audited Consolidated Financial Statements are consistent in all material respects with financial statements prepared in accordance with EU IFRS.

The Company has included certain measures in this Prospectus that are not measures of performance under IFRS, including EBITDA and adjusted EBITDA ("**Adjusted EBITDA**").

The Company defines EBITDA from continuing operations as profit or loss for the year from continuing operations before net finance costs, income taxes, depreciation and amortisation. Adjusted EBITDA from continuing operations is derived by adjusting EBITDA from continuing operations for foreign exchange gains and losses, loss on impairment of property, plant and equipment, gain realised from acquisitions and changes in non-controlling interests in subsidiaries, other expenses and other income. The Company has made these adjustments to EBITDA from continuing operations as Management believes that these line items are not operational in nature and do not reflect the true nature of the business on a continuing basis and/or these line items are either non-recurring or unusual in nature. The Company has made these adjustments to present a clearer view of the performance of its underlying business operations and generate a metric that Management believes will give greater comparability over time. Management uses Adjusted EBITDA from continuing operations in MHP's business operations to, among other things, assess MHP's operating performance and make decisions about allocating resources. Management believes this measure is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present similar measures when reporting their results.

EBITDA from continuing operations and Adjusted EBITDA from continuing operations do not represent operating income or net cash provided by operating activities as those items are defined by IFRS and should not be considered by prospective investors to be an alternative to operating income or cash flow from operations or indicative of whether cash flows will be sufficient to fund our future cash requirements. EBITDA from continuing operations and Adjusted EBITDA from continuing operations are not measures of profitability because, in the case of EBITDA from continuing operations, it does not include costs and expenses for depreciation and amortisation, net finance costs and income taxes and, in the case of Adjusted EBITDA from continuing operations, it does not include foreign exchange gains and losses (net), other expenses and other income, gain realised from acquisitions and changes in non-controlling interests in subsidiaries (net) and loss on impairment of property, plant and equipment. Also, because EBITDA from continuing operations and Adjusted EBITDA from continuing operations are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

The financial information included in this Prospectus is not intended to comply with SEC reporting requirements. Compliance with such requirements would require modification or exclusion of certain financial measures, including EBITDA from continuing operations, Adjusted EBITDA from continuing operations and the translation of UAH into U.S. dollars, for any period other than as of and for the year ended 31 December 2007.

Solely for the convenience of the reader and except as otherwise stated, the Company has presented in this Prospectus (i) translations of some hryvnia amounts into U.S. dollars at a conversion rate of UAH 5.05 to U.S.$1.00, which was the rate published by the National Bank of Ukraine ("**NBU**") on 31 December 2007 and (ii) translations of some hryvnia amounts in Euro at a conversion rate of UAH 7.41 to EUR 1.00, which was the rate published by the NBU on 31 December 2007. No representation is made that the hryvnia or dollar or Euro amounts referred to herein could have been or could be converted into hryvnia or dollars or Euro, as the case may be, at these rates, at any other particular rate or at all. See "Exchange Rate Information".

Market and Industry Data

MHP operates in an industry in which it is difficult to obtain precise industry and market information. The Company has obtained certain market data used in this Prospectus, including, without limitation, information under the captions "Summary", "Industry Overview" and "Business" from a market research report issued in March 2008 (the "**GfK Report**"), prepared by GfK-USM ("**GfK**"), an independent market research company, and commissioned by MHP. In addition, certain data under the captions "Summary" and "Business" is based on brand awareness research undertaken by GfK in 2008. Management believes that the GfK Report and the results of GfK's brand awareness research are reliable.

Certain information in this Prospectus, including, without limitation, information under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Industry Overview" has been derived from publicly available information, including industry publications and official data published by certain government and international agencies, including the State Committee on Statistics of Ukraine ("**SCSU**"), the Ministry of Agrarian Policy of Ukraine ("**Agrarian Ministry**"), the Food and Agricultural Policy Research Institute ("**FAPRI**"), the Meat Union of Russia ("**MUR**"), the Russian Poultry Union ("**Rosptakhsoiuz**"), the Institute of Nutrition of the Russian Academy of Medical

Sciences ("**INRAMS**"), Euromonitor, the Organisation for Economic Co-operation and Development ("**OECD**"), Communication and Information Resource Centre Administration of the European Commission ("**CIRCA**"), the Foreign Agricultural Service, the United States Department of Agriculture ("**FAS USDA**"), the United Nations Food and Agricultural Organisation, the British Bankers' Association and the European Banking Federation. The Company has relied on the accuracy of such information without carrying out an independent verification thereof. See "Risk Factors—Risks Relating to Ukraine—Official economic data and third-party information".

Where information in this Prospectus has been sourced from a third party, this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information, data and statistics may be approximations or estimates or use rounded numbers.

In this Prospectus, references to weight of chicken products are, unless otherwise stated, to the processed weight. References to "**adjusted weight**" of chicken products are to the weight of chicken products adjusted to reflect the difference in price between the chicken meat price and the price of various chicken by-products. References to "**agricultural year**" are to a year lasting from July to June in the following year in the case of wheat, and a year lasting from October to September in the following year in the case of coarse grains. References to "**market share**" are, unless otherwise stated, to market share by production volume.

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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SUMMARY

This summary must be read as an introduction to this Prospectus and any decision to invest in the GDRs should be based on consideration of this Prospectus as a whole. Following the implementation of the Prospectus Directive in each Member State, no civil liability will attach to responsible persons in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a member state of the European Economic Area, the plaintiff may, under the national legislation of the member state where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Overview

MHP is one of the leading agroindustrial companies in Ukraine, focussing on the production of chicken meat under the brand name "Nasha Ryaba" and, to an increasing extent, the cultivation of various grains. MHP is the leading poultry company in Ukraine, accounting for approximately 36% of all chicken meat commercially produced in Ukraine in 2007, according to SCSU. MHP also has an important and expanding grain operation with what Management believes to be one of the largest agricultural land portfolios in Ukraine. In aggregate, MHP leases approximately 148,500 hectares of land for its operations, of which approximately 110,000 hectares are used for grain production. In addition, MHP produces and sells sunflower oil as a by-product of its fodder production, as well as beef, sausages, cooked meats, convenience food products, goose meat, foie gras, fruit and potatoes.

In 2007, MHP had revenues from continuing operations of UAH 2,412.1 million (U.S.$477.6 million) and profit from continuing operations of UAH 236.8 million (U.S.$46.9 million). Chicken and grain sales accounted for approximately 59.4% and 8.1%, respectively, of MHP's revenues from continuing operations in 2007. MHP has grown significantly in recent years. As at 31 December 2007, MHP's total assets were UAH 4,810.3 million (U.S.$952.5 million) as compared to assets of UAH 1,934.2 million (U.S.$383.0 million) as at 31 December 2005.

MHP's facilities are amongst the most technologically advanced in Ukraine:

- *Chicken production facilities.* MHP operates vertically integrated chicken production facilities comprising four chicken farms, which produced approximately 190,800 tonnes of chicken meat in 2007, as compared to approximately 139,400 tonnes in 2005. The chicken farms are serviced by two breeder farms (at which hatching eggs are produced), three fodder mills and 11 distribution centres. Management believes this vertical integration allows MHP to reduce production and transportation costs, better coordinate and control the various stages of production, reduce delivery times for its end products and improve the overall quality of its products. In addition, each of MHP's chickens is hatched, grown out and processed within the same chicken farm, providing a significant biosecurity advantage over other industrial producers which acquire chicks or chickens from third parties for growout and processing. In line with industry practice MHP acquires its breeder flocks from independent producers in Germany. MHP is significantly expanding its facilities through the construction of the Myronivka chicken farm complex in the Cherkasy region ("**Myronivka**") which is expected to be fully operational at an annual capacity of 200,000 tonnes of chicken meat in late 2009. MHP has completed the first phase of construction of Myronivka, and since October 2007 it has been operating at the design capacity of that first phase of 100,000 tonnes of chicken meat per year. MHP also produces convenience food products at its MMPP facility, which is one of the largest and most technologically advanced convenience food facilities in Ukraine.
- *Grain growing facilities.* MHP currently leases approximately 110,000 hectares of land at its five principal grain growing facilities to cultivate corn in support of its chicken operations and, to an increasing extent, other grains such as wheat and rape for sale to third parties. In 2007, MHP produced approximately 476,000 tonnes of grain. MHP intends to expand its grain growing capacities by approximately 20-25% annually through acquisitions of rights to additional land plots in Ukraine, concentrating on fertile "black soil" areas in proximity to its existing facilities.
- *Other agricultural facilities.* MHP operates facilities for the production of beef, sausages, cooked meats, goose meat, foie gras, fruit and potatoes. These facilities utilise approximately 36,000 hectares of leased land.

MHP distributes its chicken products through branded franchise points of sale and on a wholesale basis directly to retailers, including supermarkets and hypermarkets, foodservice businesses and industrial producers. In 2007, approximately 60% and 30%, respectively, of MHP's chicken and other meat products were sold through branded franchise points of sale and to other retailers, including supermarkets. MHP sells most of its chicken products under the "Nasha Ryaba" brand. MHP also sells convenience food products under the "Lehko!" brand, premium beef under the "Certified Angus" brand, foie gras under the "Foie Gras" brand and sausages under the "STOV Druzhba Narodiv" brand. MHP sells its grains through the spot markets exclusively within Ukraine. MHP's other meat products are sold principally to retailers and supermarkets.

Competitive Strengths

Management believes that MHP benefits from the following competitive strengths:

- *Leading market position in a large and growing market for poultry products*
- *Strong brands*
- *Vertically integrated operations which reduce costs and enhance quality control*
- *Expanding grain operations allow MHP to benefit from increases in grain prices*
- *Diversified sales structure*
- *Developed distribution network*
- *High biosecurity standards*
- *Modern technology*
- *Focus on consumer-driven innovation*
- *Experienced management team and industry expertise*

Strategy

MHP's overall objective is to maintain and expand its position as one of the leading agroindustrial companies in Ukraine, while strengthening its position as the leading Ukrainian poultry production company and developing its grain cultivation operations. Key elements of its strategy include:

- *Expanding chicken production capacity*
- *Expanding capacity for grain production*
- *Increasing vertical integration*
- *Continuing to develop MHP's distribution network and customer base*
- *Continuing agroindustrial diversification*

Risk Factors

An investment in the GDRs is subject to risks relating to MHP's business and industry, economic, political and social risks associated with Ukraine and risks arising from the nature of GDRs and the markets on which they are expected to be traded, including the risks associated with the following matters:

- *MHP's business is very dependent on demand and price levels for chicken products in Ukraine*
- *Fluctuations in prices of grains and related products, poor grain growing conditions and limited access to quality seeds*
- *Any discontinuation of state subsidies, tax exemptions or trade barriers from which MHP currently benefits*
- *Certain restrictive covenants under the terms of MHP's indebtedness*
- *MHP is controlled by a majority shareholder and depends on his services as Chief Executive Officer*
- *Any weaknesses in MHP's accounting, reporting and IT systems*
- *Competition in the meat industry*
- *Any failure to successfully manage MHP's growth*

- *Any failure by MHP to generate or raise sufficient capital*
- *Outbreaks of bird flu and other livestock diseases*
- *Product liability claims and product recalls in connection with contamination of MHP's products*
- *Seasonality in the demand for chicken products*
- *Currency exchange rate fluctuations*
- *Loss of the services of MHP's qualified personnel*
- *Any failure to protect MHP's brand names*
- *Increased costs for or disruptions in supply of gas and fuel*
- *Any inability to identify suitable franchising opportunities or successfully manage its franchisee network*
- *MHP's reliance on independent supermarkets*
- *Inaccuracy of filings made by MHP with, or limitation of MHP's operations by, the Antimonopoly Committee of Ukraine*
- *Any failure to comply with environmental, health, safety and other laws and regulations*
- *Any failure to obtain, maintain or renew necessary licences and permits, including in connection with operation of the Myronivka chicken farm, or failure to comply with their terms*
- *Any inadequacy of MHP's insurance coverage*
- *Any failure of MHP's intragroup transactions and other related party transactions to comply with Ukrainian transfer pricing regulations*
- *Multiplicity of MHP's land leases, loss of lease rights to MHP's land plots or its inability to renew its lease agreements or obtain full ownership rights to land*
- *Any significant increase in the payments under MHP's land lease agreements*
- *MHP's exposure to operational risks*
- *Risks associated with MHP's past gas trading activities*
- *Risks associated with Luxembourg and Cyprus tax residency requirements and changes in the application of tax legislation*
- *MHP's dependence on distributions from its subsidiaries*
- *General risks associated with emerging markets including Ukraine*
- *Risks relating to the GDRs and the trading market*

Use of Proceeds

The Company intends to use the net proceeds from the Offering to finance the expansion and diversification of its poultry and grain business through capital expenditures (including the potential construction of the Vinnytsya chicken farm and expanding its grain growing operations) and potentially through selective acquisitions. The Company will not receive any proceeds from the sale of GDRs by the Selling Shareholder.

Recent Trends and Developments

In the first quarter of 2008, MHP has increasingly been able to pass on to its Ukrainian customers its increased costs, especially of grain, through higher prices for chicken meat. On an average adjusted weight basis, prices for chicken meat for the three months ended 31 March 2008 were approximately 37% higher than in the three months ended 31 March 2007 and approximately 25% higher than the average price during 2007. In March 2008, on an average adjusted weight basis, the prices for chicken meat were UAH 11.85 per kilogramme excluding VAT; that is approximately 63% higher than in March 2007, and about 40% higher than the average price during 2007. Management believes that the increased market prices reflect the higher raw material costs faced by most poultry producers, particularly grain costs.

MHP's sales volumes of chicken meat for the three months ended 31 March 2008 were approximately 70% higher than in the three months ended 31 March 2007, primarily due to the increased capacity and production volumes coming on stream at Myronivka chicken farm.

MHP's production costs for the three months ended 31 March 2008 remained stable compared with the fourth quarter of 2007. Management believes that it will continue to maintain its costs as a result of its current ability to supply approximately 60% of its requirements for corn and its forward contract strategy which has locked in its costs price for the remainder of its corn and sunflower requirements through the 2008 harvest. From the 2008/2009 agricultural year onwards, Management believes that MHP will be fully self-sufficient with respect to its corn requirements.

Management believes that such trends are behind its stronger results in the three months ended 31 March 2008 as compared to the same period in 2007.

Under the recently signed Memorandum of Understanding between the Ukrainian government, Ukrainian producers of socially important food products and independent retailers, Ukrainian poultry producers (including MHP) undertook, until 1 September 2008, to refrain from wholesale price increases in respect of their products that cannot be "justified". Management believes that this agreement will not have a negative impact on MHP's business and its financial results.

On 17 April 2008, the Cabinet of Ministers of Ukraine ("**CMU**") adopted the Resolution on Procedure for the Formation of Prices of Food Products which are Subject to State Regulation (the "**Price Resolution**"). The Price Resolution applies to all producers of food products which are subject to state regulation, and it establishes a formula for the calculation of wholesale prices of food products and profits from such sales and limits the profit margin that can be charged. While the scope of the Price Resolution is not entirely clear, it is likely that it applies to chicken, beef and pork meat and sunflower oil. Management believes that the approach MHP uses for determining the wholesale prices for MHP's products is in line with the formula established by the Price Resolution, and that due to MHP's vertical integration, the Price Resolution will not have a negative impact on MHP's business and financial results.

In March 2008, the Ukrainian government introduced export quotas and licensing for sunflower oil in an aggregate amount of 300,000 tonnes for all Ukrainian producers for the period from April 2008 and until 1 July 2008. Although it has been reported that this quota was subsequently increased to 500,000 tonnes, the official text of the relevant government resolution is not yet available and it has not yet officially entered into force. On 16 April 2008, MHP was issued a quota of approximately 8,500 tonnes for export of sunflower oil for this period. MHP believes that when and if the general export quota is increased, its individual quota will be increased as well. On the basis of its current quota, MHP has applied for an export license and expects this license to be issued in the near future. In the three months ending 31 March 2008, MHP produced and sold approximately 21,000 tonnes of sunflower oil (all of which was exported), and expects its production volume of sunflower oil to be approximately the same in the three months ending 30 June 2008. On the basis of pricing and demand in the domestic market and the short-term nature of the export quotas, MHP does not believe that this quota imposition will have a material adverse impact on MHP's financial results.

In connection with the potential acquisition of a Ukrainian meat processing company currently under consideration by MHP, the Ukrainian Antimonopoly Committee has issued its approval for such acquisition in April 2008. MHP has not yet carried out due diligence on the proposed target, nor has it agreed any of the acquisition terms and accordingly it may not proceed. If the acquisition proceeds, the purchase price is expected to be between U.S.$20-30 million, to be funded primarily with cash generated from MHP's operations and/or through borrowings.

The Offering

The Offering comprises 21,500,000 GDRs, representing 10,750,000 new Shares (the "**New Shares**") to be issued by the Company in accordance with the legislation of Luxembourg and 10,750,000 existing Shares (the "**Existing Shares**") to be sold by the Selling Shareholder as GDRs. The GDRs are being offered (a) outside the United States in the form of Regulation S GDRs in reliance on Regulation S and (b) in the United States to QIBs in the form of Rule 144A GDRs in reliance on Rule 144A or another exemption from, or transaction not subject to, registration under the Securities Act.

The Company does not expect to pay dividends during the next three to four years.

SUMMARY CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The summary condensed consolidated financial information for MHP as of 31 December 2005, 2006 and 2007 and for the years then ended has been derived from the Audited Consolidated Financial Statements and the notes related thereto included elsewhere in this Prospectus.

During the years presented, MHP completed a number of acquisitions that are reflected in the results from the date of acquisition. As a consequence, the historical financial information for the periods is not directly comparable.

This section should be read together with the Audited Consolidated Financial Statements and the notes related thereto included elsewhere in this Prospectus, as well as together with "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Year ended 31 December					
	2005		2006		2007	
	UAH	U.S.$(1)	UAH	U.S.$(1)	UAH	U.S.$(1)
	(in thousands, except ratios)					
INCOME STATEMENT DATA:						
Continuing Operations						
Revenue	**1,346,182**	**266,571**	**1,588,938**	**314,641**	**2,412,133**	**477,650**
Net change in fair value of biological assets and agricultural produce	8,089	1,601	53,652	10,624	61,920	12,262
Cost of sales	(753,521)	(149,212)	(1,084,129)	(214,679)	(1,869,746)	(370,247)
Gross profit	600,750	118,960	558,461	110,586	604,307	119,665
Selling, general and administrative expenses	(96,229)	(19,055)	(177,126)	(35,074)	(260,573)	(51,599)
Government grants recognised as income	162,530	32,184	235,725	46,678	284,261	56,289
Other operating expenses	(5,518)	(1,093)	(32,347)	(6,405)	(36,737)	(7,275)
Other operating income	3,625	718	6,097	1,207	9,438	1,870
Operating profit before loss on impairment of property, plant and equipment	665,158	131,714	590,810	116,992	600,696	118,950
Loss on impairment of property plant and equipment(2)	—	—	—	—	(51,704)	(10,239)
Operating profit	**665,158**	**131,714**	**590,810**	**116,992**	**548,992**	**108,711**
Finance costs, net	(50,299)	(9,960)	(184,404)	(36,516)	(249,885)	(49,482)
Foreign exchange gains/(losses), net	30,772	6,093	(28,419)	(5,628)	(65,950)	(13,059)
Other expenses	(5,798)	(1,148)	(5,761)	(1,140)	(3,707)	(734)
Gain realised from acquisitions and changes in non-controlling interest in subsidiaries, net(3)	2,010	398	133,676	26,470	6,487	1,285
Other income	5,472	1,084	4,728	937	3,042	602
Other expenses, net	(17,843)	(3,533)	(80,180)	(15,877)	(310,013)	(61,388)
Profit before tax	**647,315**	**128,181**	**510,630**	**101,115**	**238,979**	**47,323**
Income tax expense	(2,021)	(400)	(2,895)	(573)	(2,161)	(428)
Profit for the year from continuing operations(4)	**645,294**	**127,781**	**507,735**	**100,542**	**236,818**	**46,895**
Discontinued Operations						
Profit/(loss) for the year from discontinued operations(4)	1,385	274	26,076	5,163	(514)	(102)
Net profit for the year	**646,679**	**128,055**	**533,811**	**105,705**	**236,304**	**46,793**
Attributable to:						
Equity holders of the parent	573,874	113,638	507,774	100,549	206,393	40,870
Minority interest	72,805	14,417	26,037	5,156	29,911	5,923

	Year ended 31 December					
	2005		2006		2007	
	UAH	U.S.$(1)	UAH	U.S.$(1)	UAH	U.S.$(1)
	(in thousands, except ratios)					
Earnings Per Share:						
From continuing operations						
Basic	5.72	1.13	4.82	0.95	2.07	0.41
Diluted	5.72	1.13	4.82	0.95	2.07	0.41
From continuing and discontinued operations						
Basic	5.74	1.14	5.08	1.00	2.06	0.41
Diluted	5.74	1.14	5.08	1.00	2.06	0.41
BALANCE SHEET DATA (as of period end):						
Property, plant and equipment, net	1,151,847	228,089	2,463,234	487,769	3,155,028	624,758
Cash and cash equivalents	32,984	6,531	224,297	44,415	50,942	10,088
Total assets	1,934,180	383,006	4,192,064	830,112	4,810,287	952,532
Equity attributable to equity holders of the parent	1,171,863	232,052	1,783,803	353,228	2,053,966	406,726
Minority interest	174,419	34,538	68,879	13,639	64,034	12,680
Long-term bank borrowings	210,353	41,654	283,074	56,054	332,686	65,878
Bonds issued	—	—	1,421,588	281,503	1,230,198	243,604
Long-term finance lease and vendor financing obligations	32,794	6,494	90,031	17,828	154,215	30,538
CASH FLOW DATA:						
Net cash generated by operating activities	532,210	105,388	167,029	33,075	497,749	98,564
Net cash used in investing activities	(659,066)	(130,508)	(1,159,647)	229,633	(542,428)	(107,411)
Net cash generated by/(used in) financing activities	144,644	28,642	1,183,931	234,442	(128,676)	(25,480)
OTHER MEASURES:						
EBITDA from continuing operations(5)	775,139	153,493	815,441	161,473	715,176	141,619
Adjusted EBITDA from continuing operations(5)	742,683	147,066	711,217	140,835	827,008	163,764
Capital expenditures(6)	524,124	103,787	1,032,696	204,494	505,751	100,149

Notes:

(1) The U.S. dollar amounts presented in the table above have been translated solely for the convenience of the reader using the rate published by the NBU on 31 December 2007 of UAH 5.05 to U.S.$1.00. No representation is made that the hryvnia or dollar amounts referred to herein could have been or could be converted into hryvnia or dollars, as the case may be, at these rates, or any other particular rate at all.

(2) During the year ended 31 December 2007 MHP recorded an impairment on certain of its assets used in the production of its goose meat and foie gras operations, as well as assets used in its convenience food business produced under the "Lehko!" brand. See Note 6 to the Audited Consolidated Financial Statements.

(3) In connection with certain of its 2005 and 2006 acquisitions MHP recorded gains on acquisitions made from various third parties and on dilutions of minority interests. These gains occurred as the consideration paid was less than the fair value of the net assets acquired. See Note 2 to the Audited Consolidated Financial Statements.

(4) MHP discontinued its gas trading operations during the year ended 31 December 2007 and has classified them as discontinued operations. The financial statements for all periods have been restated to show all periods on a comparable basis.

(5) EBITDA from continuing operations and Adjusted EBITDA from continuing operations are not measures of performance under IFRS. The Company defines EBITDA from continuing operations as profit or loss for the year from continuing operations before net finance costs, income taxes, depreciation and amortisation. Adjusted EBITDA from continuing operations is derived by adjusting EBITDA from continuing operations for foreign exchange gains and losses, net, loss on impairment of property, plant and equipment, gain realised from acquisitions and changes in non-controlling interest in subsidiaries, net, other expenses and other income. The Company has made these adjustments to EBITDA from continuing operations as Management believes that these line items are not operational in nature and do not reflect the true nature of the business on a continuing basis and/(or) these line items are either non-recurring or unusual in nature. The Company has made these adjustments to present a clearer view of the performance of MHP's underlying business operations and generate a metric that Management believes will give greater comparability over time. Management uses Adjusted EBITDA from continuing operations in MHP's business operations to, among other things, assess MHP's operating performance and make decisions about allocating resources. Management believes this measure is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present similar measures when reporting their results.

EBITDA from continuing operations and Adjusted EBITDA from continuing operations do not represent operating income or net cash provided by operating activities as those items are defined by IFRS and should not be considered by prospective investors to be an alternative to operating income or cash flow from operations or indicative of whether cash flows will be sufficient to fund our future cash requirements. Also, because EBITDA from continuing operations and Adjusted EBITDA from continuing operations are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

Reconciliation of EBITDA and Adjusted EBITDA from continuing operations to profit from continuing operations is as follows:

	Year ended 31 December					
	2005		2006		2007	
	UAH	U.S.$	UAH	U.S.$	UAH	U.S.$
	(in thousands)					
Profit for the year from continuing operations	645,294	127,781	507,735	100,542	236,818	46,895
Finance costs, net	50,299	9,960	184,404	36,516	249,885	49,482
Income tax expense	2,021	400	2,895	573	2,161	428
Depreciation and amortisation	77,525	15,352	120,407	23,843	226,312	44,814
EBITDA from continuing operations	775,139	153,493	815,441	161,474	715,176	141,619
Adjustments:						
Foreign exchange (gains)/losses, net	(30,772)	(6,093)	28,419	5,628	65,950	13,059
Other expenses	5,798	1,148	5,761	1,140	3,707	734
Other income	(5,472)	(1,084)	(4,728)	(937)	(3,042)	(602)
Gain realised from acquisitions and changes in non-controlling interests in subsidiaries, net	(2,010)	(398)	(133,676)	(26,470)	(6,487)	(1,285)
Loss on impairment of property, plant and equipment	—	—	—	—	51,704	10,239
Adjusted EBITDA from continuing operations	742,683	147,066	711,217	140,835	827,008	163,764

(6) Capital expenditures include only cash paid for purchases of property, plant and equipment.

SUMMARY OF THE OFFERING

The Offering	The Offering comprises 21,500,000 GDRs, representing 10,750,000 new Shares (the "**New Shares**") to be issued by the Company in accordance with the legislation of Luxembourg and 10,750,000 existing Shares (the "**Existing Shares**") to be sold by the Selling Shareholder as GDRs. The GDRs are being offered (a) outside the United States in the form of Regulation S GDRs in reliance on Regulation S and (b) in the United States to QIBs in the form of Rule 144A GDRs in reliance on Rule 144A or another exemption from, or transaction not subject to, registration under the Securities Act.
The Selling Shareholder	WTI Trading Limited, a company wholly owned by Mr Yuriy Kosyuk.
Over-allotment Option	The Selling Shareholder has granted the Over-allotment Option to the Stabilising Manager, exercisable within 30 days of the announcement of the offer price, to purchase up to 3,225,000 additional GDRs (the "**Additional GDRs**") to cover over-allotments, if any, in the Offering and/or to cover short positions relating to stabilisation activities.
Offer Price Range	U.S.$14.00 to U.S.$18.50 per GDR.
The GDRs	One GDR will represent an interest in one Share. The GDRs will be issued and delivered by the Depositary pursuant to the deposit agreement (the "**Deposit Agreement**") to be dated on or about the Closing Date between the Depositary and the Company. The Regulation S GDRs will be evidenced by the Master Regulation S GDR and the Rule 144A GDRs will be evidenced by the Master Rule 144A GDR.
Use of Proceeds	The Company will receive the net proceeds of the Offering, other than the net proceeds of the sale of GDRs and Additional GDRs by the Selling Shareholder, all of which will be received by the Selling Shareholder. Net proceeds to the Company of the Offering (assuming the incentive commission is paid in full) will be approximately U.S.$150.0 million (whether or not the Over-allotment Option is exercised). The Company intends to use these net proceeds to finance the expansion of its poultry and grain businesses through capital expenditures (including the potential construction of the Vinnytsya chicken farm and expanding its grain growing operations, including potential land acquisitions) and potentially through selective acquisitions in the Ukrainian agricultural sector.
Closing Date	The Closing Date is expected to be on or about 14 May 2008.
Depositary	The Bank of New York.
Lock-up	Each of the Company, Selling Shareholder and Mr Kosyuk, the Company's controlling beneficial shareholder, has agreed with the Managers that, subject to certain customary exceptions, during the period beginning with the date of the Underwriting Agreement dated 9 May 2008 and continuing to, and including the date 180 days after the latest Closing Date, it will not offer, issue, sell, contract to sell, lend, pledge (or charge in respect of WTI), issue or grant options in respect of or otherwise dispose of any securities (or publicly announce any such issuance, offer, sale or disposal) of the Company that are substantially similar to the Shares or GDRs, or enter into any transaction with the same

economic effect as any of the foregoing, without the prior written consent of the Managers.

Control of the Company .... Following the Offering, Mr Kosuyk will beneficially own approximately 80.59% of the Company's issued and outstanding share capital (or 77.68% if the Over-allotment Option is also exercised in full). See also "Shareholders and Related Party Transactions" for a description of certain options granted by WTI which may be exercised.

Voting Rights .... The Shares are subject to applicable provisions of Luxembourg corporate law and the articles of association of the Company in effect after the Closing Date (the "**Articles**"). The Depositary will endeavour to exercise on behalf of holders of GDRs, at any meeting of holders of the Shares of which the Depositary receives timely notice, the voting rights relating to whole numbers of Shares underlying the GDRs in accordance with instructions it receives from holders of GDRs, but only if the Company notifies the Depositary of the resolution to be voted upon. If no voting instructions are received in respect of any GDR, the Depositary may issue a discretionary proxy to a person designated by the Company to provide voting instructions in respect of the Shares underlying such GDR.

Preferential Subscription Rights .... In May 2008, the Company amended the Articles to the effect that, for the five years following such amendment and following the issuance of the New Shares, the Board of Directors may not issue any further new shares without granting to the holders of Shares (and thereby GDRs) preferential subscription rights on new issues of Shares, subject to exceptions relating to share-for-share acquisitions, Shares issued for cash up to 5% of the issued share capital of the Company and Shares issued in connection with an approved employee share scheme.

Dividends .... Holders of the Shares, including the Depositary, will be entitled to receive amounts (if any) paid by the Company as dividends on the Shares. The Company does not expect to pay dividends during the next three to four years.

Taxation .... For a discussion of certain United States federal, United Kingdom and Luxembourg income tax consequences of purchasing and holding the GDRs, see "Taxation".

Listing and Trading .... Application has been made (A) to the UKLA for a block listing of up to 110,770,000 GDRs, consisting of (i) 10,750,000 GDRs to be sold by the Company in the Offering, (ii) 10,750,000 GDRs to be sold by the Selling Shareholder in the Offering; (iii) up to 3,225,000 Additional GDRs to be sold by the Selling Shareholder pursuant to the Over-allotment Option, and (iv) up to 86,045,000 GDRs to be issued from time to time against the deposit of Shares with the Depositary, to be admitted to the Official List; and (B) to the London Stock Exchange for such GDRs to be admitted to trading under the symbol MHPC on the Main Market and, in particular, on the IOB. Application has been made for the Rule 144A GDRs to be designated as eligible for trading on PORTAL. Prior to the Closing Date, there has not been any public market for the Shares or the GDRs. It is expected that conditional trading of the GDRs through the IOB will commence on a "when issued" basis on or about 9 May 2008, and unconditional trading through the IOB will commence on or about 15 May 2008, the day after the Closing Date. **All dealings in GDRs prior to the commencement of unconditional**

dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. The Shares have not been, and are not expected to be, listed on any stock exchange.

Payment and Settlement	Application will be made to have the Regulation S GDRs accepted for clearance through the book-entry settlement systems of Euroclear and Clearstream, Luxembourg and the Rule 144A GDRs accepted for clearance through DTC. Payment for, and delivery of, the Regulation S GDRs will be made on the Closing Date through the facilities of Euroclear and Clearstream, Luxembourg. Payment for, and delivery of, the Rule 144A GDRs will be made on the Closing Date through the facilities of DTC. The security identification numbers of the GDRs offered hereby are as follows: Regulation S GDRs CUSIP Number: 55302T204 Regulation S GDRs ISIN: US55302T2042 Regulation S GDRs Common Code: 035929746 Regulation S GDRs SEDOL: B2QYBH3 Rule 144A GDRs CUSIP Number: 55302T105 Rule 144A GDRs ISIN: US55302T1051 Rule 144A GDRs Common Code: 035929738 Rule 144A GDRs SEDOL: B2QY3V1 London Stock Exchange trading symbol: MHPC PORTAL trading symbol: P55302T105

RISK FACTORS

An investment in the GDRs involves a high degree of risk. Prospective investors in the GDRs should carefully consider the risks described below and the other information contained in this Prospectus before making a decision to invest in the GDRs. Any of the following risks could adversely affect MHP's business, financial condition and results of operations, in which case the trading price of the GDRs could decline, resulting in the loss of all or part of an investment in the GDRs.

Risks Relating to MHP

As MHP's principal product is presently chicken, its business and financial results are very dependent on demand and price levels for chicken products in Ukraine

In 2005, 2006 and 2007, respectively, sales of chicken products, principally chilled chicken, accounted for approximately 83%, 67% and 59% of MHP's total revenues from continuing operations. Accordingly, any factors influencing the supply of, demand for, or price of, chicken products in Ukraine could have a material impact on MHP's business and financial results. Such factors may include, among others, increased output by other chicken product suppliers in Ukraine, increased imports of chicken products into Ukraine, bird flu and other livestock diseases, unfavourable fluctuations in the prices for chicken products, price regulation by the Ukrainian government, changes in consumer preferences, both seasonal and long term, supply and prices for other meats and contamination of chicken meat during processing or distribution. Any of the foregoing factors could negatively affect the market and/or the price for chicken products, which could in turn have a material adverse effect on MHP's business, results of operations and financial condition. See "Industry Overview—Overview of the Ukrainian Markets for Meat Products—Recent Developments in the Ukrainian Poultry Industry".

MHP's revenues and operating results may be significantly affected by fluctuations in prices for chicken products which can occur even in circumstances where supply and demand are relatively stable, for example, due to increased imports, but also in circumstances where prices are reduced by MHP to stimulate or support demand given actual or planned production. As indicated above, price regulation by the Ukrainian government and/or other type of government intervention may negatively impact prices. Average market prices for chicken in Ukraine decreased in 2006 from the unusually high levels in 2005, and further decreased in 2007, primarily due to increased supply of pork meat. These decreases had a negative effect on MHP's gross profit margin in 2006 and 2007, particularly in light of increasing grain prices in 2007. Market prices for chicken in Ukraine began to increase in early 2008, primarily due to the increase in prices for feed grains which resulted in decreased supply of other types of meat and justifed price increases for chicken meat. While average prices in 2006 and 2007 were generally in line with MHP's expectations for medium term price stability at these levels, if prices for chicken products drop below MHP's expectations, especially for prolonged periods, this would have a material adverse effect on MHP's business, results of operations and financial condition. Furthermore, monthly prices are volatile and it is difficult to forecast them with high level of accuracy.

Fluctuations in prices of grains and related products may materially affect MHP's earnings

The availability of, and the prices for, feed grains are volatile and affected by global weather patterns, crop diseases, the global level of supply inventories and demand for feed grains, as well as the agricultural policies of Ukraine and foreign governments and other factors outside MHP's control. In particular, a sudden and significant change in weather patterns could affect the supply of feed grains, as well as the ability of MHP and the meat production industry generally to grow and/or obtain feed grains, grow animals and produce products. Similarly, the general supply/demand relationship globally and actual and perceived changes in this relationship have a material impact on grain prices. Any or all of these factors could depress selling prices for grains sold by MHP or increase MHP's operating costs which could materially affect MHP's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting MHP's Results of Operations—Fluctuations in Grain Prices".

A significant portion of the cost of producing MHP's chicken and other meat products is currently attributable to purchases of sunflower seeds and corn for use in fodder production. By volume, in the 2007/2008 agricultural year, MHP produced internally only approximately 60% and 5% of its corn and sunflower seed requirements, respectively, and sourced the remainder of its requirements from Ukrainian suppliers at prices which generally follow the trends of the world commodities markets. The price of sunflower seeds also impacts on the price of sunflower oil which MHP produces as a by-product and sells.

MHP has therefore historically been vulnerable to price volatility and breaks in the supply chain for feed grains inputs.

Recently, MHP and other meat producers globally have been affected by sharp increases in the price of feed grains. However, Management believes that MHP's operations are protected against future rises in grain prices as MHP annually enters into forward contracts with suppliers for the purchase of a portion of feed grains in order to economically hedge against fluctuations in feed grains prices. In addition, from the 2008/2009 agricultural year onwards, MHP expects to be fully self-sufficient in corn for its chicken operations. Management believes that these factors limit MHP's exposure to fluctuations in prices for corn and sunflower seeds. However, there can be no assurance that MHP's expectations will materialise or that MHP will be able to pass on any increase in cost to the buyers of its chicken meat products.

In addition, fluctuations in global grain prices and, in particular, grain prices in Ukraine also impact the level of earnings achieved by MHP for the grains it sells to third parties. All such sales are made at or by reference to such market prices and MHP is accordingly directly subject to fluctuations in such prices. Should such prices fall below certain levels, the viability of MHP's grain cultivation operations could be materially affected given the fixed nature of certain of MHP's costs in connection with grain cultivation including, in particular, land leases and equipment leases. In addition, prices for grain and grain-related products (such as sunflower oil) may be influenced by government regulation, including introduction of import or export quotas. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Trends and Developments". Fluctuations in prices resulting in a material reduction of MHP's grain cultivation or related businesses could materially affect MHP's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Key Factors Affecting MHP's Results of Operations—Fluctuations in Grain Prices".

State subsidies from which MHP currently benefits are significant and are subject to government approval on an annual basis and could be discontinued

The Ukrainian government provides various types of financial support to agricultural producers. In 2007, MHP received an aggregate of UAH 295.1 million (U.S.$58.4 million) in financial support from the Ukrainian government, which constituted 125% of MHP's net income. In 2006 MHP received UAH 238.0 million (U.S.$47.1 million) which constituted 45% of MHP's net income and in 2005 UAH 166.5 million (U.S.$33.0 million) which constituted 26% of MHP's net income.

Agricultural producers in Ukraine, including MHP, are permitted to retain the difference between the value added tax ("**VAT**") that they charge on their agricultural products (currently at the rate of 20%) and the VAT that they pay on items purchased for their operations, rather than remitting such amounts to the state budget. This VAT benefit was received by MHP during 2005, 2006 and 2007 and continues to be available to MHP in 2008. The value of this benefit to MHP in 2007 amounted to UAH 107.9 million (U.S.$21.4 million). The availability of this VAT benefit has been extended each year on an annual basis since 2004, and, most recently, was further extended to the year following ratification of the Protocol of Acession (the "**WTO Accession Protocol**") to the World Trade Organisation (the "**WTO**"). Due to Ukraine's ratification of the WTO Accession Protocol in April 2008 as described below, the VAT benefit is expected to only be available to MHP until 1 January 2009.

As long as MHP is entitled to retain VAT from the sales of its agricultural products, any reduction of the VAT output rate will result in a decrease of the amounts of output VAT received and retained by MHP. In addition, any decrease in the difference between the amount of VAT charged on MHP's agricultural products and the amount of VAT paid by MHP on items purchased for its operations in a particular period would reduce the amount of the VAT retention benefit received by MHP in such period. Any of the foregoing changes in respect of the VAT retention benefit could have a material adverse effect on MHP's business, results of operations and financial condition. Although Management believes that a legislative mechanism is likely to be put in place to compensate Ukrainian agricultural companies for the loss of the VAT benefit, no assurance can be given that this will be the case. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting MHP's Results of Operations—State Support for Agricultural Production in Ukraine—Government Grants".

In addition to the VAT benefit discussed above, Ukrainian agricultural producers also receive various government grants, including grants related to the processing of animal products, to the conduct of selection programmes in chicken and beef breeding and to crop and orchard growing, as well as partial compensation for finance costs under loans from Ukrainian banks. The aggregate amount of such grants is determined in the annual state budget of Ukraine. MHP has been receiving various types of state financial support since 2001 and the state financial support recognised by MHP in 2007 amounted to UAH 187.2 million (U.S.$37.1 million) or approximately 79% of MHP's net profit for 2007. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting MHP's Results of Operations—State Support for Agricultural Production in Ukraine—Government Grants". Any failure by the Ukrainian parliament to approve state subsidies for Ukrainian agricultural producers in the future or any decrease in the level of state subsidies could have a material adverse effect on MHP's business, results of operations and financial condition. In addition, although MHP believes that it is in material compliance with conditions and requirements for receiving various types of financial support, any failure by MHP to comply with such conditions and requirements could have a material adverse effect on MHP's business, results of operations and financial condition.

In 2007, Ukraine finalised the bilateral negotiations on market access issues with all members of the WTO Working Party on the Accession of Ukraine and adopted the final set of amendments to its legislation required for becoming a member of the WTO. On 5 February 2008, the WTO General Council approved Ukraine's "accession package" which consists of a report of the WTO Working Party on the Accession of Ukraine, the market access schedules on goods and services, the WTO General Council decision and the Protocol of Accession. The Ukrainian Parliament ratified the Protocol of Accession and adopted amendments to certain Ukrainian laws in connection with the accession on 10 April 2008, and Ukraine will become a WTO member on 16 May 2008. Following its accession to the WTO, Ukraine will be able to provide the so-called "amber box" subsidies, which are capped on an annual basis at (i) 5% of the overall agricultural production value generated in Ukraine in the relevant year in non-product-specific support, (ii) 5% of the total value of production of each of the basic agricultural products in the relevant year in product-specific support, plus (iii) up to an additional UAH 3.0 billion (approximately U.S.$0.6 billion). This type of subsidy may be provided in the form of direct financial aid to agricultural producers as well as tax exemptions and minimum price support. Based on Ukraine's 2007 overall agricultural output as reported by SCSU, the upper limit of "amber box" subsidies, excluding product-specific support, would be equal to approximately UAH 8.5 billion (U.S.$1.7 billion). This is approximately 55% higher than direct state subsidies to the Ukrainian agricultural sector set under the 2008 Budget Law at approximately U.S.$1.1 billion.

Any cancellations or limitations of the state support mechanisms discussed above, whether as a result of the WTO accession or otherwise, could have a material adverse effect on MHP's business, results of operations and financial condition.

MHP currently benefits from tax exemptions, which are scheduled to be discontinued in the future

Under Ukrainian law, producers of agricultural products are permitted to choose between general and special regimes of taxation with respect to certain taxes. In particular, in accordance with the Law of Ukraine "On the Fixed Agricultural Tax", dated 17 December 1998, as amended (the "**Law on Fixed Agricultural Tax**"), agricultural companies engaged in the production, processing and sale of agricultural products may choose to be registered as payers of fixed agricultural tax ("**FAT**"), provided that sales of agricultural goods representing their own production account for more than 75% of their gross revenue. FAT is paid in lieu of corporate income tax, land tax, duties for special use of water objects, municipal tax, duties for geological survey works and duties for trade patents. The amount of FAT payable is calculated as a percentage of the deemed value of all land plots (determined as of 1 July 1995) leased or owned by a taxpayer. In accordance with the Law on Fixed Agricultural Tax, MHP elected to pay FAT in lieu of other taxes in 1999 and for subsequent years, and currently 14 of MHP's subsidiaries pay FAT. In 2007, MHP paid FAT in an aggregate amount equivalent to approximately 0.4% of its net profit. The FAT regime is effective until 31 December 2009. If the FAT regime is not extended, MHP would pay corporate income tax at the standard rate (currently 25%) for Ukrainian companies as well as the other taxes and duties listed above, which would have a material adverse effect on MHP's results of operations and financial condition.

MHP must observe certain financial and other restrictive covenants under the terms of its indebtedness, and any failure to comply with such covenants could put MHP into default

As at 31 March 2008, MHP had total short- and long-term bank borrowings of UAH 756.7 million (U.S.$149.8 million).

In November 2006, the Company issued 10.25% senior guaranteed notes due 2011 (the "**Notes**"). The Company's obligations on the Notes are guaranteed by MHP's principal operating subsidiaries JSC MHP, Druzhba, Druzhba Nova, Oril Leader, Zernoproduct, Peremoga and MFC. See "Management Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources”.

The indenture governing the Notes and certain of MHP’s other borrowings contain covenants that limit the discretion of Management with respect to certain business matters. For example, these covenants significantly restrict the ability of the Issuer and certain of its subsidiaries to, among other things:

- incur additional debt or grant loans to other persons;
- pay dividends or distributions on, redeem or repurchase capital stock;
- make certain restricted payments and investments;
- create certain liens;
- transfer or sell assets;
- engage in sale and leaseback transactions;
- merge or consolidate with other entities; and
- enter into transactions with affiliates.

Compliance with these covenants could materially and adversely affect the Company’s ability to finance the future operations or capital needs of the Company or its subsidiaries or to engage in other business activities that may be in the best interests of the Company or its subsidiaries.

In addition, any breach of the terms of the Notes or the covenants associated with any of MHP’s other debt obligations could cause a default under the terms of MHP’s other indebtedness, causing some or all of MHP’s indebtedness to become immediately due and payable. Such default could also result in MHP’s creditors proceeding against the collateral securing its indebtedness. Any such action could materially and adversely affect MHP’s business, financial condition or results of operations. If MHP’s indebtedness were to be accelerated, MHP may not have sufficient funds to satisfy such obligations, and even if it does meet the requirement, to make such payments could materially and adversely affect MHP’s business, financial condition and results of operations.

MHP has been and will continue to be controlled by a majority shareholder and depends on his services as Chief Executive Officer

Prior to the Offering, all of the issued and outstanding shares of the Company are beneficially owned by Yuriy Kosyuk, the Company’s Chief Executive Officer. Following the Offering, Mr Kosyuk will beneficially own approximately 80.59% of the Company’s shares, or approximately 77.68%, assuming that the Over-allotment Option is exercised in full. Save for those matters which require the unanimous consent of all shareholders, such as a change of the nationality of the Company and increasing the liability of the shareholders, following the Offering Mr Kosyuk will have the ability to control any action requiring shareholder approval, including electing the majority of the Company’s Board of Directors and determining the outcome of most corporate matters without recourse to the Company’s minority shareholders. For example, Mr Kosyuk could cause MHP to pursue acquisitions and other transactions, even though such transactions may involve increased risk for the holders of GDRs. Mr Kosyuk and the Company have entered into a relationship agreement aimed, among other things, at protecting the Company’s interests in the case of conflicts of interests. See “Directors, Corporate Governance and Management—Relationship Agreement”. Nevertheless the interests of Mr Kosyuk and other shareholders and members of MHP’s management may, in some circumstances, conflict with the interests of holders of GDRs. For example, the Company’s subsidiaries have engaged in and continue to engage in transactions with related parties, including parties that are controlled by Mr Kosyuk. Conflicts of interest may arise among MHP, Mr Kosyuk and other companies controlled by Mr Kosyuk, resulting in the conclusion of transactions otherwise than on an arms’ length basis. Any such conflicts of interest or transactions could have a material adverse effect on MHP’s business, results of operations and financial condition. See “Directors, Corporate Governance and Management—Corporate Governance” and “Shareholders and Related Party Transactions”.

In addition, Management believes that MHP’s continued success depends to a significant extent on Mr Kosyuk’s abilities and efforts. MHP does not maintain a key person life insurance policy on Mr Kosyuk. The loss of Mr Kosyuk’s services could have a material and adverse effect on MHP’s business, results of operations and financial condition. See “Directors, Corporate Governance and Management—Directors”.

Weaknesses in MHP's accounting and reporting systems, accounting personnel and its internal controls and procedures relating to the preparation of IFRS financial statements

Similar to many other companies that operate in emerging markets, MHP's accounting and reporting systems are not as sophisticated or robust as those of companies organised in jurisdictions with a longer history of compliance with IFRS and the production of complete monthly financial statements for management purposes. The internal audit function of MHP is not presently fully operational and the lack of established accounting and reporting systems which have been in operation for an extended period of time may make MHP's financial information less reliable than that of companies that have implemented these systems over a longer period of time. These shortcomings could adversely impact the quality of decision making by MHP's senior management due to delays in producing complete management accounts on a basis consistent with IFRS. Historically, MHP's senior management has largely based its decisions on sales and cost figures and demand and price trends rather than complete IFRS monthly financial statements.

Each of MHP's Ukrainian subsidiaries prepares separate financial statements under Ukrainian accounting standards for statutory purposes. The preparation of IFRS consolidated financial statements involves, first, the transformation of the statutory financial statements of MHP's Ukrainian subsidiaries into IFRS financial statements through accounting adjustments and, second, the consolidation of all subsidiaries' financial statements. This process is complicated and time-consuming, and requires significant attention from MHP's senior accounting personnel at its corporate headquarters and subsidiaries. MHP's accounting systems and the internal controls and procedures relating to the preparation of the IFRS financial statements are not as advanced as those of companies operating in more developed countries. In particular, in light of MHP's past and planned growth, there is a risk that preparation of annual or interim IFRS consolidated financial statements may require more time for MHP than it does for companies in more developed countries.

The preparation of MHP's IFRS financial statements requires IFRS-experienced accounting personnel. MHP lacks accounting personnel with substantial experience in IFRS, in particular the complex IFRS rules relating to agricultural companies. In addition to that, in Ukraine there is a limited pool of accounting personnel with IFRS expertise, which makes it difficult for MHP to hire and retain such personnel. There is a risk that any inability to hire or to retain qualified accounting staff could have a material adverse effect on MHP's ability to prepare accurate financial information in a timely manner.

Notwithstanding the foregoing, MHP believes that its financial systems and controls are sufficient to ensure compliance with the requirements of the UKLA's Disclosure and Transparency Rules as a listed entity.

Failure of IT systems could materially affect MHP's business

All of MHP's accounting records are maintained on a variety of IT systems. In addition, MHP depends on various IT systems for the monitoring, execution and production of orders and for invoicing and payment monitoring. Although MHP backs up its IT systems and has a basic disaster recovery plan, the failure of any IT systems could have a material adverse effect on MHP's business, results of operations and financial condition.

Competition in the meat industry could adversely affect MHP's business

In general, competitive factors in the meat industry include price, product quality, brand value, breadth of product line and customer service. MHP faces competition from other vertically integrated poultry producers in Ukraine in respect of its principal chicken products. MHP also faces competition from importers of foreign frozen poultry products, particularly from imports from the United States, as well as from Ukrainian households that produce chicken products and from illegal imports. MHP may in the future face increased competition from new domestic and foreign or foreign supported entrants into the Ukrainian poultry market. Competition from non-Ukrainian competitors is likely to increase following finalisation of Ukraine's accession to the WTO, which will occur on 16 May 2008. New entrants into the Ukrainian poultry market, including producers backed by foreign companies, may have greater financial, technical and other resources, greater operating experience and other advantages.

MHP also competes with Ukrainian producers of other types of meat, such as beef and pork. For example, the prices for MHP's chicken products decreased significantly in early 2007 due to increased supply of pork to the Ukrainian market. In 2007, MHP's share of the Ukrainian market for commercially produced poultry was approximately 36%, as compared to approximately 44% and 35% in 2005 and 2006, respectively. This decrease from 2005 to 2007 was primarily due to MHP's output remaining stable in 2006 while MHP's competitors' increased production capacity during the same period. Competition in the meat industry could force MHP to reduce prices for its products or could result in a reduction in MHP's sales volumes any of which could have a material adverse effect on MHP's business, results of operations and financial condition.

Poor growing conditions may adversely affect MHP's grain production

Weather conditions are a significant operating risk affecting MHP's grain growing operations which are primarily located in central Ukraine where the climatic conditions are not always conducive to maximising crop yields. Weather not only directly impacts the grain yield but also the ability to and cost of the harvest. Weather and other aspects of growing conditions may also lead to a greater use of fertilisers and other chemicals, which may also increase costs. Accordingly, MHP is highly susceptible to changes in the growing conditions of these regions as determined by the weather and otherwise, and the resulting impact on the production of grains. MHP's ability to deliver grains to third parties and to its own operations in timely manner and in sufficient quantities may be affected by weather conditions, including, among others, drought, flood and heavy snow and/or frost. Growing conditions can also be impacted by the availability and cost of fertilisers. Although MHP is approximately 50% self-sufficient in fertilisers by area fertiliser purchases accounted for a material part of MHP's cost of sales for its grain segment for the year ended 31 December 2007. Prices for fertiliser in Ukraine are highly influenced by global fertiliser prices. The inter-relationship between fertiliser price and grain price determines the optimal amount of fertiliser that could be used on land based upon the optimal amount of fertiliser needed on any particular land to maximise yield. Depending upon this inter-relationship, MHP may not be able to maximise yields by optimising its use of fertiliser and/or if it does so, completely or in part, its costs may be materially adversely impacted. Such factors could materially adversely affect MHP's grain output and, as a result, MHP's business, results of operations and financial condition.

Insufficient access to quality seeds may adversely affect MHP's grain production

Good quality seeds are important to successful high yielding crops. Ukraine suffers from a lack of good seeds for a number of reasons, including (i) the fact that a large number of Ukrainian seed suppliers have experienced financial difficulties; (ii) the global decline of the agricultural sector in the late 1990s and early 2000s; and (iii) the fact that foreign suppliers are reluctant to sell seeds into Ukraine due to the lack of adherence to intellectual property rights. While MHP is self-sufficient in wheat seeds, and MHP sources the rest of its seeds requirements from a wide range of suppliers, MHP's inability to source a sufficient amount of quality seeds in a timely manner could materially affect MHP's business, results of operations and financial condition.

MHP may not be successful in effectively managing its planned growth and greater diversification

MHP has grown rapidly in a short period of time primarily through acquisitions from companies controlled by Mr Kosyuk of additional assets and substantial capital investments, and it is currently undertaking a substantial expansion and diversification programme. MHP is in the process of developing several new business lines, including the production of wheat and rape for sale to the third parties, convenience food products, sausages, cooked meats, beef, goose meat, foie gras, fruit and potatoes. MHP's success will depend on its ability to successfully manage its growth and diversification and to secure and effectively allocate resources to meet the needs of its expanded and diversified business. Successful management of this growth and diversification will require, among other things:

- stringent control of construction and other costs;
- increased marketing activities and monitoring of sales channels;
- attracting, retaining, motivating and training of skilled personnel; and
- more sophisticated and robust accounting and reporting systems.

Management of MHP's growth and diversification has required significant management and operational resources and has increased the overall complexity of MHP's business, and this trend is likely to continue in the future. MHP may also become responsible for additional liabilities or obligations associated with acquired assets and not foreseen at the time of their acquisition. If MHP fails to manage its planned growth and continuing diversification successfully, this could have a material adverse effect on MHP's business, results of operations and financial condition.

Failure to generate or raise sufficient capital may hamper MHP's development strategy

In order to implement its development strategy, MHP plans to make capital expenditure of approximately U.S.$173 million in 2008. Management expects that starting from 2009, MHP's capital expenditures will primarily be in relation to the expansion of the poultry and grain business (including the proposed construction of its Vinnytsya chicken farm). MHP's cash flow from operations, as well as proceeds of the Offering and MHP's cash balances may not be sufficient to finance MHP's planned capital expenditures and additional financing may be required. Certain circumstances may affect MHP's ability to raise adequate capital, such as the terms of existing financing arrangements (including the Notes) or any changes thereto, expansion of facilities at a faster rate or higher capital cost than anticipated, slower than anticipated revenue growth, regulatory developments and outbreaks of bird flu and other livestock diseases.

Therefore, to meet its financing requirements in line with its development strategy, MHP may need to attract equity investments or incur more debt. It may be difficult for MHP to obtain debt financing in Ukraine in local currency on commercially acceptable terms in the future. In addition, certain currency control regulations hinder MHP's ability to obtain hard currency denominated financings from international lenders on favourable terms, because loans in foreign currency extended to Ukrainian borrowers are subject to prior registration with the NBU. These regulations may be subject to changes and varying interpretations, complicating both the process of determining whether registration is required and the process of obtaining such registration. Although MHP has not experienced any complications in connection with such NBU registration process in the past, there can be no assurance that this will continue to be the case. If MHP cannot obtain adequate funds to satisfy its future capital requirements, it may need to curtail or discontinue the expansion of its facilities, which could slow MHP's growth, lead to a loss of market share and otherwise have a material adverse effect on MHP's business, results of operation and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources".

Outbreaks of bird flu and other livestock diseases could have a material adverse effect on MHP's business

Outbreaks of livestock diseases could significantly restrict MHP's ability to conduct its operations. Since 2003, the H5N1 strain of bird flu, which is potentially lethal to humans, has infected poultry flocks and other birds in several countries around the world, including Ukraine. In 2005, 2006 and 2007, several cases of bird flu were reported in wild birds and domestic poultry in the Crimea and Sumy regions of Ukraine. More recently, in the Crimea region of Ukraine, there have been cases of bird flu in domestic birds reported in January 2008 and in wild birds reported in February 2008. Bird flu is highly contagious among birds and can cause sickness or death of some domestic poultry, including chickens, geese, ducks and turkeys. Additionally, in 2006, there were several cases of Newcastle Disease reported at industrial and household chicken farms in the Kharkiv, Chernigiv and Rivne regions of Ukraine. Newcastle Disease is a contagious and fatal viral disease affecting most species of birds. While no cases of bird flu or Newcastle Disease have been reported at the farms operated by Ukrainian large-scale industrial poultry producers and the Ukrainian state authorities continue to implement a variety of measures to prevent the further spread of bird flu and Newcastle Disease, there can be no assurance that this will continue to be the case. See "Industry Overview—Overview of the Ukrainian Markets for Meat Products—Recent Developments in the Ukrainian Poultry Industry".

Although, as of the date of this Prospectus, no cases of bird flu or Newcastle Disease have been reported within, or in areas in close proximity to, MHP's production facilities, there can be no assurance that this will continue to be the case, especially as attacks have occurred in areas where MHP operates its facilities. See "Business—Biosecurity". Any outbreak of a livestock disease in Ukraine could result in any of the following measures being imposed by Ukrainian governmental authorities:

- restrictions on the movement and/or the sale of live chicken or chicken products by MHP; and/or
- requirements for MHP to destroy one or more of its flocks; and/or
- placing MHP's facilities in quarantine until the threat of disease spreading is eliminated.

MHP does not maintain insurance to cover the consequences of livestock disease, including those cited above. There is a basis under Ukrainian law for producers to claim government compensation in the case of a required culling of birds. However, applicable Ukrainian legislation provides the relevant government authorities with the right to refuse a payment of compensation but does not specify the grounds on which such refusal could be made. Furthermore, there is no basis for government compensation if measures (other than culling) are taken. Irrespective of whether government restrictions are imposed or MHP is required to destroy one or more of its flocks, any outbreak of disease on the territory of Ukraine or in the neighbouring countries could create adverse publicity, which may reduce demand for MHP's products. Even if there is no outbreak of bird flu at MHP's facilities, negative reactions from potential customers, government authorities, lenders or insurance providers could adversely affect MHP through a loss of customers, the application of new regulations or livestock culling requirements, the failure to obtain financing or the loss of insurance coverage generally. Any of these consequences could have a material adverse effect on MHP's business, results of operations and financial condition.

MHP currently sources its breeding flocks from a supplier in Germany. While no cases of bird flu or other livestock diseases have been reported in German industrial poultry production facilities, there can be no assurance that this will continue to be the case. Outbreaks of bird flu in EU countries may result in Ukraine banning imports of breeding flocks from affected territories in the EU or particular countries within the EU prohibiting the export of birds from affected territories. To address the possibility of any such import or export bans, MHP has contingency arrangements with its suppliers for sourcing of breeding flocks from the U.K. and The Netherlands and has discussed such arrangements for sourcing breeding flocks from the United States. MHP expects that the cost of breeder flocks imported from the United States would be higher than the cost of its current supplies. In addition, there can be no assurance that any such alternative supplies would be readily available to meet MHP's requirements or at all. Any long-term interruption to supplies of breeding flocks would have a material adverse effect on MHP's business, results of operations and financial condition.

If MHP's products become contaminated, it may be subject to product liability claims and product recalls

MHP's products may be subject to contamination by disease producing organisms, or pathogens, such as listeria monocytogenes, salmonella and generic E. coli. These pathogens are found generally in the environment and therefore there is a risk that, as a result of food processing, they could be present in MHP's processed products. These pathogens can also be introduced to MHP's products as a result of improper handling by other food processors, franchisees, foodservice providers or consumers. These risks may be controlled, but may not be eliminated, by adherence to good manufacturing practices and finished product testing. Even if a product is not contaminated when it leaves MHP's facilities, it may become contaminated as a result of the actions of future handlers. This may result in MHP being required to satisfy the claims of affected consumers if such claims are not satisfied by MHP's franchisees or wholesale customers. Increased sales of convenience food products by MHP could lead to increased risks in this area. Even an inadvertent shipment of contaminated products is a violation of law and may lead to increased risk of exposure to product liability claims, product recalls (which may not entirely mitigate the risk of product liability claims), adverse publicity, fines and increased scrutiny by governmental regulatory agencies and could have a material adverse effect on MHP's reputation, including the strength of its brand names, and demand for MHP's products, and, therefore, on MHP's business, results of operations and financial condition.

In addition, under Ukrainian law, a consumer who has sustained damages as a result of consuming a low-quality or dangerous food product produced by MHP may bring a claim for damages against MHP. Any such third-party claim for damages could have a material adverse effect on MHP's business, results of operations and financial condition. See "—MHP's insurance coverage may be inadequate" below.

Seasonality in the demand for chicken products affects the market price for chicken products and MHP's sales and earnings

Profitability in the chicken industry is affected by the prevailing price of chicken products, which is primarily determined by supply and demand in the market. MHP has in the past experienced fluctuations in its earnings due to seasonal demand for chicken products. In a typical year, the prices for chicken products generally reach their peak during the summer months due to the customers' preference for meat with lower fat content during hotter periods, followed by a decrease in prices during autumn and winter. Although MHP is able to freeze a certain amount of its chicken products or to process more chicken meat as convenience food, which can be stored for longer periods of time, or to sell its products at lower prices in response to decreases in demand, MHP may be unable to effectively manage inventories to address seasonal changes in demand, which could have a material adverse effect on MHP's business, results of operations and financial condition.

MHP benefits from trade barriers on poultry imports into Ukraine, which may be reduced or eliminated

Prior to March 2005, most poultry imports entered Ukraine through areas having the status of "free economic zones", which exempted such imports from import tariffs. In March 2005, the Ukrainian parliament cancelled all of the tax, customs duty and other incentives and exemptions that applied to such zones, thereby effectively increasing the cost of imported poultry products by an amount equivalent to EUR 0.7 per kilogramme of processed weight for the principal types of imported poultry products, such as legs and thighs and by an amount equivalent to 30%-60% of the customs value but not less than EUR 1.5-3.0 per kilogramme of processed weight for whole chickens. This effective introduction of an import tariff temporarily created a trade barrier that resulted in a significant decrease in imports of poultry. However, this trade barrier was eased in July 2005 when the import tariff for whole chickens was decreased to 10% of the customs value but not less than EUR 0.4 per kilogramme of processed weight (while the tariff for legs and thighs remained unchanged at EUR 0.7 per kilogramme). In addition, certain importers of poultry products who previously benefited from exemptions from import tariffs were able to successfully challenge the cancellation of such exemptions in the Ukrainian courts so that their imports of poultry continued to be exempt from such tariffs until the end of 2007. Although the Ukrainian government currently does not appear to be planning to grant any further import tariff exemptions to importers of poultry products, there can be no assurance that this will continue to be the case. In addition, upon Ukraine becoming a member of the WTO, which, as discussed above, will take place on 16 May 2008, the existing import tariff on most poultry products (including frozen legs and thighs) will be 10% of the customs value but not less than EUR 0.4 per kilogramme of processed weight. At the same time, the import tariff for fresh and chilled chicken parts will remain unchanged at EUR 0.7 for certain types of products and 30% of the customs value but not less than EUR 1.5 per kilogramme of processed weight for other types of products. The easing or lifting of the existing trade barrier would increase competition faced by MHP from foreign poultry companies importing their products into Ukraine. Although Management believes that the competition MHP faces from importers of chicken products will be predominantly in respect of frozen products (whereas MHP's chicken products are predominantly chilled), such increased competition could impact demand and prices for MHP's products and have a material adverse effect on MHP's business, results of operations and financial condition.

MHP is exposed to currency exchange rate risk

MHP's operating assets are located in Ukraine, and its revenues and costs are denominated primarily in hryvnia, which is not convertible outside Ukraine. However, certain of MHP's revenues, production costs and finance costs are denominated in foreign currencies, principally euros and dollars. In 2007, approximately 16% of MHP's revenues from continuing operations, approximately 9% of MHP's production costs in connection with continuing operations and approximately 76% of MHP's finance costs in connection with continuing operations, respectively, were denominated in foreign currencies. MHP's foreign currency revenues consist principally of revenues from export sales of sunflower oil. In addition, substantially all of the equipment used in MHP's business is imported from outside Ukraine and is purchased with foreign currency, and all of MHP's breeder flocks are imported from outside Ukraine and purchased with foreign currency. MHP finances the majority of its equipment purchases with loans denominated in foreign currencies. Due to the absence in Ukraine of a legislative basis for creating hedging instruments, the prevailing market practice in Ukraine, to which MHP adheres, is not to hedge against currency fluctuations. During 2007, the hryvnia remained stable against the U.S. dollar and depreciated against the Euro by approximately 12%, which had a negative effect on MHP's finance costs associated with indebtedness denominated in foreign currency and on MHP's costs associated with purchases of imported equipment. In addition, the NBU is currently authorised to intervene to maintain the exchange rate of hryvnia to foreign currencies within a certain corridor established on an annual basis. Although the NBU has been maintaining such corridor for the hryvnia/U.S. dollar exchange rate since April 2005, no assurances can be given that this will continue to be the case in the future. If the NBU ceases to maintain or changes such corridor, the fluctuations in the hryvnia/U.S. dollar exchange rate may become more significant. See also "—Risks Relating to Ukraine—Stability of Ukraine's currency" below. Any future depreciation of the hryvnia against the Euro or U.S. dollar will increase MHP's expenses in hryvnia terms and could have a material adverse effect on MHP's business, results of operations and financial condition.

MHP is dependent on qualified personnel

MHP's growth and future success will depend on its continued ability to attract, retain and motivate qualified professionals, including managerial, veterinarian, land management, sales and marketing personnel. Competition for these types of personnel in Ukraine is high. An inability to hire and retain additional qualified personnel will impair MHP's ability to continue to expand its business. Although MHP has established programmes for attracting and retaining qualified personnel, MHP cannot provide any assurance that it will be successful in recruiting and retaining a sufficient number of personnel with the requisite skills to replace any personnel that leave and meet the needs of its planned expansion. See "Business—Employees". Competition in Ukraine for personnel with relevant expertise is intense due to the small number of qualified individuals. A failure to successfully manage its personnel needs may materially and adversely affect MHP's business, results of operation and financial condition.

Any failure to protect its brand names and other intellectual property could adversely affect MHP's business

As MHP's success depends to a significant extent upon the recognition of and goodwill associated with its brand names and trademarks, MHP's brand names and trademarks, in particular "Nasha Ryaba" and "Lehko!", are key to its business. Maintaining the reputation and value of MHP's brand names and trademarks is critical to its success. Substantial erosion in the value of MHP's brand names and trademarks due to product recalls, customer complaints, adverse publicity, outbreaks of livestock disease, legal action or other factors could have a material adverse effect on MHP's business, financial condition and operating results. Moreover, MHP's products may be imitated or copied, or retailers may seek to market products produced by other companies as MHP's production.

The legal system in Ukraine generally offers a lower level of intellectual property rights protection and enforcement than the legal systems do in some other countries in Europe and in North America. Steps taken to protect MHP's trademarks and other intellectual property rights may not be sufficient and third parties may infringe or challenge such rights, and if MHP is unable to protect such intellectual property rights against infringement, it could have a material adverse effect on its business, results of operations and financial condition.

In addition, there is a possibility that certain of MHP's brands including "Foie Gras" and "Certified Angus" may be considered generic and challenged which may result in MHP having to retract and/or rebrand any affected products. This could have a material adverse effect on MHP's business, results of operations and financial condition.

Increased costs for or disruptions in supply of gas and fuel could adversely affect MHP's business and financial results

MHP requires a substantial amount of natural gas and fuel to produce and distribute its chicken products, and as it expands its business its needs will increase. In 2007, the cost of natural gas and fuel accounted for approximately 8% of MHP's cost of sales for continuing operations. The prices of natural gas and fuel fluctuate significantly over time. MHP may not be able to pass on increased costs of production and distribution of its products to its customers. Any such increases may increase MHP's costs and could result in reduced profits. In addition, MHP is dependent on third parties for the supply of natural gas and fuel, and this supply could be disrupted. Any increases in the cost of natural gas and fuel, and any disruption in the supply of these items to MHP, could have a material adverse effect on MHP's business, results of operations and financial condition. See "Risks Relating to Ukraine—Ukraine's regional relationships".

MHP may be unable to identify suitable franchising opportunities or successfully manage its franchisee network

In 2007, the share of MHP's revenue from its franchise network was approximately 60% of MHP's total revenue from the sales of chicken products, as compared to approximately 70% and 68% in 2006 and 2005, respectively.

As of 31 March 2008, MHP had 2,011 franchise points of sale. MHP's expansion plans depend on its ability to identify suitable additional franchising opportunities and on its existing franchisees remaining commercially viable. In 2007, MHP terminated its relationship with approximately 5% of its franchisees, which failed to remedy the deficiencies in operation of their outlets following inspections by MHP. There can be no assurance that suitable franchisees will be found in the future or that they will be successful in selling MHP's products. Competition may also reduce the number of suitable franchise opportunities and increase the bargaining power of prospective franchisees. MHP entrusts the management of each franchise point of sale to franchisees. Differing levels of quality of service across each regional franchise network or improper management by any franchisee could compromise MHP's image among consumers and the value of its brands. In addition, there can be no assurance that MHP's franchisees will not breach their contractual obligations to MHP or that their conduct will not damage the commercial interests of MHP. Any of the foregoing could have a material adverse effect on MHP's business, results of operations and financial condition.

MHP's reliance on independent retailers could adversely affect its business, financial condition and results of operation

MHP's sales to independent retailers such as supermarkets have increased in 2007 as compared to 2006 and 2005 and accounted for approximately 30% of MHP's total revenue from the sales of chicken products, as compared to approximately 23% and 25% in 2006 and 2005, respectively.

The supermarket retail market is highly competitive and marked by increasing price competition and competition for shelf space. MHP's operations and distribution costs could be adversely affected by the increased consolidation of the retail market, particularly as the supermarkets in Ukraine become more sophisticated and attempt to force lower pricing, price discounts, increased promotional programmes and branding under the supermarket's private label, which could also have the affect of diluting MHP's brand value. MHP also competes with other brands for shelf space in retail stores and marketing focus by independent retailers. If retailers give higher priority to other brands, purchase less of, or even refuse to buy, MHP's products, seek substantial discounts, or devote inadequate promotional support to its products, this could have a material adverse effect on MHP's business, results of operations and financial condition.

Filings made by MHP or its controlling majority shareholder to the Antimonopoly Committee of Ukraine were inaccurate or incomplete, as a result of which MHP could be subject to fines, which may be material

MHP's business has grown substantially through the acquisition and establishment of companies incorporated and operating in Ukraine. Many of these acquisitions or formation of companies required the prior approval of the Antimonopoly Committee of Ukraine (the "**AMC**"). In recent years, the AMC has sought to increase business transparency and improve the competitive environment in Ukraine through changes to competition legislation and procedures for conducting investigations and through challenges to various anticompetitive practices. Applicable antimonopoly legislation restricts companies and individuals from directly or indirectly acquiring control over other companies without the prior approval of the AMC where certain financial thresholds are met. The failure to obtain necessary approvals for such transactions could subject MHP and its controlling shareholder, Yuriy Kosyuk, to fines, which may be material, or in the worse case the invalidation of such transactions and the divestment of the relevant companies. The making of an inaccurate or incomplete filing to the AMC could also result in fines and, in the case of inaccuracy or omission that is substantial, could result in the relevant approval being annulled.

There is a risk that filings made by MHP or Mr Kosyuk to the AMC could be questioned and determined to be inaccurate or incomplete.

In 2003, Mr Kosyuk acquired control over and beneficial ownership of Oril Leader. At the time of this acquisition, Mr Kosyuk also controlled and beneficially owned MHP and, as a result of the applicable financial thresholds being met, the acquisition of control by Mr Kosyuk over Oril Leader required prior AMC approval. This transaction was not reported to, nor approved by, the AMC prior to it taking place. In December 2004, MHP filed an application (the "**2004 Application**") with the AMC for approval of MHP's acquisition of Oril Leader, and such approval was granted in January 2006. However, MHP did not disclose in the 2004 Application that both MHP and Oril Leader were both already controlled by Mr Kosyuk or that the two companies were otherwise already under common control. In February 2006, MHP submitted an application (the "**2006 Application**") informing the AMC that the 2004 Application was inaccurate and incomplete and that MHP and Oril Leader had been under common control since 2003. However, the information provided to the AMC regarding the basis for such control was not accurate and not complete. In addition, in the 2006 Application, MHP requested retroactive AMC approval for all acquisitions and establishments of companies within the MHP group as it existed at the time of the 2006 Application. The risk remains that the AMC could question the 2006 Application and determine that it was inaccurate or incomplete.

Following its review of the 2006 Application, the AMC granted retroactive approvals for all acquisitions and establishments of companies within the MHP group as it existed at the time of the 2006 Application. The AMC also imposed on MHP a fine in an aggregate amount of approximately UAH 620,000 (U.S.$122,772) for completing the transactions described in the 2006 Application without AMC approval. MHP paid this fine in June 2006.

The filing by MHP of an inaccurate and incomplete submission to the AMC in the 2006 Application could result in the imposition of fines in an amount of up to 1% of MHP's consolidated revenue in the year immediately preceding the imposition of the fine (or theoretically even higher). If the AMC were to impose a fine on the foregoing basis in 2008, it could amount to up to approximately U.S.$5.0 million based on the amount of MHP's consolidated revenue in 2007. There can be no assurance regarding the future actions of the Ukrainian state authorities, and the laws and regulations in respect of such matters are vague in certain parts and subject to varying interpretations. Any penalties imposed by the AMC on MHP or Mr Kosyuk could have a material adverse effect on MHP's business, results of operations and financial condition.

MHP's operations may be limited by antimonopoly regulations

MHP is one of the leading producers of chicken in Ukraine with estimated domestic market share for industrially produced poultry of 36% by production volume in 2007 according to SCSU. Although MHP believes that its operations are in compliance with applicable Ukrainian antimonopoly regulations, there can be no certainty that MHP market shares will not result in the initiation of proceedings or investigations by the relevant antimonopoly authorities, including the AMC. If any proceedings or investigations were to result in adverse decisions against MHP, MHP could be prohibited from engaging in certain activities that are regarded as restricting competition and/or financial penalties could be imposed on MHP. Such prohibitions or financial penalties could have an adverse effect on MHP's business, financial condition or MHP's results of operations. In addition, any potential acquisition by MHP may be subject to closer scrutiny by the AMC, which may conclude that such acquisition would restrict competition on a given market and prohibit the acquisition. Such a decision could adversely affect MHP's ability to expand through acquisitions. In previous years MHP's market share was higher than in 2007 and AMC did not initiate any investigations against it; however, no assurances can be given that this will continue to be the case.

MHP may be subject to claims and liabilities under environmental, health, safety and other laws and regulations, which could be significant

MHP's operations are subject to various environmental, health, safety and other laws and regulations, including those governing air emissions, solid waste and wastewater discharges and the use, storage, treatment and disposal of hazardous materials, such as disinfectants. The applicable requirements under these laws are subject to amendment, imposition of new or additional requirements and changing interpretations by governmental agencies or courts. In addition, MHP anticipates increased regulation by various governmental agencies concerning food safety, the use of medication in fodder formulations, the disposal of animal by-products and wastewater discharges. Furthermore, business operations currently conducted by MHP or previously conducted by others at property owned or operated by MHP, business operations previously conducted by MHP at property formerly owned or operated by MHP and the disposal of waste at third party sites expose MHP to the risk of claims under environmental, health and safety laws and regulations. MHP could incur material costs or liabilities in connection with claims related to any of the foregoing. The discovery of presently unknown environmental conditions, changes in environmental, health, safety and other laws and regulations, enforcement of existing or new laws and regulations and other unanticipated events could give rise to expenditures and liabilities, including fines or penalties, which could have a material adverse effect on MHP's business, results of operations and financial condition. See "Business—Regulatory Compliance".

MHP's business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation

MHP's business depends on the continuing validity of several licences, the issuance to it of new licences and/or permits and its compliance with the terms of its licences and/or permits. In particular, MHP's poultry and cattle breeding operations depend on licences and/or permits for the production of pedigree incubatory eggs, birds and cattle.

In addition, under recently amended legislation, MHP, as an operator of food production facilities, is required to obtain operational permits in respect of its facilities for the production of meat products, convenience foods and fodder. MHP has already obtained such permits for several of its companies and plans to obtain such permits for its other companies which operate food production facilities in the near future once the Ukrainian register of operators of food production facilities becomes fully operational. Although MHP believes that it will not be prevented from operating its facilities in practice, as a strict legal matter, without such permits, MHP will not be permitted to produce, process, store or transport its meat products and fodder. Ukrainian state authorities are authorised to suspend or revoke an operational permit if a particular facility does not comply with applicable sanitary and veterinary regulations.

Furthermore, under recently introduced legislation, MHP is required to obtain an export licence for sunflower oil.

Regulatory authorities exercise considerable discretion in the timing of licence and permit issuance and renewal and in the monitoring of compliance with the terms of licences and permits. In certain circumstances, state authorities in Ukraine may seek to interfere with the issuance of licences and permits, and the licensing and permitting process may also be influenced by outside commentary, political pressure and other extra-legal factors. Accordingly, there is a risk that licences or permits needed for MHP's business may not be issued or renewed or that they may not be issued or renewed in a timely fashion or may be subject to onerous conditions. If MHP is unable to obtain, maintain or renew necessary licences or permits, its business, results of operations and financial condition could be materially adversely affected. See "Business—Licences and Permits".

While MHP began operating the Myronivka chicken farm in October 2007, this farm was formally commissioned only in December 2007. Under Ukrainian law, until formally commissioned, newly constructed properties may not be operated. Violation of this requirement may subject MHP to fines in the amount of up to 10% of the cost of construction works. Management believes that the relevant Ukrainian authorities are not likely to pursue this course of action based on previous practice in similar cases and given that the representatives of such authorities have now approved the commissioning of the Myronivka chicken farm. However, if imposed, this fine could be significant, and MHP's business, results of operations and financial condition could be materially adversely affected.

MHP's insurance coverage may be inadequate

MHP's insurance coverage may not adequately protect it from the risks associated with its business. The insurance industry is not yet well developed in Ukraine, and many forms of insurance protection common in more economically developed countries are not yet available in Ukraine on comparable terms or are not reasonably priced, including coverage for business interruption and the loss of a future grain harvest. MHP insures its principal assets against risk of loss or damage caused by fire, lightning, explosions, arson, natural disasters, water damage, burglary, robbery and mechanical failures. MHP also insures its vehicles against the risk of loss or damage and maintains mandatory statutory third party liability insurance. However, MHP does not have full coverage against loss of, or damage to, some of its plant and equipment or losses arising from the interruption of its business. MHP does not have any insurance coverage in respect of any losses it may incur as a result of an outbreak of bird flu or any other livestock disease. See "—Outbreaks of bird flu and other livestock diseases could have a material adverse effect on MHP's business". Also, MHP does not maintain insurance coverage for the loss of future grain harvest at some of its grain growing facilities, nor does it maintain product liability insurance with respect to products of animal origin and the use of pesticides and agrochemicals. In addition, there is no guarantee that MHP will be able to obtain insurance policies on economically viable terms. If MHP is unable to obtain insurance coverage in respect of particular risks, it will be forced to cover any losses or third-party claims out of its own funds. MHP does not currently maintain separate funds or otherwise set aside reserves to cover such losses or third-party claims. If MHP were to suffer a loss that is not adequately covered by insurance, its business, results of operations and financial condition could be materially adversely affected. See "Business—Insurance".

MHP's intragroup transactions and other related party transactions are subject to Ukrainian transfer pricing regulations

Ukrainian transfer pricing rules, which became effective in 1997, require that prices between related parties and, under certain circumstances, between unrelated parties be set on an arm's length basis. Ukrainian tax authorities may make transfer pricing adjustments and impose additional tax liabilities in respect of transactions between related parties and, as applicable, unrelated parties if the transaction prices differ from market prices. The Ukrainian transfer pricing rules are vaguely drafted and leave a wide scope for interpretation by Ukrainian tax authorities and commercial courts. In addition, to date, there has been only limited guidance as to how these rules are to be applied. Moreover, in the event a transfer pricing adjustment is assessed by Ukrainian tax authorities, the Ukrainian transfer pricing rules do not provide for an offsetting adjustment to the related counterparty in the transaction that is subject to adjustment. At the same time, Management believes that, pending the adoption of relevant legislation, the right of the Ukrainian tax authorities to make transfer pricing adjustments may be challengeable. In particular, under applicable Ukrainian corporate income tax legislation, such adjustments can be made only pursuant to a procedure, which has not yet been adopted in law.

There have been and continue to be a significant number of transactions between companies within the MHP group, as well as with other parties related to MHP. In addition, in the past MHP engaged in transactions with the companies which it acquired in the 2005 Acquisitions and in the 2006 Acquisitions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Segments and Intragroup Transactions" and "Shareholders and Related Party Transactions". It is not always possible to determine an appropriate market price for such transactions, and the Ukrainian tax authorities' view as to what constitutes a market price may differ from that adopted by MHP. As a result, there can be no assurance that the Ukrainian tax authorities will not challenge the prices for these transactions and propose adjustments. If such price adjustments are implemented, MHP's effective tax rate could increase and its future financial results could be materially adversely affected. In addition, MHP could face significant losses associated with the assessed amount of prior tax underpaid and related interest and penalties, which could have a material adverse effect on MHP's business, results of operations and financial condition.

MHP has multiple leases and its rights to its land plots may be challenged and MHP may not be able to renew its lease agreements

MHP leases all the land plots on which it grows grains. As of the date of this Prospectus, MHP leases approximately 148,500 hectares of land. The majority of MHP's agricultural land plots are leased from a large number of private individual lessors, while the remaining land plots are leased from local authorities. Management believes that the average size of a land plot leased by MHP from individual lessors is two hectares. This gives rise to a significant administrative burden and a number of legal risks, including a risk of fragmentation of MHP's land bank if it is unable to continue to lease land from its contiguous individual lessors. Furthermore, some of the leases may not contain all of the provisions required under Ukrainian law. Any challenge to the validity or enforceability of MHP's rights to land plots it currently leases or may lease in the future may result in the loss of the respective lease rights. In addition, MHP's land lease agreements are entered into for a limited period of time, ranging from one to 50 years. Although under Ukrainian law MHP has a pre-emptive right to extend the term of a lease agreement upon its expiry, subject to MHP's compliance with the terms of original lease, lessor's wishing to continue leasing the land and absence of any other potential lessees offering better terms of the lease, there can be no assurance that all lease agreements will be renewed upon their expiration. In addition, Ukrainian legislation requires the lease rights to the land plots held in state or municipal ownership to be allocated through an auction unless there are buildings owned by the lessee on the relevant land plot. Any loss by MHP of its lease rights to land plots could adversely affect MHP's business, results of operations and financial condition.

MHP's business could be adversely affected if its land allotment lease agreements are invalidated

MHP leases the land plots underlying almost all of its production facilities, administrative buildings and staff facilities from local authorities and individuals under land lease agreements. MHP leases agricultural land primarily from individuals. In Ukraine individuals may hold title to agricultural land on the basis of ownership certificates and land allotment certificates. An ownership certificate is direct evidence of title to a certain land plot, while a land allotment certificate evidences only the right to obtain title to a certain land plot allocated to a holder of a land allotment certificate pursuant to a legal procedure. Ukrainian law allows leases of land plots held on the basis of the land allotment certificates. MHP leases land plots under two types of agreements: land lease agreements and land allotment lease agreements. Out of approximately 148,500 hectares of land leased by MHP as at 31 March 2008, approximately 44,900 hectares are leased under land allotment lease agreements.

Under Ukrainian law, prior to 5 November 2003, to be effective land lease agreements had to be registered with state land registrars, while land allotment lease agreements had to be registered with executive committees of local councils. Effective from 5 November 2003, the Law of Ukraine "On Land

Lease" was amended to require that both land lease agreements and land allotment lease agreements be registered with state land registrars. The land lease agreements in respect of all land upon which MHP's chicken farms are located are registered with the state land registrars. However, approximately 17,800 hectares of land currently leased by MHP under land allotment lease agreements are not registered with state land registrars, and any such land allotment lease agreements made after 5 November 2003 are voidable. MHP submits applications to the Ukrainian regional departments on land resources for the registration of the lease agreements under land allotments. Any registration of the lease agreements under land allotments is subject to the relevant department on land resources agreeing to conduct such registration. Therefore, no assurance can be given that all of the relevant lease agreements will be registered with the Ukrainian authorities. Any loss by MHP of its right to use the land leased under unregistered land allotment lease agreements could adversely affect MHP's business, results of operations and financial condition.

The payments under MHP's land lease agreements may increase

Under Ukrainian legislation, the parties to a lease agreement are generally free to determine the amount of payments under a land lease agreement. However, the lease payments in respect of agricultural land held in state or municipal ownership may not be lower than the land tax in respect of the relevant land plot, calculated as a percentage of the appraised value of a particular land plot. The appraised value of land plots is reviewed by Ukrainian authorities on an annual basis. Following such review, state or municipal lessors are entitled under Ukrainian law to unilaterally increase the lease payments in respect of the relevant land plot pro rata to the new value of such plot. Any increase of the land lease payments above MHP's current expectations could materially adversely affect MHP's business, results of operations and financial condition.

MHP may be limited in its ability to obtain full ownership rights to land

MHP's ability to obtain full ownership rights to agricultural land plots it currently leases is limited by an effective moratorium on the sales on agricultural land currently in force in Ukraine. Once this moratorium is lifted, MHP would consider the possibility of acquisition of ownership rights to land, including to the land plots it currently leases pursuant to existing pre-emptive rights. However, there can be no assurance that the owners of these land plots will agree to sell their land to MHP at commercially acceptable terms or at all. In addition, any material changes to existing laws and regulations on land ownership could limit MHP's ability to obtain full ownership rights to relevant land plots. Furthermore, MHP may face increasing competition for suitable land plots from other companies operating in the Ukrainian agro-industrial sector, which may result in higher prices for land. Although under Ukrainian law MHP is entitled to continue leasing land plots on the same conditions if the owner of the relevant land plot changes, unless otherwise provided in the lease agreement, any inability by MHP to secure ownership rights to suitable land plots either at commercially acceptable terms or at all could materially adversely affect MHP's business, results of operations and financial condition.

MHP is exposed to operational risks

MHP is exposed to operational risks, including the risk of equipment breakdown or failure or injury to or death of personnel. In particular, MHP's manufacturing processes depend on certain critical items of equipment, including fodder production lines, hatchers, processing lines, and sorting and packing machines, and this equipment may, on occasion, be out of service as a result of unanticipated failures. In the future, MHP may experience material shutdowns of its production facilities or periods of reduced production as a result of such equipment failures. MHP may also be subject to interruptions in production related to catastrophic events, such as fires, explosions or natural disasters. MHP maintains certain controls designed to decrease its operational risk, but does not maintain business interruption insurance. Any interruptions in its production capability may require MHP to incur significant expenses to remedy the situation, which could materially adversely affect MHP's business, results of operations and financial condition.

There may be risks associated with MHP's past gas trading activities

In addition to its core agricultural operations, in 2005, 2006, 2007 and in prior periods, MHP purchased natural gas from gas traders and resold it mainly to third parties. MHP used a portion of the gas it purchased as an energy source for its chicken production business. Gas trading accounted for UAH 44.8 million (U.S.$8.9 million) or approximately 2% of MHP's revenues in 2007. MHP discontinued its gas trading activities in March 2007. The gas purchased and sold by MHP was stored by third parties. As part of its gas trading activities prior to 2004, MHP participated in transactions between Ukraine and Turkmenistan. Ukraine purchased natural gas from Turkmenistan and supplied various products to Turkmenistan in payment for gas. The transactions were carried out with participation of third party intermediaries, and MHP acted as one of such intermediaries. A risk may exist that the economic substance of the transactions in connection with gas trading between Ukraine and Turkmenistan could be challenged by governmental authorities who may seek some form of redress from MHP. There may be other risks associated with such trading that MHP has not currently identified. If any such risks were to materialise, it could adversely affect MHP's business, results of operations and financial condition.

The Company becoming managed and controlled from or otherwise tax resident in a jurisdiction other than Luxembourg

The Company is incorporated in Luxembourg and is currently considered a Luxembourg resident for tax purposes. Generally, in order to maintain Luxembourg tax residence, management and control of the Company must take place in Luxembourg. If management and control of the Company were to be conducted in a jurisdiction other than Luxembourg, the existing tax residence of the Company could be jeopardised. Consequently, the Company must meet all applicable requirements for Luxembourg tax residence under the Luxembourg tax legislation and the provisions of its Articles. Under these requirements, the Board of Directors should not be comprised of a majority of individuals who are resident for tax purposes in a single jurisdiction other than Luxembourg and all strategic or significant operational decisions or resolutions of the Board of Directors should be made in Luxembourg.

If management and control of the Company takes place in another jurisdiction, or strategic or significant operational decisions or other management activities take place in that jurisdiction, the Company may be subject to tax in that other jurisdiction. Whether this is the case will depend upon the tax laws of that other jurisdiction and, in certain cases, the impact of any tax residence "tie-breaker" provision in any double tax treaty between Luxembourg and that jurisdiction. Taxation of the Company in a jurisdiction other than Luxembourg could materially adversely affect the Company's business, results of operations and financial condition.

Changes in the application or interpretation of the Cypriot tax system or in the double tax treaty between Ukraine and Cyprus or a Cypriot subsidiary of the Company becoming managed and controlled from or otherwise tax resident in a jurisdiction other than Cyprus

All of the Company's subsidiaries are held indirectly through the Company's wholly-owned subsidiary RHL, which is incorporated in Cyprus. The Company also has a wholly-owned investment subsidiary, Eledem Investments Limited, which is incorporated in Cyprus. Cyprus became a member of the European Union on 1 May 2004, as a result of which it has harmonised its legislation with European Union directives and guidelines and has reformed its tax system. Moreover, as a result of its accession to the European Union, Cyprus will adhere to decisions of the European Court of Justice and any amendments to, or newly introduced, European Union directives with respect to taxation. Such judicial decisions and legislative changes may adversely affect the tax treatment of MHP's Cypriot subsidiaries and of transactions with such Cypriot companies.

In addition, in accordance with Cypriot income tax laws, a company is tax resident in Cyprus if its management and control is exercised in Cyprus. There is no definition in the Cyprus income tax laws as to what constitutes management and control. MHP has received advice that the Cyprus tax authorities follow the OECD model convention with respect to taxes on income and capital, which refers to a "place of effective management". The commentary on that model convention states: "The place of effective management is the place where key management and commercial decisions that are necessary for the conduct of the entity's business are in substance made. The place of effective management will ordinarily be the place where the most senior person or group of persons (for example a board of directors) makes its decisions, the place where the actions to be taken by the entity as a whole are determined; however, no definitive rule can be given and all relevant facts and circumstances must be examined to determine the place of effective management. An entity may have more than one place of management, but it can have only one place of effective management at any one time". Based on this definition, management and control may be considered to be exercised where the board of directors of a company meets and makes decisions. Management believes that the Company's Cypriot subsidiaries meet these criteria and can be considered Cyprus tax residents. A company that is tax resident in Cyprus is subject to Cypriot taxation and qualifies for benefits available under the Cypriot tax treaty network, including the double tax treaty between the Government of the Union of Soviet Socialist Republics and the Government of Cyprus, dated

29 October 1982, to which Ukraine is a successor and which is still applied in Ukraine (the "**Double Tax Treaty**"). In addition, an EU parent company may be able to claim tax benefits under European Union tax directives with respect to dividends paid from Cypriot resident companies or gains from the sale of shares in Cypriot resident companies.

In the event the tax residency of a company incorporated in Cyprus is challenged, such Cypriot company would be required to establish that it is managed and controlled from Cyprus. If the tax residency of any of the Company's Cypriot subsidiaries, including RHL, were to be challenged and MHP had failed to observe the requirements of, or was unable to establish that such company qualified as, a Cypriot tax resident, such company would be unable to make use of the Cypriot tax treaty network. If the relevant Cypriot company is not tax resident in a Member State, tax benefits under the EU tax directives referred to above may be restricted or eliminated. In addition, if management and control of the relevant Cypriot company takes place in another jurisdiction, or strategic or significant operational decisions or other management activities take place in that jurisdiction, the relevant Cypriot company may be subject to tax in that other jurisdiction. Whether this is the case will depend upon the tax laws of that other jurisdiction and, in certain cases, the impact of any tax residence "tie-breaker" provision in any double tax treaty between Cyprus and that jurisdiction.

There can be no assurance that the Double Tax Treaty between Cyprus and Ukraine will not be renegotiated. On 16 January 2008, the Cabinet of Ministers of Ukraine authorised the Ukrainian Ambassador in the Republic of Cyprus to sign a new Convention between the Government of Ukraine and the Government of the Republic of Cyprus for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Convention**"). Recent reports indicate that the Convention is expected to be signed in the near future. In contrast to the currently effective Double Tax Treaty, which exempts dividends, capital gains, interest payments, and royalty payments from Ukrainian withholding tax, under the proposed Convention, dividends paid by JSC MHP to its Cyprus parent company would be taxable at source in Ukraine at 5% of the gross amount of dividends. The proposed Convention also provides for taxation at source in Ukraine of interest at 10% of the gross amount of the interest if the beneficial owner of the interest is a resident of Cyprus.

Adverse changes in the application or interpretation of Cypriot tax law, or in the Double Tax Treaty or a finding that a subsidiary of the Company that is incorporated in Cyprus does not qualify as a Cypriot tax resident or for tax treaty based benefits, or is subject to tax in another jurisdiction, may significantly increase MHP's tax burden, including its interest expenses and adversely affect MHP's business, results of operations and financial condition.

The Company is a holding company and is, therefore, financially dependent on receiving distributions from its subsidiaries

The Company is a holding company and all of its operations are conducted through its subsidiaries. Consequently, it relies on dividends or advances from its subsidiaries, including subsidiaries that are not wholly-owned. The ability of these subsidiaries to pay dividends, and MHP's ability to receive distributions from its investments in other entities are subject to applicable laws and other restrictions. In addition, such dividends and distributions may be subject to withholding and other taxes which may lead to double taxation or other costs to MHP. These laws, restrictions, taxes and costs could limit the payment of dividends and distributions, which could restrict MHP's ability to fund the operations, which could have a material adverse effect on MHP's business, results of operations and financial condition.

As all of the Company's subsidiaries are held indirectly through the Company's wholly-owned subsidiary RHL, which is incorporated in Cyprus, the ability of the Company to obtain dividends depends on the ability of RHL to obtain dividends from its Ukrainian subsidiaries. The payment of dividends to RHL by its Ukrainian subsidiaries is subject to a number of procedural requirements. RHL's Ukrainian subsidiaries may only pay dividends to RHL through an investment account or a broker's account in Ukraine in hryvnia. RHL, in turn, is required to submit documents evidencing its investment in shares of its Ukrainian subsidiaries in order to convert the dividends into U.S. dollars or Euro and transfer them outside Ukraine. As a general rule, the 15% Ukrainian withholding tax is withheld at source in Ukraine on payments of dividends to RHL, unless RHL is entitled to the benefits of the Double Tax Treaty.

The dividends distributed to RHL by a Ukrainian subsidiary will be exempt from withholding tax if RHL satisfies the procedural requirements of the Ukrainian tax legislation, namely, by providing the Ukrainian tax authorities with a tax residency certificate attesting to the RHL's tax residency in Cyprus. There can be no assurance that further restrictions on the payment of dividends to a non-Ukrainian shareholder will not be applied in Ukraine in the future. See also "—Changes in the application or interpretation of the Cypriot tax system or in the double tax treaty between Ukraine and Cyprus or a Cypriot subsidiary of the Company becoming managed and controlled from or otherwise tax resident in a jurisdiction other than Cyprus" above.

Risks Relating to Ukraine

General

Since obtaining independence in 1991, Ukraine has undergone a substantial political transformation from a constituent republic of the former Union of Soviet Socialist Republics to an independent sovereign state. Concurrently with this transformation, Ukraine is changing from a centrally planned to a market-based economy. Although some progress has been made since independence to reform Ukraine's economy and its political and judicial systems, to some extent Ukraine still lacks the necessary legal infrastructure and regulatory framework that are essential to support market institutions, the effective transition to a market economy and broad-based social and economic reforms. The pace of economic, political and judicial reforms has been adversely affected by political instability caused by continuing disagreement among the Government, the Parliament and the President of Ukraine. Set forth below is a brief description of some of the risks incurred by investing in Ukraine.

Risks associated with emerging markets including Ukraine

Investors in emerging markets such as Ukraine should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant political, economic and legal risks. Prospective investors should also note that emerging economies such as Ukraine's are subject to rapid change and that some or all of the information set out in this Prospectus may become outdated relatively quickly. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Prospective investors are urged to consult with their own legal and financial advisors before making an investment decision.

Official economic data and third-party information

Although a range of government ministries, along with the NBU and the State Statistics Committee of Ukraine, produce statistics on Ukraine and its economy, there can be no assurance that these statistics are as accurate or as reliable as those compiled in more developed countries. Prospective investors should be aware that figures relating to Ukraine's GDP and other aggregate figures cited in this document may be subject to some degree of uncertainty and may not be fully in accordance with international standards. Furthermore, standards of accuracy of statistical data may vary from ministry to ministry or from period to period due to the application of different methodologies. In this document, data are presented as provided by the relevant ministry to which the data is attributed, and no attempt has been made to reconcile such data to the data compiled by other ministries or by other organisations, such as the International Monetary Fund (the "**IMF**"). Since the first quarter of 2003, Ukraine has produced data in accordance with the IMF's Special Data Dissemination Standard. There can be no assurance, however, that this IMF standard has been fully implemented or correctly applied. The existence of a sizeable unofficial or shadow economy may also affect the accuracy and reliability of statistical information. In addition, Ukraine has experienced variable rates of inflation, including periods of hyperinflation. Unless indicated, the information and figures presented in this document have not been restated to reflect such inflation and, as a result, period to period comparisons may not be meaningful. Prospective investors should be aware that none of these statistics has been independently verified. The Company accepts responsibility only for the correct extraction and reproduction of such information.

Political considerations

In recent years Ukraine has undergone substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy. In parallel with this transformation, Ukraine is transitioning from a centrally planned economy to a market economy. However, this process of economic transition is not complete.

Historically, a lack of political consensus in the Verkhovna Rada, or Parliament, of Ukraine has made it difficult for the Government to sustain a stable coalition of parliamentarians to secure the necessary support to implement a variety of policies intended to foster liberalisation, privatisation and financial stability. On 2 April 2007, President Yuschenko signed a decree dissolving Parliament and a period of political disruption has followed. Parliament itself and various other parties challenged the President's actions. Several of these challenges have taken the form of appeals to the Constitutional Court, and certain of these appeals have not yet been concluded.

New parliamentary elections were held on 30 September 2007. A new Parliament convened on 23 November 2007, and a parliamentary coalition of Block Yulii Tymoshenko and Nasha Ukraina-Narodna Samooborona was formed on 29 November 2007. On 18 December 2007, Yuliya Tymoshenko was elected the new Prime Minister of Ukraine and the new Government was formed from representatives of the parliamentary coalition of Block Yulii Tymoshenko and Nasha Ukraina-Narodna Samooborona.

These political developments since April 2007, in particular, have highlighted potential inconsistencies between the Constitution of Ukraine and various laws and presidential decrees. Furthermore, such developments have raised questions regarding the judicial system's independence from economic and political influences. There can be no assurance that the arrangements that have led to the convocation of a new Parliament on 23 November 2007 will not be cancelled by the Constitutional Court or other courts, or that these arrangements will not become subject to renegotiation between the various parties.

A number of factors could adversely affect political stability in Ukraine. These could include dismissal of the existing Government and failure to form a new Government; lack of agreement within the factions that form a governing coalition; court action taken by opposition parliamentarians against decrees and other actions of the President or Government; or court action by the President against Parliamentary or Governmental resolutions or actions. If political instability continues or heightens, it could have negative effects on the Ukrainian economy and, as a result, materially adversely affect MHP's business, results of operations, financial condition and prospects.

Economic considerations

Although Ukraine has made significant progress in increasing its GDP, stabilising its currency, and increasing real wages, positive trends in the Ukrainian economy may not be sustainable over the long term and may be reversed unless Ukraine undertakes certain important economic and financial structural reforms in the near future while continuing to exercise monetary policies to reduce the inflation levels. The most critical structural reforms that need to be implemented or continued include: (i) comprehensive reforms of Ukrainian tax legislation with a view to broadening the tax base by bringing a substantial portion of the shadow economy into the reporting economy; (ii) reform of the energy sector through the introduction of uniform market-based energy prices and improvement in collection rates (and, consequently, the elimination of the persistent deficits in that sector); and (iii) reform of social benefits and pensions. Failure to achieve political consensus necessary to support and implement such reforms and any resulting instability could adversely affect the country's macroeconomic indices and economic growth. Furthermore, future political instability in the executive or legislative branches could hamper efforts to implement necessary reforms. There can be no assurance that the political initiatives necessary to achieve these or any other reforms described elsewhere in this document will continue, will not be reversed or will achieve their intended aims. Rejection or reversal of reform policies favouring privatisation, industrial restructuring and administrative reform, could have negative effects on the economy generally and, as a result, on MHP's business, results of operations, financial condition and prospects.

Stability of Ukraine's currency

Since April 2005, Ukraine's currency, the Hryvnia, has been pegged to the U.S. dollar which has ensured that it has been, in various periods, within a "corridor" of UAH 4.95 to UAH 5.25 to U.S.$1.00. See "Exchange Rate Information". Given the general depreciation of the U.S. dollar against other world currencies the Hryvnia has a result of this policy also depreciated against such other currencies. As a result of the U.S. dollar's depreciation and the perception of the U.S. economy as a whole it is possible that Ukraine's authorities may choose to remove completely or change the pegging of the hryvnia to the U.S. dollar so that the hryvnia floats freely and/or within a broader corridor against the U.S. dollar and/or is pegged to another currency such as the Euro. Any such change could lead to greater volatility in Hryvnia exchange rates against the U.S. dollar and other currencies, which in turn may have a negative impact on companies in Ukraine.

Ukraine's relationships with western governments and institutions

Ukraine continues to pursue the objectives of achieving a closer relationship with the North Atlantic Treaty Organisation ("**NATO**") and the EU, and will join the WTO on 16 May 2008. With effect from

30 December 2005, Ukraine was given market economy status by the EU, though without any immediate prospect of the EU membership for Ukraine. Any eventual accession of Ukraine to NATO may require consultations with Russia and a national referendum held after Ukraine has fulfilled all pre-accession formalities. Any major changes in Ukraine's relations with Western governments and institutions, in particular any such changes adversely affecting the ability of Ukrainian manufacturers to access or to fully compete in world export markets, could have negative effects on the Ukrainian economy as a whole and thus on MHP's business, results of operations, financial condition and prospects.

Ukraine's regional relationships

Ukraine's economy depends heavily on its trade flows with Russia and the rest of the CIS, largely because Ukraine imports a large proportion of its energy requirements, especially from Russia (or from countries that transport energy-related exports through Russia). In addition, a large share of Ukraine's services receipts is comprised of transit charges for oil, gas and ammonia from Russia. As a result, Ukraine considers its relations with Russia to be of strategic importance. However, relations between Ukraine and Russia cooled to a certain extent due to (a) periodic disagreements over the prices and methods of payment for gas delivered by the Russian gas monopolist OJSC Gazprom ("**Gazprom**") to, or for transportation through, Ukraine; (b) unresolved issues relating to the temporary stationing of the Russian Black Sea Fleet (Chernomorskyi Flot) in the territory of Ukraine; (c) a Russian ban on imports of meat and milk products from Ukraine, and (d) Ukraine's plans to join NATO.

At the beginning of August 2004, the Gosudarstvennaya Duma (Parliament) of the Russian Federation adopted a law amending certain provisions of Russia's Tax Code. As a result of these amendments, exports of oil and gas from Russia to Ukraine since 1 January 2005 have been subject to a 0% VAT rate instead of the previously effective 18% VAT rate. However, since 2005, Russia has repeatedly increased its oil export duty. For example, Russian oil export duty rose from U.S.$101.0 per tonne as at 1 December 2004 to U.S.$179.6 per tonne as at 1 December 2005. The Russian oil export duty further rose to U.S.$237.6 per tonne as of 1 October 2006. Since October 2006, the Russian oil export duty has remained volatile, but has decreased overall to U.S.$200.6 per tonne by 1 September 2007. Thereafter, the Russian oil export duty steadily rose, and as of 1 April 2008, was fixed at U.S.$340.1 per tonne.

In October 2006, RosUkrEnergo AG and Ukrgaz-Energo, a 50-50 joint venture of NJSC Naftogas of Ukraine and RosUkrEnergo AG, reportedly agreed to increase the price for natural gas supplied for domestic consumption in Ukraine in 2007 to U.S.$130.00 per 1,000 cubic metres. In March 2008, Gazprom and NJSC Naftogas reportedly agreed to further increase the price for natural gas to U.S.$179.5 per 1,000 cubic metres.

Since January 2006, Russia and Ukraine have had certain disagreements in connection with the stationing of the Russian Black Sea Navy (*Chernomorskiy Flot*) in the Crimean region of Ukraine, as well as in connection with a ban imposed by Russia on all imports of livestock products from Ukraine. The Government has since achieved a partial removal of Russia's ban on Ukrainian meat and milk products imports.

Currently, more than 25% of Ukrainian exports of goods go to Russia, while much of Russia's exports of energy resources are delivered to the EU via Ukraine. The increase in the price for natural gas by Russia may adversely affect the pace of economic growth of Ukraine due to the considerable dependence of the Ukrainian economy on Russian exports of energy resources. Furthermore, although the gas price increases have increased pressure for reforms in the energy sector and modernisation of major energy-consuming industries of Ukraine through the implementation of energy-efficient technologies and the modernisation of production facilities, there can be no assurance that these reforms will succeed.

Any major changes in Ukraine's relations with Russia, in particular any such changes adversely affecting supplies of energy resources from Russia to Ukraine or Ukraine's export revenues derived from transit charges for Russian oil and gas, could have negative effects on the Ukrainian economy and thus may adversely affect MHP's business, results of operations, financial condition and prospects.

Dependence on external sources of financing

Ukraine's internal debt market remains illiquid and underdeveloped as compared to markets in most western countries. In the wake of the emerging market crisis in the autumn of 1998 and until the second half of 2002, loans from multinational organisations such as the European Bank for Reconstruction and Development (the "**EBRD**"), the IMF, the World Bank and the EU comprised Ukraine's only significant sources of external financing.

In 2000, Ukraine undertook a comprehensive debt restructuring exercise to alleviate its rising external debt resulting from the accumulation of large payments on external debt due in 2000 and 2001. Since the conclusion of this debt restructuring exercise, the ratio of external debt servicing (including principal, interest and fees but excluding debt owed to the IMF) to GDP has decreased from approximately 1.7% as at 31 December 2005 to approximately 1.4% as at 31 December 2006, and is estimated to have been approximately 1% as at 31 December 2007, based on official government sources. Total government external debt servicing (excluding payments to the IMF) was approximately U.S.$1.5 billion in each of 2005 and 2006, and is expected to be approximately U.S.$1.2 billion in each of 2007 and 2008, based on official government sources.

In 2005, the World Bank and Ukraine entered into five facility agreements for the implementation of systemic and investment projects, the aggregate amount of which totaled approximately U.S.$716 million. Further, in June 2006, the World Bank approved a U.S.$150 million loan for the "Access to Financial Services Project for Ukraine" (which aimed to increase access to financial services in rural areas) and in July 2006, the World Bank approved another U.S.$154.5 million loan for the "Second Export Development Project for Ukraine" (which aimed to support export and real sector growth in Ukraine by providing working capital and investment finance to Ukrainian private exporting enterprises and to develop financial intermediation in the Ukrainian banking sector). In August 2007, the World Bank approved two loans to Ukraine in the amounts of U.S.$200 million and U.S.$140 million aimed at the improvement of power supply and urban infrastructure in Ukraine. Additionally, in December 2007, the World Bank approved an additional loan as part of the "Second Development Policy Loan Project" in the amount of U.S.$300 million and in January 2008, the World Bank approved a loan in the amount of U.S.$50 million aimed at strengthening operational efficiency and transparency of public financial management in Ukraine.

Consequently, until the international capital markets or syndicated loan markets are fully available to Ukraine, the Government will have to continue to rely to a significant extent on official or multilateral borrowings to finance part of the budget deficit, fund its payment obligations under domestic and international borrowings and support foreign exchange reserves. These borrowings may be conditioned on Ukraine's satisfaction of certain requirements, which may include, amongst other things: implementation of strategic, institutional and structural reforms; reduction of overdue tax arrears; absence of increase of budgetary arrears; improvement of sovereign debt credit ratings; and reduction of overdue indebtedness for electricity and gas.

Ukraine has been able to access the international capital markets, raising new financing in 2003, 2004, 2005, 2006 and 2007 and its credit rating has been upgraded from B2 to B1 by Moody's Investors Service, Inc ("**Moody's**") in November 2003 (in November 2006 Moody's upgraded its outlook on Ukraine's credit rating from stable to positive), from B+ to BB− by Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") in May 2005 and from B+ to BB− by Fitch Ratings Ltd. ("**Fitch**") in January 2005 (in October 2006, Fitch revised its outlook on Ukraine's foreign and local currency ratings from BB− (stable) to BB− (positive) and affirmed this rating in March 2008). However, as a result of political instability caused by the Presidential decree to dissolve the Parliament and to convene new elections, in April 2007, S&P downgraded Ukraine's credit rating from "stable" to "negative". In August 2007 S&P affirmed its BB− long-term foreign, BB long-term local, and B short-term sovereign credit ratings on Ukraine. At the same time, S&P affirmed its 4 recovery rating on foreign currency debt and uaAA national scale rating. The absence of a deep and liquid market for domestic treasury bonds means that Ukraine remains vulnerable should access to international capital markets not be possible for any reason in the future, or if such markets are only accessible on unfavourable terms. Under such circumstances, any failure of Ukraine to receive support from sovereign or private creditors or international financial institutions (such as the IMF and the World Bank) could adversely affect Ukraine's financing of its budget deficit, the level of inflation and/or the value of the hryvnia, which in turn may adversely affect the Ukrainian economy as a whole, and thus, MHP's business, results of operations and financial condition.

If Ukraine is unable to resort to the international capital markets or syndicated loan markets in the event of an international crisis (as occurred in 1998) or due to adverse domestic developments, a failure by official creditors and of multilateral organisations such as the IMF, the EBRD, the World Bank and the EU to grant adequate financing could put pressure on Ukraine's budget and foreign exchange reserves and have a material adverse effect on Ukrainian economy as a whole, and thus on the MHP's business, results of operations, financial condition and prospects.

The Ukrainian economy is sensitive to fluctuations in the global economy

Ukraine's economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In addition, because Ukraine is a major producer and exporter of metal and agricultural products, the Ukrainian economy is especially vulnerable to fluctuations in world commodity prices and/or the imposition of import restrictions by the United States, the EU or other major export markets. Any of such developments may have negative effects on the economy of Ukraine, which in turn may adversely affect MHP's business, results of operations and financial condition.

Corruption and money laundering may have an adverse effect on the Ukrainian economy

External analysts have identified corruption and money laundering as problems in Ukraine. In accordance with Ukrainian anti-money laundering legislation which came into force in Ukraine in June 2003, the NBU and other state authorities, as well as various entities performing financial transactions, are now required to monitor certain financial transactions more closely for evidence of money laundering. As a result of the implementation of this legislation, Ukraine was removed from the list of non-cooperative countries and territories by the Financial Action Task Force on Money Laundering ("**FATF**") in February 2004, and in January 2006 FATF suspended the formal monitoring of Ukraine. However, any future allegations of corruption in Ukraine or evidence of money laundering could have a negative effect on the ability of Ukraine to attract foreign investment and thus have a negative effect on the economy of Ukraine which in turn may adversely affect MHP's business, results of operations and financial condition.

Ukraine's legal system

Since independence in 1991, as Ukraine has been developing from a planned to a market-based economy, the Ukrainian legal system has also been developing to support this market-based economy. However, Ukraine's legal system remains in transition and is, therefore, subject to greater risks and uncertainties than a more mature legal system. In particular, risks associated with the Ukrainian legal system include: (i) inconsistencies between and among the Constitution of Ukraine and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts; (ii) provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; (iii) difficulty in predicting the outcome of judicial application of Ukrainian legislation due to, amongst other factors, a general inconsistency in the judicial interpretation of such legislation in the same or similar cases; and (iv) the fact that not all Ukrainian resolutions, orders and decrees and other similar acts are readily available to the public or available in understandably organised form. These and other factors that impact Ukraine's legal system make an investment in the GDRs subject to greater risks and uncertainties than an investment in a country with a more mature legal system.

Ukraine's judicial system

The independence of the judicial system and its immunity from economic and political influences in Ukraine remain questionable. Although the Constitutional Court of Ukraine is the only body authorised to exercise constitutional jurisdiction, the system of constitutional jurisdiction itself remains too complicated to ensure smooth and effective removal of discrepancies between Ukraine's Constitution on the one hand and various laws of Ukraine on the other hand.

The court system is also understaffed and underfunded. Because Ukraine is a civil law jurisdiction, judicial decisions under Ukrainian law have no precedential effect. For the same reason, courts themselves are generally not bound by earlier decisions taken under the same or similar circumstances, which can result in the inconsistent application of Ukrainian legislation to resolve the same or similar disputes. Not all Ukrainian legislation is readily available to the public or organised in a manner that facilitates understanding. Further, judicial decisions are not publicly available and, therefore, their role as guidelines in interpreting applicable Ukrainian legislation to the public at large is limited. However, according to a new law "On Access to Court Decisions" which became effective on 1 June 2006, decisions of courts of general jurisdiction in civil, economic, administrative and criminal matters became generally available to the public on the ongoing basis from 1 January 2007, although the relevant registry of the court decisions is still being upgraded. In addition, the Ukrainian judicial system became more complicated and hierarchical as a result of the recent judicial reforms. The generally perceived result of these reforms is that the Ukrainian judicial system has become even slower than before.

Enforcement of court orders and judgments can in practice be very difficult in Ukraine. The State Enforcement Service, a body independent of the Ukrainian courts, is responsible for the enforcement of court orders and judgments in Ukraine. Often, enforcement procedures are very time-consuming and may fail for a variety of reasons, including the defendant lacking sufficient bank account funds, the complexity of auction procedures for the sale of the defendant's property or the defendant undergoing bankruptcy proceedings. In addition, the State Enforcement Service has limited authority to enforce court orders and judgments quickly and effectively. Ukrainian enforcement agencies are bound by the method of execution envisaged by the relevant court order or judgment and may not independently change such method even if it proves to be inefficient or unrealisable. Furthermore, notwithstanding successful execution of a court order or judgment, a higher court could reverse the court order or judgment and require that the relevant funds or property be restored to the defendant. Moreover, in practice, the procedures employed by the State Enforcement Service do not always comply with applicable legal requirements, resulting in delays or failure in enforcement of court orders or judgments.

These uncertainties also extend to certain rights, including investor rights. In Ukraine, there is no established history of investor rights or responsibility to investors and in certain cases, the courts may not enforce these rights. In the event courts take a consistent approach in protecting rights of investors granted under applicable Ukrainian legislation, the legislature of Ukraine may attempt legislatively to overrule any such court decisions by backdating such legislative changes to a previous date.

All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain. In addition, court claims are often used in the furtherance of political aims. MHP may be subject to such claims and may not be able to receive a fair hearing. Finally, court orders are not always enforced or followed by law enforcement institutions. The uncertainties relating to the judicial system could have a negative effect on the Ukrainian economy and thus on MHP's business, results of operations and financial condition.

Ukraine's tax system

Ukraine currently has a number of laws related to various taxes imposed by both central and local authorities. Applicable taxes include value-added tax, corporate income tax (profits tax), customs duties, payroll (social) taxes and other taxes. These tax laws have not been in force for significant periods of time, compared to more developed market economies, and often result in unclear or non-existent implementing regulations. Moreover, tax laws in Ukraine are subject to frequent changes and amendments, which can result in either a friendlier environment or unusual complexities for MHP and its business generally. For example, with effect from 1 January 2004, personal income tax was reformed by the introduction of a new flat tax of 13% for most levels of income, which was subsequently increased to 15% from 1 January 2007. In addition, with effect from 1 January 2004, the rate of corporate income tax was reduced from 30% to 25%.

The amendments to the Law on the State Budget for 2005, effective since 31 March 2005, abolished different tax preferences, including, *inter alia*, those for domestic and foreign investors, which became grounds for lawsuits against the state. In particular, the Parliament of Ukraine adopted a law which cancelled the preferential tax treatment of free economic zones. See "—Risks Relating to MHP—MHP benefits from trade barriers on poultry imports into Ukraine, which may be reduced or eliminated". Moreover, additional regulations on this issue may be introduced by a new tax code, a draft of which is being considered by the Ukrainian government and the parliament.

Differing opinions regarding legal interpretations often exist both among and within governmental ministries and organisations, including the tax authorities, creating uncertainties and areas of conflict. Tax declarations/returns, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are authorised by law to impose substantial fines, penalties and interest charges. These circumstances generally create tax risks in Ukraine more significant than typically found in countries with more developed tax systems. Generally, the Ukrainian tax authorities may re-assess tax liabilities of taxpayers only within a period of three years after the filing of the relevant tax return. However, this statutory limitation period may not be observed or may be extended in certain circumstances. Moreover, the fact that a period has been reviewed does not exempt this period, or any tax declaration or return applicable to that period, from further review.

While the authorities have consistently found MHP to be in compliance in all material respects with tax laws, it is possible that relevant authorities could, in the future, take differing positions with regard to interpretative issues, which may have a material adverse effect on MHP's business, results of operations, and financial condition.

Disclosure and reporting requirements and fiduciary duties

MHP's operations are conducted entirely through Ukrainian companies. Disclosure and reporting requirements have only recently been enacted in Ukraine. Anti-fraud legislation has only recently been adapted to the requirements of a market economy and remains largely untested. Most Ukrainian companies do not have corporate governance procedures that are in line with U.S. standards, including the standards set forth in the U.S. Sarbanes-Oxley Act of 2002 or with generally accepted international standards. The concept of fiduciary duties of management or members of the board to their companies or shareholders remains undeveloped in Ukraine. Violations of disclosure and reporting requirements or breaches of fiduciary duties by the Company's Ukrainian subsidiaries or their management could significantly affect the receipt of material information or result in inappropriate management decisions, which may have a material adverse effect on MHP's business, results of operations, and financial condition.

Shareholder liability under Ukrainian legislation could cause a holding company to become liable for the obligations of its Ukrainian subsidiaries

The Ukrainian Civil Code, Commercial Code, and the Law on Companies provide that shareholders in a Ukrainian joint stock company or limited liability company are not liable for the obligations of the company and bear only the risk of loss of their investment. This may not be the case, however, when one person (a "**holding company**") exercises effective control over another (a "**subsidiary**"). Under the Law of Ukraine "On Holding Companies in Ukraine" (the "**Holding Companies Law**"), a company is defined as the "holding company" when it:

(i) is an Open Joint Stock Company which owns, and has the right to dispose of, its holding stake in at least two subsidiaries; and

(ii) such holding stake exceeds 50% or constitutes a stake which procures decisive influence on the business activity of a subsidiary.

The holding company, which exercises effective control over the subsidiary, incurs secondary liability with respect to the obligations and liabilities of the subsidiary to the latter's creditors in the event that the subsidiary, due to the actions or inactivity of the holding company, becomes insolvent and is adjudged bankrupt. Secondary liability implies that the assets of the holding company may be used to satisfy the subsidiary's liabilities to its creditors, if the subsidiary's own assets are insufficient.

While it can be argued that JSC MHP is not a Ukrainian holding company because it does not meet certain formal requirements established by the Holding Companies Law, if it is regarded as such, it could be liable in some cases for the debts of its subsidiaries in Ukraine.

Risks Relating to the GDRs and the Trading Market

Because there has been no prior active public trading market for the GDRs, the Offering may not result in an active or liquid trading market for the GDRs, and their price may be highly volatile

Before the Offering, there has been no public trading market for the GDRs or for the Company's ordinary shares. Although the GDRs will be admitted to trading on the London Stock Exchange, an active, liquid trading market may not develop or be sustained after this offering. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If an actual liquid trading market for the GDRs does not develop, the price of the GDRs may be more volatile and it may be difficult to complete a buy or sell order for the GDRs.

The trading prices of the GDRs may be subject to wide fluctuations in response to many factors, including:

- variations in the Company's operating results and those of other poultry processing companies;
- variations in national and industry growth rates;
- actual or anticipated announcements of new products or services by the Company or its competitors;
- negative research reports or brokers' comments;

- changes in governmental legislation or regulation;
- general economic, political or regulatory conditions within the Company's business sector or in Ukraine;
- international events such as a credit squeeze arising out of the "sub-prime" lending crisis;
- outbreaks of bird flu or other livestock diseases in Ukraine and worldwide; or
- extreme price and volume fluctuations on the Ukrainian or other emerging market stock exchanges.

In addition, the market price of the GDRs may decline below the offering price, which will be determined by the results of the book building exercise being conducted by the Managers.

Future sales of shares or GDRs may affect the market price of the GDRs

Sales, or the possibility of sales, by the Company or its controlling majority shareholder of a substantial number of GDRs or of the Company's ordinary shares in the public markets following the Offering could have an adverse effect on the trading prices of the GDRs or could affect the Company's ability to obtain further capital through an offering of equity securities. Subsequent equity offerings or issuances by the Company may also reduce the percentage ownership of shares by its existing shareholders. Moreover, the Company may issue new shares that have rights, preferences or privileges senior to those of the Shares.

The shares underlying the GDRs are not listed and may be illiquid

Unlike many other GDRs traded on the London Stock Exchange, the Company's ordinary shares are neither listed nor traded on any stock exchange, and the Company does not intend to apply for the listing or admission to trading of its ordinary shares on any stock exchange. As a result, a withdrawal of Shares by a holder of GDRs, whether by election or due to certain events described under "Terms and Conditions of the Global Depositary Receipts—Termination of Deposit Agreement", will result in that holder obtaining securities that are significantly less liquid than the GDRs and the price of those Shares may be discounted as a result of such withdrawal.

There may be limitations on voting by GDR holders

Holders of GDRs will have no direct voting rights with respect to the Shares represented by the GDRs. They will have a right to instruct the Depositary how to exercise those rights, subject to the provisions of the Deposit Agreement. However, there are practical limitations upon their ability to exercise voting rights due to additional procedural steps involved in the Company's communication with holders. GDR holders will not receive notices of meetings directly from the Company, but from the Depositary, which has undertaken to mail to GDR holders notices of meeting, copies of voting materials and a statement as to the manner in which instructions may be given by holders. As a result, the process of exercising voting rights may take longer for holders of GDRs than for holders of Shares. In addition, there is a possibility that a holder will not receive voting materials or otherwise learn of a meeting of shareholders in time to enable the holder to return voting instructions to the Depositary in a timely manner. In the event that the Depositary does not receive voting instructions from a Holder either because no voting instructions were returned to the Depositary or because the voting instructions are incomplete, illegible or unclear, the Holder shall be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to such Deposited Shares, and the Depositary shall give a discretionary proxy to a person designated by the Company to vote such Deposited Shares. See "Terms and Conditions of the Global Depositary Receipts".

Holders of the GDRs may not be able to benefit from certain U.K. anti-takeover protections

As the Company is incorporated in Luxembourg, it is subject to Luxembourg law. Consequently, the provisions of the Luxembourg law of 4 December 1992 on the acquisition and disposal of major holdings in a Luxembourg listed company apply. Further to the European Takeovers Directive (2004/25/EC) and the legislation implementing this directive in the U.K. and in Luxembourg, jurisdiction in respect of a takeover of the Company may either be shared between the U.K. Panel on Takeovers and Mergers and the Luxembourg authorities or rest solely with the Luxembourg authorities. It is not clear exactly how the shared jurisdiction provisions will operate in practice. In either case, it should be noted that the Company will not, therefore, be subject to the full and exclusive jurisdiction of the U.K. Panel on Takeovers and

Mergers and the full provisions of the U.K. City Code on Takeovers and Mergers (the "**City Code**") as it would be if it had been incorporated in the U.K. As a result, a bid for, or creeping acquisition of control over, the Company is presently unregulated. See "Description of Share Capital and Corporate Structure—Potential Mandatory Offer Rules".

Preferential subscription rights for certain holders of the GDRs may not be available, and the holders of the GDRs may be diluted

Although the Company has amended the Articles to grant to holders of Shares (and thereby GDRs) preferential subscription rights on new issues of Shares, this is subject to exceptions relating to share-for-share acquisitions, issue of Shares in connection with an approved employee share scheme, and Shares issued for cash up to 5% of the issued share capital of the Company. Accordingly, under these exemptions, the holders of the GDRs may be diluted. See "Description of Share Capital and Corporate Structure—Preferential Subscription Rights".

U.S. holders of shares or GDRs (or holders from other jurisdictions) may not be entitled to exercise their preferential subscription rights unless a registration statement under the Securities Act (or similar legislation in other countries) is effective in respect of such rights and such shares or an exemption from the registration requirements thereunder is available.

Negative perception in relation to the chicken breeding and growing practices used by MHP may affect the market price of the GDRs

In the recent years, public opinion in various countries, especially in Western Europe, has been leaning against breeding and growing practices for battery chicken. While to date there is no evidence that the consumer preferences of the Ukrainian population may be negatively influenced by such practices, no assurance can be given that the perceptions of investors outside Ukraine will not prevent them from investing in GDRs. Any negative shift in investors' opinion of MHP's breeding and growing practices may negatively impact the market price for GDRs.

USE OF PROCEEDS

The Company will receive the net proceeds of the Offering, other than the net proceeds of the sale of Shares and Additional GDRs by the Selling Shareholder, all of which will be received by the Selling Shareholder. The net proceeds to the Company of the Offering (assuming the incentive commission is paid in full) will be approximately U.S.$150.0 million (whether or not the Over-Allotment Option is exercised). Total underwriting commissions, taxes, fees and expenses payable by the Company from the proceeds of the Offering are approximately U.S.$11,250,000. The Company intends to use these net proceeds to finance the expansion of its poultry and grain businesses through capital expenditures (including the potential construction of the Vinnytsya chicken farm and expansion of its grain growing operations, including potential land acquisitions) and, potentially, through selective acquisitions in the Ukrainian agricultural sector.

DIVIDEND POLICY

Since its formation on 30 May 2006, the Company has not declared or paid dividends in respect of any of its outstanding share capital.

The Company does not currently expect to pay dividends during the next three to four years. During this period, the Company plans to re-invest its net profit into the development and further expansion of its business. The Company's ability to pay dividends is also restricted under the Notes (as defined herein). The Company may pay dividends at some future date, dependent upon its generation of sustainable profits and it being commercially prudent to do so. The Company intends to develop its dividend policy at such time. Any payment of dividends by the Company is subject to, among other considerations, the Company's results of operations and prospects, its planned and committed capital expenditures, the availability and cost of funds from external sources and other relevant considerations. See also "Risk Factors—Risks Relating to MHP—The Company is a holding company and is, therefore, financially dependent on receiving distributions from its subsidiaries".

The distribution of profits and payment of dividends by the Company are subject to compliance with the Luxembourg Companies Act of 10 August 1915, as amended (the "**Luxembourg Companies' Act**") and the Articles. Dividends may only be paid out of profits or retained earnings as shown in the adopted standalone statutory financial statements. Profits must first be used to set up and maintain the legal reserve required by article 72 of the Luxembourg Companies' Act and must then be set off against certain financial losses. Thereafter, the general meeting of shareholders of the Company (the "**General Meeting**") may determine to withhold profits as further reserves. Insofar as any profits have not been allocated to reserves, they form part of the freely distributable reserves, which the General Meeting may elect to pay out in the form of a dividend. The Company's Board of Directors may also authorise the payment of interim dividends. See "Description of Share Capital and Corporate Structure—Dividends".

As a holding company, the level of the Company's stand-alone income and its ability to pay dividends depend primarily on the receipt of dividends and distributions from its wholly owned subsidiary, Raftan Holding Limited ("**RHL**"), incorporated in Cyprus. RHL's ability to pay dividends to the Company in turn depends on its receipt of dividends and distributions from its Ukrainian subsidiaries. The payment of dividends by such Ukrainian subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves.

To the extent that dividends are declared and paid by the Company, owners of GDRs on the relevant record date will be entitled to receive dividends payable in respect of Shares underlying the GDRs, subject to the terms of the Deposit Agreement. Cash dividends may be paid to the Depositary in Euro and, except as otherwise described under "Terms and Conditions of the Global Depositary Receipts—Conversion of Foreign Currency", will be converted into U.S. dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

EXCHANGE RATE INFORMATION

Solely for the convenience of the reader and except as otherwise stated, the Company has presented in this Prospectus (i) translations of some hryvnia amounts into U.S. dollars at a conversion rate of UAH 5.05 to U.S.$1.00, which was the rate published by the NBU on 31 December 2007 and (ii) translations of some hryvnia amounts in Euro at a conversion rate of UAH 7.41 to EUR 1.00, which was the rate published by the NBU on 31 December 2007. No representation is made that the hryvnia or dollar or Euro amounts referred to herein could have been or could be converted into hryvnia or dollars or Euro, as the case may be, at these rates, at any other particular rate or at all. See "Exchange Rate Information".

The table below sets forth, for the periods indicated, the period-end, average and high and low official rates set by the NBU, in each case for the purchase of hryvnia, all expressed in hryvnia per U.S. dollar. The NBU's hryvnia/U.S. dollar exchange rate as reported on 7 May 2008 was UAH 5.05 to the U.S. dollar.

Year	Period end	Average(1)	High	Low
2003	5.33	5.33	5.33	5.33
2004	5.31	5.32	5.33	5.31
2005	5.05	5.12	5.31	5.05
2006	5.05	5.05	5.05	5.05
2007	5.05	5.05	5.05	5.05

Month	Period end	Average(2)	High	Low
January 2008	5.05	5.05	5.05	5.05
February 2008	5.05	5.05	5.05	5.05
March 2008	5.05	5.05	5.05	5.05
April 2008	5.05	5.05	5.05	5.05
May 2008 (through 7 May)	5.05	5.05	5.05	5.05

Source: NBU.

Notes:

(1) The average of the exchange rates on the last day of each full month during the year.

(2) The average of the exchange rates on the first and last day of each month.

Fluctuations in the exchange rates between the hryvnia and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. No representation is made that the hryvnia amounts referred to in this Prospectus could have been or could be converted into U.S. dollars at the above exchange rates or at any other rate.

Under Ukrainian legislation, the NBU is authorised to intervene to maintain the exchange rate of hryvnia to foreign currencies within a corridor, which is established on an annual basis for a particular foreign currency. For 2008, the corridor for the hryvnia/U.S. dollar exchange rate has been set at UAH 4.95 to UAH 5.25 to the U.S. dollar.

CAPITALISATION

The following table sets forth actual borrowings and total capitalisation of MHP, derived from the Audited Consolidated Financial Statements, and as adjusted to reflect the net proceeds of the Offering to the Company after deducting underwriting commissions, fees and estimated expenses.

	31 December 2007			
	Actual		As adjusted	
	UAH	U.S.$[(1)]	UAH	U.S.$[(1)]
	(in thousands)			
Short-term borrowings (including current portion of long-term borrowings)[(3)]	372,969	73,855	372,969	73,855
Long Term Indebtedness:				
Long term bank borrowings[(3)]	332,686	65,878	332,686	65,878
Bonds issued	1,230,198	243,604	1,230,198	243,604
Long term finance lease and vendor financing obligations[(3)]	154,215	30,538	154,215	30,538
Total	1,717,099	340,020	1,717,099	340,020
Equity:				
Share capital	1,269,121	251,311	1,435,751	284,307
Additional paid-in capital	303,299	60,059	894,169	177,063
Revaluation reserve	47,672	9,440	47,672	9,440
Retained earnings	433,874	85,916	433,874	85,916
Minority interest	64,034	12,680	64,034	12,680
Total equity	2,118,000	419,406	2,875,500	569,406
Total capitalisation[(2)]	3,835,099	759,426	4,592,599	909,426

Notes:

(1) The U.S. dollar amounts presented in the table above have been translated solely for the convenience of the reader using the rate published by the NBU on 31 December 2007 of UAH 5.05 to U.S.$1.00. No representation is made that the hryvnia or dollar amounts referred to herein could have been or could be converted into hryvnias or dollars, as the case may be, at these rates, or any other particular rate at all.

(2) Total capitalisation is long-term borrowings, net of current portion, and total equity.

(3) There have been certain increases in indebtedness since 31 December 2007, resulting in the following. Total short-term borrowings (including current portion of long-term borrowings) as of 31 March 2008 amounted to UAH 418.1 million (U.S.$82.8 million). Total long-term bank borrowings as of 31 March 2008 amounted to UAH 338.6 million (U.S.$67.0 million). Total long-term finance lease and vendor financing obligations as of 31 March 2008 amounted to UAH 158.0 million (U.S.$31.3 million).

Except as described above, there has been no material change in total capitalisation and indebtedness (including in respect of contingent liabilities and guarantees) of the Company since 31 December 2007.

DILUTION

The Company's consolidated net tangible book value as of 31 December 2007 was approximately UAH 2,054.0 million (U.S.$406.7 million), resulting in a consolidated net tangible book value per Share of UAH 20.54 (U.S.$4.07). Consolidated net tangible book value per Share represents the amount of the Company's total assets less intangible assets, total liabilities and minority interest, divided by the number of shares outstanding.

Dilution in net tangible book value per Share represents the difference between the amount per Share (represented by GDRs) paid by purchasers of GDRs in the Offering and the net tangible book value per Share immediately after the completion of the Offering. After giving effect to the sale by the Company of 10,750,000 Shares (represented by GDRs) in the Offering at the offering price of U.S.$15.00 per GDR and after deducting the underwriting commission and estimated offering expenses payable by the Company, the Company's net tangible book value as of 31 December 2007, as adjusted, would have been U.S.$556.7 million, or U.S.$5.03 per share. This represents an immediate increase in net tangible book value of U.S.$0.96 per share to existing shareholders and an immediate dilution of U.S.$10.00 per Share to new investors purchasing GDRs in the Offering.

	U.S.$
Offer price per GDR(1)	15.00
Net tangible book value per Share immediately before the Offering	4.07
Increase in net tangible book value per Share attributable to existing shareholders	0.96
Net tangible book value per Share immediately after the Offering	5.03
Dilution per Share to investors in the Offering	10.00

Note:

(1) Based on a ratio of one GDR per one Share, the implied market price per Share is U.S.$15.00.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set forth below shows MHP's historical consolidated financial information as of 31 December 2005, 2006 and 2007 and for the years then ended. Such financial information has been derived from the Audited Consolidated Financial Statements and related notes included elsewhere in this Prospectus. During the years presented, MHP completed a number of acquisitions that are reflected in the results from the date of acquisition. As a consequence, the historical financial information for the periods is not directly comparable. This section should be read together with the Audited Consolidated Financial Statements and related notes included elsewhere in this Prospectus, as well as together with "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Year ended 31 December					
	2005		2006		2007	
	UAH	U.S.$[1]	UAH	U.S.$[1]	UAH	U.S.$[1]
	(in thousands)					
INCOME STATEMENT DATA:						
Continuing Operations						
Revenue	1,346,182	266,571	1,588,938	314,641	2,412,133	477,650
Net change in fair value of biological assets and agricultural produce	8,089	1,601	53,652	10,624	61,920	12,262
Cost of sales	(753,521)	(149,212)	(1,084,129)	(214,679)	(1,869,746)	(370,247)
Gross profit	**600,750**	**118,960**	**558,461**	**110,586**	**604,307**	**119,665**
Selling, general and administrative expenses	(96,229)	(19,055)	(177,126)	(35,074)	(260,573)	(51,599)
Government grants recognised as income	162,530	32,184	235,725	46,678	284,261	56,289
Other operating expenses	(5,518)	(1,093)	(32,347)	(6,405)	(36,737)	(7,275)
Other operating income	3,625	718	6,097	1,207	9,438	1,870
Operating profit before loss on impairment of property, plant and equipment	**665,158**	**131,714**	**590,810**	**116,992**	**600,696**	**118,950**
Loss on impairment of property, plant and equipment[2]	—	—	—	—	(51,704)	(10,239)
Operating profit	**665,158**	**131,714**	**590,810**	**116,992**	**548,992**	**108,711**
Finance costs, net	(50,299)	(9,960)	(184,404)	(36,516)	(249,885)	(49,482)
Foreign exchange gains/(losses), net	30,772	6,093	(28,419)	(5,628)	(65,950)	(13,059)
Other expenses	(5,798)	(1,148)	(5,761)	(1,140)	(3,707)	(734)
Gain realised from acquisitions and changes in non-controlling interest in subsidiaries, net[3]	2,010	398	133,676	26,470	6,487	1,285
Other income	5,472	1,084	4,728	937	3,042	602
Other expenses, net	(17,843)	(3,533)	(80,180)	(15,877)	(310,013)	(61,388)
Profit before tax	**647,315**	**128,181**	**510,630**	**101,115**	**238,979**	**47,323**
Income tax expense	**(2,021)**	**(400)**	**(2,895)**	**(573)**	**(2,161)**	**(428)**
Profit for the year from continuing operations	**645,294**	**127,781**	**507,735**	**100,542**	**236,818**	**46,895**
Discontinued Operations[4]						
Profit/(loss) for the year from discontinued operations	1,385	274	26,076	5,163	(514)	(102)
Net profit for the year	**646,679**	**128,055**	**533,811**	**105,705**	**236,304**	**46,793**
Attributable to:						
Equity holders of the parent	573,874	113,638	507,774	100,549	206,393	40,870
Minority interest	72,805	14,417	26,037	5,156	29,911	5,923
Earnings Per Share:						
From continuing operations						
Basic	5.72	1.13	4.82	0.95	2.07	0.41
Diluted	5.72	1.13	4.82	0.95	2.07	0.41
From continuing and discontinued operations						
Basic	5.74	1.14	5.08	1.00	2.06	0.41
Diluted	5.74	1.14	5.08	1.00	2.06	0.41

	31 December					
	2005		2006		2007	
	UAH	U.S.$[(1)]	UAH	U.S.$[(1)]	UAH	U.S.$[(1)]
			(in thousands)			
BALANCE SHEET DATA:						
Non-current assets:						
Property, plant and equipment, net	1,151,847	228,089	2,463,234	487,769	3,155,028	624,758
Prepayments for property, plant and equipment	74,173	14,688	233,553	46,249	29,699	5,881
Non-current accounts receivable due from related parties	128,174	25,381	—	—	—	
Deferred tax assets	—	—	—	—	13,658	2,705
Long-term agricultural VAT prepaid	—	—	39,669	7,855	8,795	1,742
Non-current biological assets	—	—	134,781	26,689	212,586	42,096
Other non-current assets	7,845	1,553	23,229	4,600	40,468	8,013
Total non-current assets	1,362,039	269,711	2,894,466	573,162	3,460,234	685,195
Current assets:						
Inventories	159,616	31,607	288,309	57,091	215,358	42,645
Biological assets	111,755	22,130	260,550	51,594	458,466	90,785
Agricultural produce	26,434	5,234	107,283	21,244	159,984	31,680
Natural gas in stock	30,216	5,983	24,446	4,841	—	
Other current assets, net	99,564	19,717	93,239	18,464	133,199	26,376
Taxes recoverable and prepaid, net	70,751	14,010	209,951	41,574	229,272	45,400
Trade accounts receivable, net	40,821	8,083	89,523	17,727	102,832	20,363
Cash and cash equivalents	32,984	6,531	224,297	44,415	50,942	10,088
Total current assets	572,141	113,295	1,297,598	256,950	1,350,053	267,337
Total assets	**1,934,180**	**383,006**	**4,192,064**	**830,112**	**4,810,287**	**952,532**
Equity attributable to equity holders of the Parent:						
Share capital	282,047	55,851	1,269,121	251,311	1,269,121	251,311
Additional paid-in capital	—	—	287,713	56,973	303,299	60,059
Revaluation reserve	2,858	566	2,858	566	47,672	9,440
Retained earnings	886,958	175,635	224,111	44,378	433,874	85,916
	1,171,863	232,052	1,783,803	353,228	2,053,966	406,726
Minority interest	**174,419**	**34,538**	**68,879**	**13,639**	**64,034**	**12,680**
Total equity	**1,346,282**	**266,590**	**1,852,682**	**366,868**	**2,118,000**	**419,406**
Non-current liabilities:						
Long-term bank borrowings	210,353	41,654	283,074	56,054	332,686	65,878
Bonds issued	—	—	1,421,588	281,503	1,230,198	243,604
Long-term finance lease and vendor financing obligations	32,794	6,494	90,031	17,828	154,215	30,538
Other long-term payables	5,552	1,099	7,445	1,474	10,129	2,005
Deferred tax liabilities	3,560	705	11,561	2,289	32,851	6,505
Total non-current liabilities	252,259	49,952	1,813,699	359,148	1,760,079	348,530
Current liabilities:						
Trade accounts payable	30,419	6,024	69,310	13,725	126,837	25,116
Accounts payable for property, plant and equipment	25,996	5,148	59,826	11,846	48,611	9,627
Other current liabilities	24,713	4,894	44,212	8,755	91,331	18,085
Short-term bank borrowings and current portion of long-term bank borrowings	223,411	44,240	282,737	55,988	372,969	73,855
Current portion of bonds issued	—	—	—	—	200,000	39,604
Interest accrued	2,446	484	19,448	3,851	20,717	4,102
Current portion of finance lease obligations	18,841	3,731	46,878	9,283	70,210	13,903
Deferred income	9,813	1,943	3,272	648	1,533	304
Total current liabilities	335,639	66,464	525,683	104,096	932,208	184,596
Total liabilities	**587,898**	**116,416**	**2,339,382**	**463,244**	**2,692,287**	**533,126**
Contingencies and contractual commitments	—	—	—	—	—	
Total liabilities and shareholders' equity	**1,934,180**	**383,006**	**4,192,064**	**830,112**	**4,810,287**	**952,532**

	31 December					
	2005		2006		2007	
	UAH	U.S.$(1)	UAH	U.S.$(1)	UAH	U.S.$(1)
	(in thousands)					
CASH FLOW DATA:						
Operating activities:						
Profit before income tax	649,162	128,547	545,398	108,000	238,294	47,187
Adjustments to reconcile profit to net cash provided by operations:						
Depreciation of property, plant and equipment	77,525	15,351	120,407	23,843	226,312	44,814
Finance costs, net	50,299	9,960	184,404	36,516	249,885	49,482
Effect of fair value adjustments	(8,089)	(1,602)	(59,539)	(11,790)	(56,033)	(11,096)
Gain realised from acquisitions and changes in non-controlling interest in subsidiaries, net	(2,010)	(398)	(133,676)	(26,470)	(6,487)	(1,285)
Non-operating foreign exchange (gains)/losses, net	(30,772)	(6,093)	28,419	5,628	65,950	13,059
Change in allowance for irrecoverable amounts and VAT and direct write-offs	4,082	808	13,379	2,649	26,335	5,215
Loss on impairment of property, plant and equipment	—	—	—	—	51,704	10,238
(Gain)/loss on disposal of property, plant and equipment	(747)	(148)	2,153	426	(3,335)	(660)
Other non-cash items	(8,538)	(1,690)	(3,637)	(721)	(3,925)	(776)
Operating profit before working capital changes	730,912	144,735	697,308	138,081	788,700	156,178
(Increase)/decrease in inventories	(48,704)	(9,644)	(89,573)	(17,737)	72,951	14,446
Decrease/(increase) in biological assets	2,362	468	3,547	702	(172,397)	(34,138)
Increase in agricultural produce	(18,691)	(3,701)	(44,598)	(8,831)	(44,840)	(8,879)
(Increase)/decrease in natural gas stock	(2,947)	(584)	11,657	2,308	18,559	3,675
Increase in other current assets	(30,134)	(5,967)	(17,696)	(3,505)	(17,280)	(3,422)
Increase in taxes recoverable and prepaid	(29,949)	(5,930)	(142,871)	(28,291)	(759)	(150)
(Increase)/decrease in trade accounts receivable	(3,503)	(694)	25,941	5,137	(19,504)	(3,862)
Increase/(decrease) in other long-term payables	4,015	795	(653)	(129)	2,684	531
(Decrease)/increase in trade accounts payable	(34,082)	(6,749)	(51,650)	(10,228)	57,527	11,391
Increase/(decrease) in other current liabilities	7,249	1,435	(49,511)	(9,804)	58,028	11,491
Increase/(decrease) in deferred income	5,067	1,003	(7,050)	(1,396)	(1,739)	(344)
Cash generated by operations	581,595	115,167	334,851	66,307	741,930	146,917
Finance costs paid	(48,968)	(9,697)	(166,989)	(33,067)	(240,549)	(47,633)
Interest received	1,653	328	3,101	614	3,884	768
Income tax paid	(2,070)	(410)	(3,934)	(779)	(7,516)	(1,488)
Net cash generated by operating activities	532,210	105,388	167,029	33,075	497,749	98,564

	31 December					
	2005		2006		2007	
	UAH	U.S.$[(1)]	UAH	U.S.$[(1)]	UAH	U.S.$[(1)]
	(in thousands)					
Investing activities:						
Purchases of property, plant and equipment	(524,124)	(103,787)	(1,032,696)	(204,494)	(505,751)	(100,149)
Purchases of other non-current assets	195	39	(14,366)	(2,845)	(17,159)	(3,398)
Proceeds from sale of building to the Principal Shareholder	—	—	—	—	20,228	4,006
Proceeds from sale of subsidiary to the Principal Shareholder, net of cash disposed	—	—	—	—	24,228	4,798
Proceeds from disposals of property, plant and equipment	10,012	1,983	5,064	1,003	32,971	6,529
Purchases of non-current biological assets	—	—	(106,138)	(21,017)	(58,067)	(11,498)
Short-term deposits	(7,175)	(1,421)	(10,100)	(2,000)	(57,780)	(11,442)
Withdrawals of short-term deposits	15,375	3,045	7,175	1,421	17,100	3,386
Loans repaid by/(provided to) employees, net	—	—	2,774	549	(5,320)	(1,053)
Loans (provided to)/repaid by related parties	(17,649)	(3,495)	4,313	854	3,403	674
Contributions to share capital of subsidiaries by minority shareholders	—	—	—	—	3,719	736
Long-term financial aid to related parties	(128,174)	(25,381)	(19,760)	(3,913)	—	—
Proceeds from sales/(purchases) of available-for-sale investments	1,613	319	—	—	—	—
Acquisition of subsidiaries, net of cash acquired	(9,139)	(1,810)	4,087	809	—	—
Net cash used in investing activities	(659,066)	(130,508)	(1,159,647)	(229,633)	(542,428)	(107,411)

	31 December					
	2005		2006		2007	
	UAH	U.S.$[(1)]	UAH	U.S.$[(1)]	UAH	U.S.$[(1)]
	(in thousands)					
Financing activities:						
Treasury shares acquisition	(7,981)	(1,580)	—	—	—	—
Proceeds from loans received	349,720	69,251	1,370,663	271,418	788,225	156,084
Repayment of bank loans	(286,712)	(56,775)	(1,593,186)	(315,482)	(839,732)	(166,284)
Proceeds from corporate bonds issued	—	—	1,462,500	289,604	—	—
Transaction costs related to corporate bonds issued	—	—	(31,767)	(6,290)	(10,635)	(2,105)
Finance lease payments	(15,249)	(3,020)	(26,290)	(5,206)	(66,534)	(13,175)
Issue of share capital and contribution to additional paid in capital	104,866	20,766	2,011	398	—	—
Net cash generated from/(used in) financing activities	144,644	28,642	1,183,931	234,442	(128,676)	(25,480)
Net increase/(decrease) in cash and cash equivalents	**17,788**	**3,522**	**191,313**	**37,884**	**(173,355)**	**(34,328)**
Cash and cash equivalents at beginning of the year	**15,196**	**3,009**	**32,984**	**6,531**	**224,297**	**44,415**
Cash and cash equivalents at end of the year	**32,984**	**6,531**	**224,297**	**44,415**	**50,942**	**10,088**
OTHER MEASURES:						
EBITDA from continuing operations[(5)]	775,139	153,493	815,441	161,473	715,176	141,619
Adjusted EBITDA from continuing operations	742,683	147,066	711,217	140,839	827,008	163,764
Capital expenditures[(6)]	524,124	103,787	1,032,696	204,494	505,751	100,149

Notes:

(1) The U.S. dollar amounts presented in the tables above have been translated solely for the convenience of the reader using the rate published by the NBU on 31 December 2007 of UAH 5.05 to U.S.$1.00. No representation is made that the hryvnia or dollar amounts referred to herein could have been or could be converted into hryvnia or dollars, as the case may be, at these rates, or any other particular rate at all.

(2) During the year ended 31 December 2007 MHP recorded an impairment on certain of its assets used in its goose meat and foie gras operations, as well as assets used in the production of convenience foods under the "Lehko!" brand. See Note 6 to the Audited Consolidated Financial Statements.

(3) In connection with certain of its 2005 and 2006 acquisitions MHP recorded gains on acquisitions made from various third parties and on dilution of minority interests. These gains occurred as the consideration paid was less than the fair value of the net assets acquired. See Note 2 to the Audited Consolidated Financial Statements.

(4) MHP discontinued its gas trading operations during the year ended 31 December 2007 and has classified them as discontinued operations. The financial statements for all periods have been restated to show all periods on a comparable basis.

(5) EBITDA from continuing operations and Adjusted EBITDA from continuing operations are not measures of performance under IFRS. The Company defines EBITDA from continuing operations as profit or loss for the year from continuing operations before net finance costs, income taxes, depreciation and amortisation. Adjusted EBITDA from continuing operations is derived by adjusting EBITDA from continuing operations for foreign exchange gains and losses, net, loss on impairment of property, plant and equipment, gain realised from acquisitions and changes in non-controlling interest in subsidiaries, net, other expenses and other income. The Company has made these adjustments to EBITDA from continuing operations as Management believes that these line items are not operational in nature and do not reflect the true nature of the business on a continuing basis and/(or) these line items are either non-recurring or unusual in nature. The Company has made these adjustments to present a clearer view of the performance of MHP's underlying business operations and generate a metric that Management believes will give greater comparability over time. Management uses Adjusted EBITDA from continuing operations in MHP's business operations to, among other things, assess MHP's operating performance and make decisions about allocating resources. Management believes this measure is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present similar measures when reporting their results.

EBITDA from continuing operations and Adjusted EBITDA from continuing operations do not represent operating income or net cash provided by operating activities as those items are defined by IFRS and should not be considered by prospective investors to be an alternative to operating income or cash flow from operations or indicative of whether cash flows will be sufficient to fund our future cash requirements. Also, because EBITDA from continuing operations and Adjusted EBITDA from continuing operations are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

Reconciliation of EBITDA and Adjusted EBITDA from continuing operations to profit is as follows:

	Year ended 31 December					
	2005		2006		2007	
	UAH	U.S.$	UAH	U.S.$	UAH	U.S.$
	(in thousands)					
Profit for the year from continuing operations	645,294	127,781	507,735	100,542	236,818	46,895
Finance costs, net	50,299	9,960	184,404	36,516	249,885	49,482
Income tax expense	2,021	400	2,895	573	2,161	428
Depreciation and amortisation	77,525	15,352	120,407	23,843	226,312	44,814
EBITDA from continuing operations	775,139	153,493	815,441	161,474	715,176	141,619
Adjustments:						
Foreign exchange (gains)/losses, net	(30,772)	(6,093)	28,419	5,628	65,950	13,059
Other expenses	5,798	1,148	5,761	1,140	3,707	734
Other income	(5,472)	(1,084)	(4,728)	(937)	(3,042)	(602)
Gain realised from acquisitions and changes in non-controlling interests in subsidiaries, net	(2,010)	(398)	(133,676)	(26,470)	(6,487)	(1,285)
Loss on impairment of property, plant and equipment	—	—	—	—	51,704	10,239
Adjusted EBITDA from continuing operations	742,683	147,066	711,217	140,835	827,008	163,764

(6) Capital expenditures include only cash paid for purchases of property, plant and equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of MHP's financial condition and results of operations as of and for the years ended 31 December 2005, 2006 and 2007 should be read together with the Audited Consolidated Financial Statements and the notes thereto and the other information included elsewhere in this Prospectus. The Audited Consolidated Financial Statements have been prepared in accordance with IFRS. As discussed below, MHP made significant acquisitions during 2005 and 2006 and it has re-presented its 2005 and 2006 financial statements to reflect the discontinuation of MHP's natural gas business in 2007, all of which affect the period-to-period comparability of the Audited Consolidated Financial Statements. This section contains forward-looking statements that involve risks and uncertainties. MHP's actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those discussed under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".

Overview

MHP is one of the leading agroindustrial companies in Ukraine, focussing on the production of chicken meat under the brand name "Nasha Ryaba" and, to an increasing extent, the cultivation of various grains. MHP is the leading poultry company in Ukraine, accounting for approximately 36% of all chicken meat commercially produced in Ukraine in 2007, according to SCSU. MHP also has an important and expanding grain operation with what Management believes to be one of the largest agricultural land portfolios in Ukraine. In aggregate, MHP leases approximately 148,500 hectares of land for its operations, of which approximately 110,000 hectares are used for growing grain. MHP also produces and sells sunflower oil as a by-product of its fodder production, as well as beef, sausages, cooked meats, convenience food products, goose meat, foie gras, fruit and potatoes.

MHP distributes its chicken products through branded franchise points of sale and on a wholesale basis directly to retailers, including supermarkets, foodservice businesses and industrial producers. In 2007, approximately 60% and 30% of MHP's chicken products were sold respectively through branded franchise points of sale and to other retailers, including supermarkets. MHP sells most of its chicken products under the "Nasha Ryaba" brand. MHP also sells convenience food products under the "Lehko!" brand, premium beef under the "Certified Angus" brand, foie gras under the "Foie Gras" brand and sausages under the "STOV Druzhba Narodiv" brand. MHP sells its grains through the spot markets exclusively within Ukraine. MHP's other meat products are sold principally to retailers and supermarkets.

MHP's business is divided into the following three segments:

- *Poultry and related operations*—This segment, comprising the production and sale of chicken products, sunflower oil, mixed fodder and convenience food products, had total revenues in 2007 of UAH 1,943.6 million (U.S.$384.9 million), or 81% of MHP's total revenues from continuing operations. This amount excludes intersegment sales in 2007 of UAH 54.3 million (U.S.$10.8 million).
- *Grain*—This segment, comprising the production and sale of feed grains to third parties, had total revenues in 2007 of UAH 194.4 million (U.S.$38.5 million), or 8% of MHP's total revenues from continuing operations. This amount excludes intersegment sales in 2007 of UAH 152.4 million (U.S.$30.2 million) relating to the sale of grain used in MHP's poultry production. If internal sales were not eliminated, this segment would have represented approximately 14.4% of MHP's total revenues from continuing operations. MHP expects to continue to expand its grain operations over the next several years.
- *Other agricultural operations*—This segment comprises the production and sale of beef, sausages and cooked meats produced by Druzhba as well as sales of goose meat, foie gras, fruits and potatoes. Other agricultural sales generated total revenues in 2007 of UAH 274.2 million (U.S.$54.3 million), or 11% of MHP's total revenues from continuing operations. This amount excludes intersegment sales in 2007 of UAH 2.9 million (U.S.$0.6 million). In line with its diversification strategy, MHP expects to continue to expand its agricultural operations over the next several years.

In addition to its core operations, in each of 2005, 2006 and 2007 MHP engaged in natural gas trading. MHP discontinued these operations in March 2007, and the results of natural gas trading are shown as discontinued operations in all years under review.

During the years under review, MHP has generally operated its chicken production facilities at close to full capacity, and the increased revenues during these periods generally resulted from increases in production capacity and improved production efficiency. MHP's chicken production volume increased from approximately 139,400 tonnes of processed weight in 2005 to 142,000 tonnes and 190,800 tonnes of processed weight in 2006 and 2007, respectively. MHP is significantly expanding its chicken production facilities through the construction of the Myronivka chicken farm complex ("**Myronivka**") in the Cherkasy region which, once fully operational in late 2009, is expected to have an annual production capacity of approximately 200,000 tonnes of chicken meat. MHP has completed the first phase of construction of Myronivka, and since October 2007 it has been operating at the design capacity of that first phase of 100,000 tonnes of processed chicken meat per year.

For the years ended 31 December 2005, 2006 and 2007, respectively, MHP had total revenue from continuing operations of UAH 1,346.2 million (U.S.$266.6 million), UAH 1,588.9 million (U.S.$314.6 million) and UAH 2,412.1 million (U.S.$477.6 million), and net profit from continuing operations of UAH 645.3 million (U.S.$127.8 million), UAH 507.7 million (U.S.$100.5 million) and UAH 236.8 million (U.S.$46.9 million). MHP's gross profit margins from continuing operations were 45%, 35% and 25% in 2005, 2006 and 2007, respectively. The 2005 gross margin reflected exceptionally high market prices for chicken products during that year, while the 2006 and 2007 margins were negatively affected by depressed market prices for chicken products and rising grain prices in the second half of 2007. Market prices have improved in the three months ended 31 March 2008, as discussed in "Recent Trends and Developments" below. Its revenue from discontinued operations was UAH 69.8 million (U.S.$13.8 million), UAH 150.1 million (U.S.$29.7 million) and UAH 44.8 million (U.S.$8.9 million) for the years ended 31 December 2005, 2006 and 2007, and its net profit from discontinued operations was UAH 1.4 million (U.S.$0.3 million), UAH 26.1 million (U.S.$5.2 million) and UAH (0.5) million (U.S.$(0.1) million) for the years ended 31 December 2005, 2006 and 2007, respectively.

Reorganisation of MHP

In the years under review, MHP underwent a corporate reorganisation, established several new companies and made several acquisitions from Mr Kosyuk's family members and companies controlled by Mr Kosyuk so as to create the MHP Group, all as described below.

Prior to the period under review, MHP reorganised its structure in 2004 to consolidate control over all of Mr Kosyuk's poultry operations under JSC MHP. In connection with MHP's further reorganisation in 2006 (the "**2006 Reorganisation**"):

- JSC MHP was transformed into an open joint stock company in March 2006 and renamed Open Joint Stock Company "Myronivsky Hliboproduct";
- the Company was incorporated on 30 May 2006 under the laws of Luxembourg to serve as the ultimate holding company for MHP; and
- in June 2006, all of the shares of RHL, a limited Cyprus liability company established on 15 May 2006, were contributed to the Company in exchange for newly issued shares in the Company, and through a series of share transactions RHL became JSC MHP's intermediate holding company.

The 2006 Reorganisation did not affect the historical financial information of MHP except as follows:

- Share capital, additional paid-in-capital and retained earnings of MHP: For the periods prior to the 2006 Reorganisation, share capital and additional paid-in-capital was that of JSC MHP. In connection with the 2006 Reorganisation, share capital was adjusted to that of the Company and additional paid-in-capital was adjusted to represent the excess of the net assets of MHP on that date over the cost of the investment made in the 2006 Reorganisation (i.e., the cash contributed to establish the Company and RHL and the value of the business transferred to RHL). The offset of these adjustments was recorded in retained earnings.
- Minority interest: There were certain minority shareholders that did not exchange their shares in JSC MHP for shares in the Company. As a result, MHP recorded an increase to minority interest in the amount of UAH 8.1 million (U.S.$1.6 million).

Discontinued Operations

In March 2007, MHP discontinued its natural gas trading operations, which comprised the purchase of gas from gas traders and reselling the majority of it to third parties. A portion of the gas purchased by

MHP was used as an energy source for its own chicken production operations. MHP's natural gas trading operations accounted for revenues of UAH 69.8 million (U.S.$13.8 million) and UAH 150.1 million (U.S.$29.7 million) in 2005 and 2006, respectively, and UAH 44.8 million (U.S.$8.9 million) in 2007.

The natural gas trading activities were classified as a discontinued operation in 2007 and have been shown separately from continuing operations in MHP's 2007 income statement. In addition, the Audited Consolidated Financial Statements have been re-presented for the years 2005 and 2006 to show these activities as discontinued operations. See note 5 to the Audited Consolidated Financial Statements.

Acquisitions and Formations of Companies

During the periods presented in the Audited Consolidated Financial Statements, the following companies were acquired or formed. These acquisitions and formations affect the period-to-period comparability of the Audited Consolidated Financial Statements.

- ***Snyatynska.*** In December 2005, JSC MHP acquired from companies controlled by Mr Kosyuk 85% of the shares of the Snyatynska goose breeding farm (together with its subsidiaries Zernoproduct and Katerynopilsky Elevator) for a cash consideration of UAH 9.4 million (U.S.$1.9 million). Through this acquisition, MHP also obtained control over Snyatynska's 90.0%-owned subsidiary Zernoproduct and its wholly-owned subsidiary Katerynopilsky Elevator, as described below. The assets and liabilities of Snyatynska were recognised at their pre-acquisition carrying values, and the effect of the acquisition was an adjustment to shareholders' equity in the amount of UAH 21.7 million. See note 2 to the Audited Consolidated Financial Statements. If the acquisition of Snyatynska had been completed on 1 January 2005, MHP's revenue and net profit from continuing operations for the year ended 31 December 2005 would have been UAH 1,360.0 million (U.S.$269.3 million) and UAH 623.4 million (U.S.$123.4 million), respectively.

  In June 2006, JSC MHP acquired the remaining 15.0% of Snyatynska's common shares from a third party minority shareholder for UAH 10,000 (U.S.$1,980).

- ***Zernoproduct.*** As a result of MHP's acquisition of Snyatynska in December 2005, it acquired control of Snyatynska's 90.0%-owned subsidiary Zernoproduct, a feed grains production company. In December 2006, JSC MHP acquired 90% in Zernoproduct from Snyatynska.

- ***Katerynopilsky Elevator.*** As a result of MHP's acquisition of Snyatynska in December 2005, it acquired control of Snyatynska's wholly-owned subsidiary Katerynopilsky Elevator, a feed grains storage company. In December 2006, JSC MHP acquired 100% of Katerynopilsky Elevator from Snyatynska.

- ***Lypivka.*** In February 2006, Zernoproduct established a new 70.0%-owned subsidiary, Lypivka, a feed grains farm, with a third party investor holding the remaining interest. As a result, MHP held a 62.9% effective interest in Lypivka through its interest in Zernoproduct. In April 2007, MHP entered into an agreement to acquire the third party minority shareholders' interest in Lypivka for a cash consideration of UAH 2.2 million (U.S.$0.4 million). The transaction will be competed once the registration with Ukrainian state authorities is complete. This transaction is expected to increase MHP's effective interest in Lypivka to 92.8%.

- ***Kyivska.*** In March 2006 JSC MHP entered into agreements for the acquisition of 52.0% of the participatory interests in Kyivska from Mrs Olena Kosyuk for a cash consideration of approximately UAH 0.5 million (U.S.$0.1 million) and to acquire 60.5% of the participating interests of Kyivska's subsidiary Druzhba (together with its subsidiary Crimea Fruits) and a 22.6% interest in Druzhba Nova for a total consideration of UAH 1.0 million (U.S.$0.2 million). The acquired assets and liabilities were recognised in the Audited Consolidated Financial Statements at their pre-acquisition carrying values. The excess of the carrying value of the assets over the consideration paid by MHP in the total amount of UAH 111.4 million (U.S.$22.1 million) was recorded as an adjustment to shareholders' equity. If the acquisitions of Kyivska, Druzhba and Crimea Fruits had been completed on 1 January 2006, MHP's revenue and net profit from continuing operations for the year ended 31 December 2006 would have been UAH 1,609.7 million (U.S.$318.8 million) and UAH 512.6 million (U.S.$101.5 million), respectively.

  On 14 June 2006 JSC MHP entered into an agreement to purchase an additional 24% of the participatory interests in Kyivska from an individual unaffiliated with MHP for a cash consideration of UAH 10,000 (U.S.$1,980). As a result, MHP's effective ownership interest in Kyivska increased from 51.7% to 75.8%. MHP realised a net gain of UAH 1.3 million (U.S.$0.3 million) recorded in *Gain realised from acquisitions and changes in non-controlling interest in subsidiaries* for the year ended 31 December 2006 for the excess of the net assets acquired over the consideration paid.

- ***Druzhba and Druzhba Nova.*** In March 2006, JSC MHP acquired control over 60.5% of the participatory interests of Druzhba and a 22.6% interest in Druzhba Nova. This was in addition to the 77.4% of the participatory interests in Druzhba Nova previously held by MHP. In September 2006, JSC MHP completed its acquisition of an additional 28.6% interest in Druzhba acquired by Druzhba from third parties for UAH 3.9 million (U.S.$0.8 million), resulting in JSC MHP holding 89.1% in the participatory interests in Druzhba. As a result of the transaction, MHP also acquired an additional effective 6.2% interest in Druzhba Nova. The excess of the fair value of the acquired share of Druzhba's and Druzhba Nova's net assets over cost, amounting to UAH 105.8 million (U.S.$21.0 million) was included in *Gain realised from acquisitions and changes in non-controlling interest in subsidiaries* for the year ended 31 December 2006.

  In October 2006, JSC MHP purchased 22.6% of Druzhba Nova from Druzhba, resulting in JSC MHP holding a 100.0% effective ownership interest in Druzhba Nova. The difference between the purchase price and the net assets acquired (in the amount of UAH 22.7 million (U.S.$4.5 million)), after reversing the minority interest, was recognised in *Gain realised from acquisitions and changes in non-controlling interest in subsidiaries* for the year ended 31 December 2006.

  During 2007, through a series of transactions JSC MHP increased its effective ownership interest in Druzhba to 95.3%. The effect of the acquisitions was the recognition of UAH 6.5 million (U.S.$1.3 million) in *Gain realised from acquisitions and changes in non-controlling interest in subsidiaries* for the year ended 31 December 2007.

  Subsequent to the end of 2007, Druzhba registered an additional 1.5% of the interests acquired as treasury shares in November 2006, resulting in MHP's effective ownership in Druzhba increasing to 96.7% for purposes of voting and quorum requirements.

- ***Crimea Fruits.*** As a result of MHP's acquisition of Druzhba, it acquired control of Druzhba's 99.9%-owned subsidiary Crimea Fruits. On 6 June 2006 Druzhba sold 17.9% of the shares in Crimea Fruits to Mr Ihor Lysyi, the CEO of Crimea Fruits for a cash consideration of UAH 90,000 (U.S.$17,822). On 14 June 2006 Druzhba sold 82.0% of the shares in Crimea Fruits directly to JSC MHP for consideration of UAH 820 thousand (U.S.$162 thousand). As a result of this transaction, MHP realised a net gain of UAH 1.3 million (U.S.$0.3 million), which was recognised in *Gain realised from acquisitions and changes in non-controlling interest in subsidiaries* for the year ended 31 December 2006.

- ***Agrofort.*** In September 2006, JSC MHP established Agrofort, a feed grains farm. JSC MHP holds an 86.2% effective ownership interest in Agrofort and Mr Volodymyr Onuka, the CEO of Agrofort, owns the remaining 13.8%.

- ***Urozhay.*** In October 2006, JSC MHP acquired 90% of the participatory interests in Urozhay, a feed grains farm, for approximately UAH 3.0 million (U.S.$0.6 million). Mr Oleg Vasetskiy, the CEO of Urozhay, owns the remaining 10.0%. The transaction was accounted for under the purchase method of accounting.

Segments and Intragroup Transactions

Intragroup transactions among MHP's three segments are eliminated in MHP's income statements. Due to the high level of vertical integration within MHP's operations, there are a significant number of transactions between MHP's companies, shown as intersegment eliminations in the table below. Prior to the 2006 Reorganisation, MHP engaged in transactions with the Druzhba, Snyatynska and Kyivska companies, including purchase of products from these companies for resale. However, because the Snyatynska companies were not consolidated until 31 December 2005 and the Druzhba and Kyivska companies were not consolidated until 31 March 2006, these transactions were not eliminated as intersegment sales; further allowing for the discontinuation of natural gas, there was only one segment in 2005.

	Year ended 31 December					
	2006			2007		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Intersegment eliminations:						
Poultry and related operations	19,605	3,882	1.2%	54,319	10,756	2.1%
Grain growing	39,698	7,861	2.4%	152,419	30,182	5.8%
Other agricultural	3,868	766	0.2%	2,892	573	0.1%
	63,171	**12,509**	**3.8%**	**209,630**	**41,511**	**8.0%**

The most significant category of intragroup sales is the grain segment's sale of grain primarily to the poultry and related operations segment for fodder production. These sales constituted 72.7% of all intersegment sales in 2007 as compared to 62.8% in 2006. The year-on-year increase was primarily attributable to increased grain and fodder production and an increase in grain prices.

In addition to these transactions, until it was discontinued in March 2007, MHP's natural gas trading business supplied natural gas to MHP's poultry and related operations segment for amounts of UAH 5.5 million (U.S.$1.1 million), UAH 2.8 million (U.S.$0.5 million) and UAH 0.6 million (U.S.$0.1 million) in 2005, 2006 and 2007, respectively.

Management believes that the prices at which products are sold among its segments are generally consistent with average market prices and thus are in accordance with the relevant Ukrainian transfer pricing rules. See "Risk Factors—Risks Relating to MHP—MHP's intragroup transactions and other related party transactions are subject to Ukrainian transfer pricing regulations".

Upon consolidation, in addition to the elimination of intersegment sales, related costs of sales are also eliminated by transferring them to the cost of sales of the segment which is the purchaser in such intersegment sales.

Consolidation of Companies After 1 January 2005

The following table sets out the companies which became part of MHP since 1 January 2005 and which were not already consolidated in MHP at the time of their acquisition or establishment, together with their dates of consolidation and information relating to MHP's effective ownership.

				Effective Ownership at 31 December		
Company	Function	Acquisition/ Start-up	Consolidation Date	2005	2006	2007
Snyatynska	Goose breeding farm	Acquisition	31 December 2005	85.0%	99.8%	99.8%
Zernoproduct	Grain production	Acquisition	31 December 2005	76.5%	89.8%	89.8%
Katerynopilsky Elevator	Grain production and storage	Acquisition	31 December 2005	85.0%	99.8%	99.8%
Lypivka(1)	Grain production	Start-up	21 February 2006	—	62.9%	62.9%
Kyivska	Cattle breeding	Acquisition	31 March 2006	—	75.8%	75.8%
Druzhba(2)	Cattle breeding	Acquisition	31 March 2006	—	87.6%	95.3%
Crimea Fruits	Fruit production	Acquisition	31 March 2006	—	81.8%	81.8%
Agrofort	Grain production	Start-up	16 September 2006	—	86.0%	86.0%
Urozhay	Grain production	Acquisition	27 October 2006	—	89.8%	89.8%

Notes:

(1) In April 2007, JSC MHP entered into an agreement to acquire a third party minority shareholder's interest in Lypivka, which will be completed once the registration with Ukrainian state authorities is complete. This transaction is expected to increase MHP's effective interest in Lypivka to 92.8%.

(2) Druzhba currently holds 1.5% of its own participatory interests as treasury interests, which are currently not taken into account for the purposes of voting and quorum requirements.

Each of the initial acquisitions in the foregoing table, other than Urozhay, was made by MHP from Mr Kosyuk's family members or from companies controlled by Mr Kosyuk. These acquisitions were part of Mr Kosyuk's plan to consolidate his agricultural holdings within the MHP Group. All subsequent acquisitions with respect to these entities were from third parties. Minority interests in these entities in the past have principally represented interests owned directly or indirectly by Mr Kosyuk. Minority interests will principally represent interests held by employees and third parties going forward.

The acquisitions of Snyatynska and Zernoproduct were completed on 24 April 2006 but were consolidated in MHP as of 31 December 2005, the date on which control was transferred to MHP. As a result, they are not reflected in MHP's financial results for 2005, but are fully reflected in MHP's income statement as from 1 January 2006. The acquisitions of Lypivka, Kyivska, Druzhba and Crimea Fruits were completed on 19 June 2006 but were consolidated in MHP as of 31 March 2006, the date on which control was transferred to MHP. As a result, these companies are not reflected in MHP's financial results for 2005, but are included in MHP's income statement as from 31 March 2006.

Key Factors Affecting MHP's Results of Operations

Fluctuations in Demand for Chicken Products

The level of demand for chicken products in Ukraine fluctuates from time to time for various reasons including, among others, seasonality, price, changes in consumer preferences, supply and price levels of other types of meat (such as beef and pork). Management believes that there is high price elasticity of demand in the Ukrainian market for chicken products and that a modest price reduction generally results in a disproportionate increase in demand, which was demonstrated in 2006 following the bird flu outbreak in Ukraine in 2005. Management believes that this high price elasticity helps it to manage and stimulate demand to maintain full production.

Management believes that demand for chicken products in Ukraine will continue to increase from its current level due to a number of factors, including the currently low per capita consumption of poultry in Ukraine compared with other European countries, increasing general income levels among the Ukrainian population, the replacement by consumers of other types of meat with poultry and the undersupply and resulting higher prices for other types of meat in Ukraine (such as beef and pork). See "Industry Overview—Overview of the Ukrainian Markets for Meat Products—Poultry Consumption in Ukraine".

In a typical year, the demand for chicken products reaches its peak during the summer months, followed by a decrease in demand in winter. However, MHP has a relatively continuous production cycle as is typical for the production of poultry and livestock. In response to seasonal and other short-term decreases in the demand for chicken products, MHP reduces its prices so as to try to manage and stimulate demand to try to continue to operate its production facilities at close to full capacity and to sell all of the chicken products it produces. In addition, MHP seeks to mitigate the effects of short-term decreases in demand by freezing and storing some of its chicken meat and selling it later as frozen chicken products, which can generally be stored for up to six months. In addition, since commencing production of convenience food products in January 2006, MHP also reduces the effects of short-term decreases in demand by processing more chicken meat as convenience food, which can be stored for longer periods of time, and which is less susceptible to seasonal fluctuations in demand, than chilled chicken products. Freezing and processing chicken into convenience food increases MHP's inventories and affects the timing of its cash flows.

Closing stocks of frozen chicken products at the year-ends 2005, 2006 and 2007 amounted to approximately 3,400 tonnes, 7,000 tonnes and 5,200 tonnes, respectively. These balances were primarily attributable to seasonality and have been substantially sold during the subsequent quarter of 2006, 2007 and 2008, respectively.

MHP currently operates its chicken production facilities at close to full capacity and is in the process of increasing its production capacity by constructing new chicken production facilities at Myronivka. See "Business—Overview of Operations—Chicken Operations—New Production Facilities for Chicken Operations".

For information regarding market demand during the first quarter of 2008, see "—Recent Trends and Developments" below.

Fluctuations in Market Price for Chicken Products

Management believes that the factors which are expected to increase demand for chicken products in Ukraine, including the currently low per capita consumption of poultry, increasing general income levels, the replacement by consumers of other types of meat with poultry and the undersupply and resulting higher prices for other types of meat in Ukraine, will also help stabilise prices for chicken products in the future, notwithstanding increasing production and supply. See "Industry Overview—Overview of the Ukrainian Markets for Meat Products—Poultry Consumption in Ukraine".

The average sales price for MHP's chicken products (on an adjusted weight basis and excluding VAT) was UAH 8.69 per kilogramme, UAH 8.33 per kilogramme and UAH 8.38 per kilogramme in 2005, 2006 and 2007, respectively. Average market prices for chicken in Ukraine decreased in 2006 from the unusually high levels in 2005. In November 2006, pursuant to an agreement by the members of the Union of Poultry Producers of Ukraine (the "**UPPU**") with the Government of Ukraine, MHP decreased its poultry prices in November and December 2006, although the Company believes that this reduction did not have a material effect on MHP's results, as the price decrease was consistent with historical seasonal decreases in poultry prices during the winter months. Average market prices further decreased in early 2007, primarily due to an increased supply of pork in the market. Prices for poultry products were also negatively affected in 2007 as a result of the purchasing power of consumers in Ukraine being materially impacted by rising utility prices and the removal of certain government subsidies for utilities. However, prices for all types of meat increased later in the year as a result of higher grain prices and, because grain prices have a disproportionate effect on pork and other non-poultry products, the increase in the price of grain resulted in a shift in consumer demand from pork to chicken due to their relative prices.

The average selling price for MHP chicken products (on an adjusted weight basis and excluding VAT) was UAH 8.08 per kilogramme in the three months ended 31 March 2005 as compared to UAH 8.92 per kilogramme in the nine months ended 31 December 2005; UAH 7.63 per kilogramme in the three months ended 31 March 2006 as compared to UAH 8.59 per kilogramme in the nine months ended 31 December 2006; and UAH 7.75 per kilogramme in the three months ended 31 March 2007 as compared to the nine months ended 31 December 2007. The average selling price in the three months ended 31 March 2008 was UAH 10.5 per kilogramme.

In response to short-term reductions in demand, MHP adjusts its prices to stimulate sales in order to support full production. During periods of higher demand, MHP seeks to increase its prices to levels that can be supported by such demand.

For information regarding market prices during the first quarter of 2008, see "—Recent Trends and Developments" below.

Fluctuations in Grain Prices

Grain prices represent a significant portion of the cost to produce poultry and other types of meat, and fluctuations in grain prices have a significant effect on meat producers.

Because the feed grain consumption per kilogramme of live weight of poultry is much lower than that for beef, pork and other protein alternatives, it is significantly less expensive to produce. Management believes that the comparatively lower market price for chicken is a significant factor in maintaining higher demand for chicken relative to such alternative products, especially during periods impacted by high grain prices.

MHP uses feed grains, such as sunflower seeds and corn, in its chicken production. By volume, MHP in 2007 produced internally approximately 60% and 5% of its requirements for corn and sunflower seeds, respectively, and sourced the remainder from Ukrainian suppliers at prices which generally follow the trends of world commodities markets. MHP is therefore vulnerable to price volatility, shortages and breaks in the supply chain for feed grains inputs and it may not be able to pass through any increase in cost to its customers.

The following table sets forth the average market prices received by MHP for the grains it produced, both for its internal consumption and sales to third parties, for the periods presented. Market prices of grain in Ukraine have increased substantially in 2007 in line with world market prices.

	1 August to 30 November	
	2006	2007
	(UAH per tonne)[1]	
Types Internally Consumed[2]		
Corn	585	909
Sunflower	875	2,202
Types Sold to Third Parties:[2]		
Wheat	642	879
Barley	560	990
Rape	1,239	1,737

Notes:

(1) Excluding VAT.

(2) MHP had no grain production in 2005.

In order to reduce its vulnerability to feed grains price fluctuations, and to secure appropriate supplies of feed grains. In late 2005 and in 2006 MHP acquired and established farming facilities for growing sunflower and corn for fodder production and wheat and barley for sale to third parties. Although it externally sources most of its sunflower requirements, MHP seeks to reduce its exposure to price increases for this crop through its sales of sunflower oil, which benefit from market price increases and cover a significant part of the cost of sunflower-based fodder production. MHP also enters into forward contracts with suppliers for the purchase of a portion of its feed grains in order to economically hedge against fluctuations in feed grains prices. The use of such contracts may not be successful in limiting MHP's exposure to market fluctuations in the cost of feed grains and may from time to time result in MHP paying a price higher than the market price for feed grains if the market price decreases after MHP enters into a forward contract. MHP intends to become self-sufficient in corn in the 2008-2009 agricultural year.

In 2007, the costs of corn, sunflower cake and other grains for fodder production represented approximately 40% of MHP's total costs relating to its production of chicken meat.

Macroeconomic Conditions in Ukraine

MHP's results of operations and financial condition are dependent on general economic conditions in Ukraine and particularly on continuing economic growth and inflation and their impact on the purchasing power of the Ukrainian population.

GDP in Ukraine increased in each year from 2005 through 2007. Real GDP increased by 7.6% in 2007 to a nominal GDP of UAH 713 billion (U.S.$141 billion), from a nominal GDP of UAH 544 billion (U.S.$107.7 billion) in 2006 and a nominal GDP of UAH 441 billion (U.S.$87.3 billion) in 2005. The GDP growth in 2006 and 2007 was primarily attributable to growth in retail, construction and transport sectors of the Ukrainian economy. The growth in 2005 was slow primarily due to rising energy prices, the softening of world steel prices and political disruption following the "Orange Revolution" at the end of 2004. At the same time, household incomes have been growing at double digit rates since 2000 and showed a record high growth of 37% in nominal terms (20% in real terms) in 2005 compared to 2006. This growth is attributable to increases of social transfers by the government, overall average wages growth and a decrease in the size of the "shadow" economy.

The table below sets out the principal macroeconomic indicators for Ukraine for the years ended 31 December 2005, 2006 and 2007.

	Year ended 31 December		
	2005	2006	2007
Real GDP (% change)(1)	2.7%	7.3%	7.6%
Nominal GDP (% change)(2)	27.9%	23.4%	31%
Consumer price index(3)	10.3%	11.6%	16.6%
Real household income growth(4)	19.8%	16.3%	12.5%

Source: SCSU.

Notes:

(1) The SCSU calculates real GDP for a particular year by dividing nominal GDP for such year by the relevant consumer price index. The real GDP percentage change for a particular year indicates the percentage change compared to the previous year.

(2) Not adjusted to account for changes in the consumer price index.

(3) The consumer price index is the change in weighted prices for consumer goods and services compared with the same period of the previous year.

(4) Real household income growth is the percentage growth in real household income as compared to the previous year.

The demand for MHP's chicken and other meat products depends to a large extent on the income levels of the Ukrainian population. The increasing disposable income of the Ukrainian population has stimulated demand for MHP's products and, according to GfK, per capita consumption of chicken meat increased to 18 kilogrammes in 2007 from 7.4 kilogrammes in 2002.

State Support for Agricultural Production in Ukraine

In view of the importance of the agricultural sector to the national economy as well as the need to improve living conditions in rural areas, support of the agricultural sector is a major priority for the Ukrainian government. During the periods under review, state support to the agricultural sector is provided in various forms, including special tax regimes, tax privileges, direct subsidies and compensations. Grants and other privileges to the agricultural sector are established by the Parliament of Ukraine, as well as by the Agrarian Ministry, the Ministry of Finance, the State Committee of the Water Industry, customs authorities and local state district administrations, among other government departments and agencies.

In 2005, 2006 and 2007, MHP benefited from various forms of state support, which resulted in significant tax savings for MHP as well as MHP receiving substantial direct government grants and interest subsidies. MHP has organised its corporate structure to increase its eligibility for state subsidies and to maximise their effect on MHP's financial results. In 2007, MHP received an aggregate of UAH 295.1 million (U.S.$58.4 million) in financial support from the Ukrainian government, which constituted 125% of MHP's net income. The principal tax benefits and state support programmes from which MHP has benefited are summarised below.

Tax Benefits

Several of MHP's subsidiaries are exempt from Ukrainian corporate income tax and pay FAT in accordance with the Law on Fixed Agricultural Tax. FAT is paid in lieu of corporate profits tax, land tax, duties for special use of water, municipal tax, duties for geological survey works and duties for trade patents. The amount of FAT is calculated as a percentage of the deemed value of all land plots (determined as of 1 July 1995) leased or owned by a taxpayer. In 2007, the amount of FAT paid by MHP was equal to approximately 0.4% of its net profit. FAT expenses are recorded under selling, general and administrative expenses and were not material in the periods under review. The FAT regime is effective until 31 December 2009. If the FAT regime is not extended, MHP would be required to pay corporate profits tax at the standard rate (currently 25%) for Ukrainian companies, as well as the other taxes and duties listed above, which would have a material adverse effect on MHP's business, results of operations and financial condition. See Note 8 to the Audited Consolidated Financial Statements.

Government Grants

In 2005, 2006 and 2007, respectively, MHP recognised UAH 166.5 million (U.S.$33.0 million), UAH 238.0 million (U.S.$47.1 million) and UAH 295.1 million (U.S.$58.4 million) in government grants income (including compensation for finance costs). Government grants recognised as income, including VAT refunds and compensation for finance costs, as a percentage of net profit from continuing operations was 26%, 47% and 125% in 2005, 2006 and 2007, respectively. This percentage was unusually high in 2007 due to a combination of lower margins, primarily resulting from the lag between higher grain prices and market price increases for chicken products, and higher grant income. In particular, MHP's grants relating to the processing of live animals increased by 65% from 2006 to 2007 due to higher production volumes and an increase in the amount of this grant. Management expects the 2008 ratio of grant income to net profit to be more in line with 2006. The grants received in the periods under review were of the following principal types:

- ***Government VAT refunds for the agricultural industry.*** According to the Ukrainian VAT law, Ukrainian agricultural companies are entitled to retain the difference between the input VAT they pay on purchases for their operations and the VAT they charge on the sale of products (currently both at the rate of 20%). In effect, they are entitled to retain the VAT attributable to the value they add to their products. The retained amounts are transferred to special bank accounts and may be used to pay for goods and services related to MHP's agricultural activities. This VAT refund benefit was received by MHP during 2005, 2006 and 2007 and continues to be available to MHP. In December 2007, the exemption was extended to 1 January of the year following the year in which Ukraine joins the WTO. On 10 April 2008 the Ukrainian Parliament ratified the WTO accession package and Ukraine's entry into the WTO is expected in May 2008. Accordingly, starting 1 January 2009, MHP's agricultural companies are expected to become subject to VAT at a 20% rate, which would not allow agricultural companies to retain the VAT differential between the VAT they charge on sales and the VAT they pay for inputs. Management expects that Ukraine will introduce some type of support to compensate agricultural companies for this change in VAT refund entitlement. This expectation is based in part on proposals which are currently being discussed in the Ukrainian Parliament.

- ***Government grants related to processing of animal products.*** This subsidy is provided to MHP's chicken and goose farms in the form of payments for each item of poultry slaughtered at a farm. The subsidy is also available to MHP's beef and pork processing facilities and was received by MHP in 2006 and 2007 in respect of its beef and pork production. The per unit amount of this subsidy increased during each year under review. The amount of the subsidy is currently UAH 0.65 per kilogramme of chicken, UAH 0.90 per kilogramme of goose and turkey, UAH 1.40 per kilogramme of pork and UAH 1.90 per kilogramme of beef, in each case based on live weight at time of slaughter.

- ***Government grants related to breeding programmes.*** This subsidy is provided to MHP's breeding farms in the form of compensation of expenses incurred in connection with MHP's chicken and beef breeding. The subsidy is capped at a certain maximum amount per egg or head of cattle.

- ***Compensation for finance costs under loans from Ukrainian banks.*** Some of MHP's Ukrainian subsidiaries receive partial compensation of interest expense under loans received from Ukrainian commercial banks. Compensation for finance costs is accounted for as a deduction from finance costs, and not under government grants income, in the Audited Consolidated Financial Statements.

- ***Subsidies related to crop growing.*** In 2006, MHP began receiving subsidies in connection with its crop growing activities. This subsidy is calculated based on the size of the area on which a particular crop is grown.

Following its accession to the WTO, which will take place on 16 May 2008, Ukraine will be able to provide so-called "amber box" subsidies to agricultural companies, subject to an individual annual cap in the amount of:

(i) 5% of the overall agricultural production value generated in Ukraine in the relevant year in non-product-specific support;

(ii) 5% of the total value of production of each of the basic agricultural products in the relevant year in product-specific support; plus

(iii) up to an additional UAH 3.0 billion (approximately U.S.$0.6 billion).

This type of subsidy may be provided in the form of direct financial aid to agricultural producers or as tax exemptions and minimum price supports. Based on Ukraine's 2007 overall agricultural output, as reported by SCSU, the maximum amount of amber box subsidies, excluding product-specific support, would be approximately UAH 8.5 billion (U.S.$1.7 billion). This amount is approximately 55% higher than the approximately UAH 5.5 billion (approximately U.S.$1.1 billion) of direct state agricultural subsidies under Ukraine's 2008 Budget Law and, accordingly, the 5% individual annual cap is not expected to affect the level of future subsidies.

According to MHP's estimates based on data from OECD and the United Nations Food and Agricultural Organisation, direct government support to the agricultural industry in Ukraine is currently lower as a percentage of total agricultural turnover than in the United States or Europe. This support represented 8% in 2007 as compared to 20% in the United States and 34% in Europe. In Russia, direct government support to the agricultural industry represented 6% of aggregate agricultural turnover during 2007. Nevertheless, the risk remains that some or all of the state support mechanisms discussed above will be limited in the future.

Bird Flu and Other Livestock Diseases

Since 2003, bird flu has affected poultry flocks and other birds in several countries around the world. In December 2005, bird flu was first discovered in wild and domesticated birds in Ukraine including the Crimea region, and discoveries of bird flu in Ukraine continued into 2006. In addition, cases of Newcastle Disease were reported in Ukraine in February and April 2006. In October 2005 Ukraine enacted the Instruction on Bird Flu Control, establishing mandatory bird flu prevention measures among poultry producers. In response, MHP introduced additional biosecurity measures, including increasing the amount and potency of its disinfecting washes and solutions, culling wild birds in the immediate vicinity of its poultry facilities and vaccinating all of its employees who have direct contact with chickens. Moreover, prior to processing, each batch of chickens entering the slaughter floor is examined for symptoms of any infection, including bird flu, and analysed in several stages to ensure the absence of signs of bird flu. MHP monitors wild birds in the vicinity of its poultry farms on a weekly basis to enable early identification of any potential sign of bird flu. See "Industry Overview—Recent Developments in the Ukrainian Poultry Industry—Bird Flu and Newcastle Disease".

Management believes that the adverse publicity resulting from the outbreak of bird flu did not affect demand for chicken products in Ukraine as significantly as in certain other European countries such as Italy and France, and this is partly attributable to the relatively limited availability of affordable protein substitutes in Ukraine. Primarily due to seasonality, but also in response to a decrease in demand for chicken products following the outbreak of bird flu globally and in Ukraine, MHP reduced its prices for chicken products in the fourth quarter of 2005 and in the first quarter of 2006. During this time, MHP continued to operate its facilities at close to full capacity, although the price reductions had a negative effect on MHP's margins, particularly in the first quarter of 2006.

In an effort to reduce the possible impact of the bird flu outbreak on its business, in late 2005 MHP launched an advertising campaign aimed at supporting the quality image of MHP's brands for chicken products and MHP's high biosecurity standards. Management believes that safety concerns associated with the bird flu outbreak contributed to a shift in consumer demand from household-produced poultry products to higher-quality industrially produced and branded poultry products. Management believes that the strength of MHP's brand helped it to capitalise on this trend, which increased demand for MHP's products during late 2005 and early 2006.

The adverse publicity from the bird flu outbreak in Ukraine in late 2005 coincided with the seasonal decrease in prices and sales volumes for chicken products during the autumn and winter periods. Accordingly, it is not possible to isolate the effects of bird flu on MHP's financial results for 2005 and 2006. The costs incurred by MHP in connection with the introduction of additional biosecurity measures in response to the bird flu outbreak were not material. See "Business—Biosecurity". Demand and prices have recovered from the effects of the initial bird flu outbreak since the second quarter of 2006 and management believes that recent data suggests that MHP is no longer impacted by the effects of bird flu. In 2007 there were isolated incidents of bird flu and other livestock diseases in Ukraine; however these have not affected demand or prices for chicken.

Foreign Currency Exchange Rates and Interest Rates

MHP's operating assets are located in Ukraine, and its revenues and costs are denominated primarily in hryvnia. However, certain of MHP's revenues, production costs and finance costs are denominated in foreign currencies, principally Euro and dollars. In 2007, approximately 16% of MHP's revenues, approximately 9% of MHP's production costs and approximately 76% of MHP's finance costs were denominated in foreign currencies.

MHP's foreign currency revenues consist principally of revenues from export sales of sunflower oil. MHP's foreign currency expenditures consist principally of the cost of purchasing breeder flocks, non-grain components for mixed fodder and purchasing production equipment. All of MHP's breeder flocks are imported from outside Ukraine and purchased with foreign currency. In addition, substantially all of the equipment used in MHP's business is imported from outside Ukraine and is purchased with foreign currency. MHP finances the majority of its equipment purchases with loans or leases denominated in foreign currencies. Management believes that its exposure to currency exchange rate fluctuations as a result of its foreign currency costs is partially offset by its U.S. dollar revenues from export sales of sunflower oil.

As at 31 December 2007, approximately UAH 1,700 million, or 89% of the aggregate principal amount of MHP's long-term bank borrowings and bonds issued (including current portion), consisted of foreign-currency denominated debt, approximately 74% of which was dollar-denominated and approximately 26% of which was Euro-denominated. MHP's short-term bank borrowings and bonds issued (excluding current portion) balance of UAH 268.3 million (U.S.$53.1 million) at 31 December 2007 was mostly hryvnia-denominated.

In accordance with market practice and certain regulatory restrictions in Ukraine, MHP does not use any derivative financial instruments to hedge against currency exchange rate fluctuations.

During 2007, the hryvnia remained stable against the dollar and depreciated against the Euro by approximately 11.6%, which had a negative effect on MHP's finance costs associated with indebtedness denominated in foreign currency and on MHP's costs associated with purchases of imported equipment. Any future depreciation of the hryvnia against the Euro or dollar will increase MHP's foreign currency costs in hryvnia terms and could have a material adverse effect on MHP's business and financial condition. See "Risk Factors—Risks Relating to MHP—MHP is exposed to currency exchange rate risk".

MHP is exposed to interest rate fluctuation risk on those of its borrowings that have a variable interest rate. The amount of MHP's outstanding long-term debt (including current portion) bearing a floating rate as at 31 December 2007 was UAH 437.3 million (U.S.$86.6 million). MHP's floating rate indebtedness has generally been tied to the London InterBank Offered Rate ("**LIBOR**") and the Euro InterBank Offered Rate ("**EURIBOR**"). See "—Liquidity and Capital Resources—Capital Resources". As a result, fluctuations in LIBOR and EURIBOR have historically had an impact on MHP's results of operations.

The table below sets forth the rates of one year U.S. dollar, LIBOR and EURIBOR as at 31 December 2005, 2006 and 2007.

	As at 31 December		
	2005	**2006**	**2007**
One year U.S. dollar LIBOR(1)	4.8%	5.3%	4.2%
One year EURIBOR(2)	2.8%	4.0%	4.7%

Sources:

(1) The British Bankers' Association.

(2) The European Banking Federation.

Components of Principal Income Statement Items

Revenue From Continuing Operations

Poultry and Related Operations Segment

MHP's revenues in its poultry and related operations segment are generated mainly from sales of chicken meat and, to a lesser extent, sales of sunflower oil (a by-product of its sunflower protein production), mixed fodder and convenience food products. Poultry and related operations segment revenue accounted for 81% of MHP's total revenues from continuing operations in 2007.

MHP's revenues from sales of chicken meat are primarily derived from sales of chilled whole and sliced chickens, ancillary products (such as hearts and livers) and frozen chicken products. As described in "—Key Factors Affecting MHP's Results of Operations—Fluctuations in Demand and Market Price Levels for Chicken Products", because of the continuing high demand for MHP's products it is generally able to sell all of its production. As a result, MHP's revenues are primarily driven by the output capacity of its chicken production facilities. The aggregate capacity of MHP's four chicken farms was almost fully utilised in 2007. This capacity increased during the year to the current aggregate capacity of 2.3 million chickens per week. MHP's chicken production volume increased to approximately 190,800 tonnes of processed weight in 2007 from 142,000 tonnes of processed weight in 2006 and from approximately 139,400 tonnes of processed weight in 2005. The principal reason for the increase during the periods under review was the construction of the Myronivka chicken farm, which added approximately 37,000 tonnes of additional production in 2007. Sales of chicken meat and by-products accounted for 83%, 67% and 59% of MHP's total revenues from continuing operations in 2005, 2006 and 2007, respectively. MHP's revenues are also affected by market prices for chicken products. On an adjusted weight basis, the average sales price for MHP's chicken products and by-products was UAH 8.69 per kilogramme, UAH 8.33 per kilogramme and UAH 8.38 per kilogramme excluding VAT in 2005, 2006 and 2007, respectively.

MHP produces sunflower oil as a by-product of its sunflower protein production, which it uses in the manufacture of mixed fodder principally for its chicken operations. MHP began operations at its sunflower protein and oil extraction plant in March 2004. In 2005, 2006 and 2007, MHP sold 50,400 tonnes, 70,700 tonnes and 88,100 tonnes of sunflower oil, respectively. MHP sells sunflower oil to foreign and Ukrainian customers. Sales of sunflower oil accounted for 11%, 12% and 14% of MHP's total revenues from continuing operations in 2005, 2006 and 2007, respectively. Revenues increased in 2007 both as a result of a higher average market price for sunflower oil and increased volume. For 2007, MHP's revenue from the sale of sunflower oil represented a significant portion of the costs associated with the production of sunflower cake for fodder.

MHP's revenues from other poultry-related operations include revenues from sales of mixed fodder to third parties and sales of convenience food products. MHP uses the majority of the mixed fodder it produces in its own operations. Revenues from mixed fodder are attributable largely to MHP's limited sales of excess mixed fodder to third parties. In 2005 and in the first quarter of 2006, MHP also sold mixed fodder to beef and pork production companies, which at the time of the sales were related parties of MHP but which have been consolidated with MHP since 31 March 2006. In January 2006, MHP began producing convenience food products. Approximately 90% of MHP's convenience food product revenues are from poultry-based convenience foods, with the remainder from other meat-based convenience foods. MHP's revenues from sales of convenience food products were UAH 42.1 million (U.S.$8.3 million) in 2007.

Grain Segment

MHP presently uses the majority of the grains it produces in its own operations. MHP's revenues from its grain operations segment are attributable largely to MHP's sales of certain grains to third parties. In addition as grains represent fungible commodities, rather than transport its grain MHP will sometimes sell grain produced at its Zernoproduct farm, the only MHP farm not located in close proximity to an MHP poultry plant, and purchase grain within the region of such plants. By doing this MHP seeks to reduce its overall costs. Sales of feed grains to third parties accounted for 8% of MHP's total revenues from continuing operations in 2007.

The grain operations were largely acquired by MHP in acquisitions occurring in 2005 and 2006, which were consolidated as of 31 December 2005 and 16 September and 27 October 2006, respectively. As a result, they are not reflected in MHP's 2005 financial statements and are reflected for only a portion of 2006.

Other Agricultural Operations Segment

MHP's revenues in its other agricultural operations segment are generated from sales of beef, sausages and cooked meats produced by Druzhba and sales of goose meat, foie gras, fruits and potatoes. These operations were largely acquired by MHP in 2005 and 2006. These new operations are part of MHP's diversification strategy aimed at taking advantage of market opportunities in growing markets as well as reducing MHP's dependence on the market for chicken products.

MHP's sales of other meat include sales of beef, sausages and cooked meats produced by Druzhba. As Druzhba was acquired on, and consolidated as from, 31 March 2006, the revenues from these operations are only reflected in MHP's income statement as from that date. Sales of other meat accounted for 7.2% of MHP's total revenues from continuing operations in 2007. Prior to 31 March 2006, MHP resold other meats purchased from Druzhba, which at the time was a related party of MHP, although the amount of such resales was not material. See "—Acquisitions and Formations of Companies".

MHP's other sales in the other agricultural operations segment include sales of goose meat and foie gras produced by Snyatynska, fruits produced by Crimea Fruits, sales of potatoes produced by Kyivska and sales of agricultural by-products and milk. Such sales collectively accounted for UAH 99.8 million

(U.S.$19.7 million) or 4.1% of MHP's total revenues from continuing operations in 2007. Prior to 31 March 2006, MHP resold fruits produced by Crimea Fruits, which was then a related party of MHP, although the amount of such resales was not material. MHP's other sales in the other agricultural operations segment include revenues from sales of various agricultural by-products and milk and revenues from various services provided by MHP's agricultural facilities, including rent. This segment also has had some sales of grain, which was temporarily grown on land acquired for fruit production which is awaiting the planting of orchards.

Until its discontinuation in March 2007, MHP also engaged in natural gas trading. The natural gas business is shown separately as discontinued operations for all years presented. See "—Discontinued Operations" above.

Net Change in Fair Value of Biological Assets and Agricultural Produce

The net change in fair value of biological assets and agricultural produce represents the revaluation in line with IAS 41 "Agriculture" of MHP's livestock, chicken products and other agricultural products at the end of each balance sheet date.

In 2006 MHP changed its method of determining the fair value of its biological assets and agricultural produce from an estimation of fair value to an approach based upon expected cash flows. See "Critical Accounting Policies—Biological Assets". This generally resulted in relatively large increases in the fair value effect in 2006, the first year applying the new method, as gains associated with this change were recognised in that year. Subsequent changes do not include the effect of the change in valuation method and therefore reflect only the effect of changes in the size and value of inventories of biological assets.

Cost of Sales from Continuing Operations

MHP's cost of sales from continuing operations consists of costs of raw materials and other inventory used, payroll and related expenses for employees at production facilities, depreciation, utilities and other costs. In the years under review, cost of sales from continuing operations from year to year has generally increased as production volumes have increased. Given the high costs required to build, maintain and operate chicken growing and processing facilities, MHP's per-unit costs are significantly affected by MHP's production volumes. Higher production volumes generally result in lower per-unit costs.

Poultry and Related Operations Segment

For MHP's poultry and related operations segment, costs of raw materials and other inventory used primarily consists of costs of feed grains and other costs associated with the production of mixed fodder and costs for purchasing and producing hatching eggs.

Feed grains, vegetable proteins and vitamin additives are the major components of mixed fodder for MHP's breeding flocks and chicken. Costs of production related to mixed fodder account for approximately 40% (of which grain is 33%) of MHP's costs related to its chicken operations. MHP operates three fodder production facilities as well as storage facilities for fodder and feed grains. Feed grains used by MHP for the production of mixed fodder include, among others, sunflower seeds and corn, which account for the largest shares of MHP's feed grains production and purchases. As described below, a significant portion of the cost of sunflower seeds is recouped through the sale of sunflower oil produced as a by-product of MHP's sunflower protein production. The prices for feed grains fluctuate over time, thus significantly affecting MHP's cost of sales. See "—Key Factors Affecting MHP's Results of Operations—Fluctuations in Grain Prices" above.

As part of its vertical integration strategy and in order to reduce production costs, MHP operates a sunflower oil extraction plant, which produces sunflower protein, one of the major components for the production of mixed fodder. Cost of sales attributable to sales of sunflower oil primarily consists of the cost of sunflower seeds. According to MHP's accounting policy, all costs associated with the production of sunflower oil and protein are included in the cost of sales of sunflower oil to the extent they do not exceed the revenues from the sales of sunflower oil. The effect of this is a 0% margin on sunflower oil production. Excess of the cost of production of sunflower oil over revenue is included in the cost of sales of chicken meat given the use of sunflower protein in chicken fodder.

MHP internally produces nearly all of its requirements for hatching eggs. The costs associated with its hatchery egg production primarily comprise the cost of breeder flocks and feed.

MHP's payroll and related expenses for its poultry and related operations segment primarily consist of salaries and annual bonus paid to personnel employed at MHP's production facilities and payroll contributions to the state budget in respect of such employees.

Depreciation costs for MHP's poultry and related operations are primarily attributable to buildings, equipment and other property, plant and equipment at MHP's production facilities and MHP's trucks that are used in the production process (such as for transporting raw materials).

Utilities costs for MHP's poultry and related operations include principally the costs for natural gas, fuel and electricity used in MHP's production process.

Grain Segment

MHP's grain segment's costs primarily relate to raw materials, including seeds, fertilisers and plant protection chemicals, payroll and related expenses and depreciation costs for agricultural machinery, equipment and buildings that are used in grain production.

Other Agricultural Operations Segment

For MHP's other agricultural operations segment, costs of raw materials and other inventory used primarily consists of seeds, fertilisers, plant protection chemicals and veterinary medications. In addition, these costs include payroll expenses for its other agricultural operations, depreciation costs for agricultural machinery, equipment and buildings that are used in the production process and utilities costs for fuel, electricity and natural gas used in MHP's production process.

Selling, General and Administrative Expenses

MHP's selling, general and administrative expenses consist of staff costs and related expenses in respect of administration and sales and distribution employees, advertising expenses, services, fuel and other materials used, representative costs and business trips, depreciation in respect of administration and sales and distribution assets, insurance expenses, bank services, conversion fees and other expenses.

MHP's staff costs and related expenses primarily consist of salaries paid to administration and sales and distribution employees, payroll contributions to the state budget in respect of such employees as well as certain in-kind benefits provided principally to Mr Kosyuk as JSC MHP's Chief Executive Officer.

Advertising expenses are largely attributable to advertising costs in connection with promotion of MHP's flagship brand "Nasha Ryaba" and support for the launch of new brands, including the development and airing of television commercials, merchandising costs and various incentive programmes for MHP's customers.

Services costs primarily consist of communications, auditors and consultancy expenses, legal and consultancy expenses related to MHP's corporate reorganisation, employee training expenses, cost of repairs and maintenance of administrative premises and distribution vehicles and other services costs.

Fuel and other materials used is principally fuel for MHP's refrigerated distribution trucks and materials used in MHP's distribution of its products.

Representative costs and business trips consist of expenses related to business trips outside of Ukraine, events and business functions.

Depreciation expense primarily relates to depreciation of MHP's refrigerated distribution trucks and depreciation of other fixed assets used in MHP's administration or sales and distribution areas, such as its corporate headquarters building and equipment.

Insurance costs primarily relate to insurance of MHP's overall truck fleet and certain other assets and certain types of mandatory statutory insurance.

Bank services, conversion fees and other taxes consists of charges for bank account management, commissions for purchases and sales of foreign currency, environmental taxes, communal taxes and FAT expenses. FAT expenses were not material in each of the periods under review.

Government Grants Recognised As Income

Government grants recognised as income consist of VAT refunds for the agricultural industry, income from government grants related to the processing of animal products and government grants related to poultry and beef breeding. In 2006, MHP also began receiving subsidies related to crop growing. See "—Key Factors Affecting MHP's Results of Operations—State Support for Agricultural Production in Ukraine—Government Grants" above.

Other Operating Expenses

Other operating expenses primarily consist of changes in provision for doubtful debts, provision for obsolete inventory and losses on disposal of property, plant and equipment. In 2006 other operating expenses also included extraordinary legal and accounting expenses in connection with various proposed financings. Provision for doubtful debts consists of general reserves for accounts receivable based on aging analysis and individual assessment of recoverability of accounts receivable and prepayments to suppliers by MHP.

Other Operating Income

Other operating income primarily consists of gains on disposal of property, plant and equipment and gains arising on changes in the fair value of interest-free loans to employees, principally to Mr Kosyuk, calculated in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

Loss on Impairment of Property, Plant and Equipment

MHP's property, plant and equipment are carried at historical cost, or at the cost of construction, less accumulated depreciation and accumulated impairment losses, except for grain storage facilities, which are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. At each balance sheet date, MHP reviews the carrying amounts 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). An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

For the year ended 31 December 2007, loss on impairment of property, plant and equipment was UAH 51.7 million (U.S.$10.2 million), which relates to the production of foie gras and convenience foods under the "Lehko!" brand. While sales for these products have been increasing, they have experienced slower growth than was anticipated at the launch of these projects and impairment was recognised in connection with management's reassessment of the profitability of these businesses. The convenience food business does not currently utilise its full production capacity. MHP has not reduced its production of foie gras because of the long-term production cycle of this business and Management's expectation that it will be able to export its foie gras to the European Union.

Other Income/(Expense), Net

Other income/(expense), net, consists of gains from acquisitions of shares from minority shareholders, finance costs, foreign exchange gains/(losses), net, and other expenses and other income. MHP's finance costs consist of interest expense on MHP's bank indebtedness, vendor financing and capital leases, including amortisation of deferred financing costs, net of partial reimbursement by the government of interest expenses on loans used for the purchase of agricultural equipment. Other income includes interest income and other financial income. Foreign exchange gains/(losses), net, comprises net gains or losses as a result of translation on the relevant balance sheet date of monetary assets and liabilities denominated in currencies other than hryvnia into hryvnia in accordance with IFRS.

Income Tax Benefit/(Expense)

Current income tax expense consists of expenses for income taxes paid by the Ukrainian companies in MHP that do not pay FAT in accordance with the Law on Fixed Agricultural Tax. Such companies paid corporate income tax at a rate of 25% in each of 2005, 2006 and 2007. The corporate income tax rate for 2008 is also 25%. To reduce MHP's tax expense, it elects to pay FAT rather than corporate income tax with respect to all non loss-making subsidiaries. FAT expenses are recorded under selling, general and administrative expenses and were not material in each of the periods under review.

Deferred tax assets and liabilities arise on temporary differences between the bases of assets and liabilities under Ukrainian tax principles and IFRS.

Revenue and Profit from Discontinued Operations (Natural Gas Trading)

In addition to its core operations, in each of 2005, 2006 and 2007 MHP engaged in natural gas trading, which comprised the purchase of gas from gas traders and reselling the majority of it to third parties. MHP discontinued these operations in March 2007, and the results of natural gas trading are shown as discontinued operations in all years under review. MHP's natural gas trading operations accounted for revenues of UAH 69.8 million (U.S.$13.8 million) and UAH 150.1 million (U.S.$29.7 million) in 2005 and 2006, respectively, and UAH 44.8 million (U.S.$8.9 million) in 2007.

Recent Trends and Developments

In the first quarter of 2008, MHP has increasingly been able to pass on to its Ukrainian customers its increased costs, especially of grain, through higher prices for chicken meat. On an average adjusted weight basis, prices for chicken meat for the three months ended 31 March 2008 were approximately 37% higher than in the three months ended 31 March 2007 and were approximately 25% higher than the average price during 2007. In March 2008, on an average adjusted weight basis, the price for chicken meat was UAH 11.85 per kilogramme excluding VAT; that is approximately 63% higher than in March 2007 and about 40% higher than the average price during 2007. Management believes that the increased market prices reflect the higher raw material costs faced by most poultry producers, particularly grain costs.

MHP's sales volumes of chicken meat for the three months ended 31 March 2008 were approximately 67% higher than in the three months ended 31 March 2007, primarily due to the increased capacity and production volumes at the Myronivka chicken farm.

MHP's production costs for the three months ended 31 March 2008 remained stable as compared to the fourth quarter of 2007. Management believes that it will continue to maintain its costs as a result of its current ability to supply approximately 60% of its requirements for corn and its forward contract strategy which has fixed its costs for the remainder of its corn and sunflower requirements through the 2008 harvest. Following the 2008 harvest onwards, Management believes that MHP will be fully self-sufficient with respect to its corn requirements.

Management believes that such trends are responsible for stronger results in the three months ended 31 March 2008 as compared to the same period in 2007.

Under the recently signed Memorandum of Understanding between Ukrainian government, Ukrainian producers of socially important products and independent retailers, Ukrainian poultry producers (including MHP) agreed, until 1 September 2008, to refrain from price increases in respect of their products that cannot be "justified". Management believes that this agreement will not have a negative impact on MHP's business and its financial results.

On 17 April 2008, the CMU adopted the Price Resolution. The Price Resolution applies to all producers of food products which are subject to state regulation, and it establishes a formula for the calculation of wholesale prices of food products and profits from such sales and limits the profit margin that can be charged. While the scope of the Price Resolution is not entirely clear, it is likely that it applies to chicken, beef and pork meat and sunflower oil. Management believes that the approach MHP uses for determining the wholesale prices for MHP's products is in line with the formula established by the Price Resolution, and that due to MHP's vertical integration, the Price Resolution will not have a material negative impact on MHP's business and financial results.

In March 2008, the Ukrainian government introduced export quotas and licensing for sunflower oil in an aggregate amount of 300,000 tonnes for all Ukrainian producers for the period from April 2008 and until 1 July 2008. Although it has been reported that this quota was subsequently increased to 500,000 tonnes, the official text of the relevant government resolution is not yet available and it has not yet officially entered into force. On 16 April 2008, MHP was issued a quota of approximately 8,500 tonnes for export of sunflower oil for this period. MHP believes that when and if the general export quota is increased, its individual quota will be increased as well. On the basis of its current quota, MHP has applied for an export license and expects this license to be issued in the near future. In the three months ending 31 March 2008, MHP produced and sold approximately 21,000 tonnes of sunflower oil (all of which was exported), and expects its production volume of sunflower oil to be approximately the same in the three months ending 30 June 2008. On the basis of pricing and demand in the domestic market and the short-term nature of the export quotas, MHP does not believe that this quota imposition will have a material adverse impact on MHP's financial results.

In connection with the potential acquisition of a Ukrainian meat processing company currently under consideration by MHP, the Ukrainian Antimonopoly Committee has issued its approval for such acquisition in April 2008. MHP has not yet carried out due diligence on the proposed target, nor has it agreed any of the acquisition terms and accordingly it may not proceed. If the acquisition proceeds, the purchase price is expected to be between U.S.$20-30 million, to be funded primarily with cash generated from MHP's operations and/or through borrowings.

Results of Operations

The following table summarises MHP's results of operations for the years ended 31 December 2005, 2006 and 2007.

	Year ended 31 December								
	2005			2006			2007		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Continuing Operations									
Revenue	1,346,182	266,571	100.0%	1,588,938	314,641	100.0%	2,412,133	477,650	100.0%
Net change in fair value of biological assets and agricultural produce	8,089	1,601	0.6%	53,652	10,624	3.4%	61,920	12,262	2.6%
Cost of sales	(753,521)	(149,212)	(56.0)%	(1,084,129)	(214,679)	(68.2)%	(1,869,746)	(370,247)	(77.5)%
Gross profit	**600,750**	**118,960**	**44.6%**	**558,461**	**110,586**	**35.1%**	**604,307**	**119,665**	**25.1%**
Selling, general and administrative expenses	(96,229)	(19,055)	(7.1)%	(177,126)	(35,074)	(11.1)%	(260,573)	(51,599)	(10.8)%
Government grants recognised as income	162,530	32,184	12.1%	235,725	46,678	14.8%	284,261	56,289	11.8%
Other operating expenses	(5,518)	(1,093)	(0.4)%	(32,347)	(6,405)	(2.0)%	(36,737)	(7,275)	(1.5)%
Other operating income	3,625	718	0.3%	6,097	1,207	0.4%	9,438	1,870	0.4%
Operating profit before loss on impairment of property, plant and equipment	**665,158**	**131,714**	**49.4%**	**590,810**	**116,992**	**37.2%**	**600,696**	**118,950**	**24.9%**
Loss on impairment of property, plant and equipment	—	—	0%	—	—	0%	(51,704)	(10,239)	(2.1)%
Operating profit	665,158	131,714	49.4%	590,810	116,992	37.2%	548,992	108,711	22.8%
Finance costs, net	(50,299)	(9,960)	(3.7)%	(184,404)	(36,516)	(11.6)%	(249,885)	(49,482)	(10.4)%
Foreign exchange gains/ (losses), net	30,772	6,093	2.3%	(28,419)	(5,628)	(1.8)%	(65,950)	(13,059)	(2.7)%
Other expenses	(5,798)	(1,148)	(0.4)%	(5,761)	(1,140)	(0.4)%	(3,707)	(734)	(0.2)%
Gain realised from acquisitions and changes in non-controlling interest in subsidiaries, net	2,010	398	0.1%	133,676	26,470	8.4%	6,487	1,285	0.3%
Other income	5,472	1,084	0.4%	4,728	937	0.3%	3,042	602	0.1%
Other expenses, net	(17,843)	(3,533)	(1.3)%	(80,180)	(15,877)	(5.0)%	(310,013)	(61,388)	(12.9)%
Profit before income tax	647,315	128,181	48.1%	510,630	101,115	32.1%	238,979	47,323	9.9%
Income tax (expense)/ benefit	(2,021)	(400)	(0.2)%	(2,895)	(573)	(0.2)%	(2,161)	(428)	(0.1)%
Net profit for the year from continuing operations	**645,294**	**127,781**	**47.9%**	**507,735**	**100,542**	**32.0%**	**236,818**	**46,895**	**9.8%**
Profit for the year from discontinued operations	1,385	274	0.1%	26,076	5,163	1.6%	(514)	(102)	0.0%
Net profit for the year	**646,679**	**128,055**	**48.0%**	**533,811**	**105,705**	**33.6%**	**236,304**	**46,793**	**9.8%**
Attributable to:									
Equity holders of the parent	573,874	113,638	42.6%	507,774	100,549	32.0%	206,393	40,870	8.6%
Minority interest	72,805	14,417	5.4%	26,037	5,156	1.6%	29,911	5,923	1.2%

Year Ended 31 December 2007 Compared to Year Ended 31 December 2006

Revenue from Continuing Operations

MHP's total revenue increased by 52% to UAH 2,412.1 million (U.S.$477.6 million) in 2007 from UAH 1,588.9 million (U.S.$314.6 million) in 2006. The poultry and related operations segment accounted for UAH 1,943.6 million (U.S.$384.9 million), or approximately 81% of MHP's total revenues from continuing operations, in 2007. The grain segment accounted for UAH 194.4 million (U.S.$38.5 million), or approximately 8% of MHP's total revenues from continuing operations, in 2007. The other agricultural operations segment accounted for UAH 274.2 million (U.S.$54.3 million), or approximately 11% of MHP's total revenues from continuing operations, in 2007.

The following table presents MHP's revenues from continuing operations by type for 2006 and 2007.

	Year ended 31 December					
	2006			2007		
	Amount		Percentage of total revenue from continuing operations[1]	Amount		Percentage of total revenue from continuing operations[1]
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Poultry and related operations segment:						
Revenue from sales of chicken meat	1,063,301	210,555	66.9%	1,433,366	283,835	59.4%
Revenue from sunflower oil sales	193,476	38,312	12.2%	338,490	67,028	14.0%
Revenue from other poultry related sales	84,620	16,756	5.3%	171,711	34,002	7.1%
Sales to external customers	1,341,397	265,623	84.4%	1,943,567	384,865	80.5%
Grain segment:						
Revenue from sales of feed grains	87,436	17,314	5.5%	194,376	38,490	8.1%
Sales to external customers	87,436	17,314	5.5%	194,376	38,490	8.1%
Other agricultural operations segment:						
Revenue from sales of other meat	106,930	21,174	6.7%	174,343	34,523	7.2%
Other agricultural sales	53,175	10,530	3.4%	99,847	19,772	4.2%
Sales to external customers	160,105	31,704	10.1%	274,190	54,295	11.4%
Total revenues from continuing operations[1]	**1,588,938**	**314,641**	**100.0%**	**2,412,133**	**477,650**	**100.0%**
Intersegment sales:						
Poultry and related sales segment	19,605	3,882		54,319	10,756	
Grain segment	39,698	7,861		152,419	30,182	
Other agricultural operations segment	3,868	766		2,892	573	
Total intersegment sales	**63,171**	**12,509**		**209,630**	**41,511**	

Note:

(1) Excluding intersegment sales.

Poultry and Related Operations Segment

MHP's revenues from sales of chicken meat increased by 35% to UAH 1,433.4 million (U.S.$283.8 million) in 2007 from UAH 1,063.3 million (U.S.$210.6 million) in 2006. The increase in revenue from such sales was primarily attributable to increased volumes of chicken products sold. MHP's chicken production volume increased to approximately 190,800 tonnes of processed weight in 2007 from approximately 142,000 tonnes of processed weight in 2006. This increase was primarily due to the completion of the first phase of the new Myronivka chicken farm in 2007, which allowed the company to meet further demand for its products. The average production volume of the new chicken farm during 2007 represented approximately 30% of the aggregate 2007 production volume of MHP's previously existing poultry plants. Production by those plants remained relatively stable during 2007 and consistent with historical volumes.

On an adjusted weight basis calculated in line with industry standards, the average sales price for MHP's chicken products and by-products was UAH 8.38 per kilogramme and UAH 8.33 per kilogramme excluding VAT in 2007 and 2006, respectively.

Revenues from sales of sunflower oil were UAH 338.5 million (U.S.$67.0 million), or 14% of total revenues from continuing operations, in 2007, as compared to UAH 193.5 million (U.S.$38.3 million), or 12% of total revenues from continuing operations, in 2006. The increase in revenues was the result of an increase in volumes of sunflower oil sales was primarily due to higher levels of production of fodder, which was consistent with higher average market prices for sunflower oil in 2007, as well as the expansion of MHP's chicken meat production.

Revenues from other poultry related sales were UAH 171.7 million (U.S.$34.0 million), or 7% of total revenues from continuing operations, in 2007, as compared to UAH 84.6 million (U.S.$16.8 million), or 5% of total revenues from continuing operations, in 2006. The increase related primarily to increased sales of fodder and convenience foods and resales of duck meat.

Grain Operations

MHP's revenue from sales of feed grains to third parties was UAH 194.4 million (U.S.$38.5 million) in 2007, as compared to UAH 87.4 million (U.S.$17.3 million) in 2006, and included sales of wheat, sunflower, corn, barley, rape, soy bean and sugar beets.

The table below represents grain sales by type in 2007:

	Grain Segment Sales	
	(UAH'000)	(U.S.$'000)
Total sales:		
Wheat	67,564	13,379
Sunflower	52,381	10,373
Corn	157,691	31,226
Other	69,159	13,695
Total	**346,795**	**68,673**
Third party sales:		
Wheat	65,890	13,048
Sunflower	32,471	6,430
Corn	27,628	5,471
Other	68,387	13,542
Total	**194,376**	**38,491**
Internal use:		
Wheat	1,674	331
Sunflower	19,910	3,943
Corn	130,063	25,755
Other	772	153
Total	**152,419**	**30,182**

External sales of sunflower and corn are generally made only for the purpose of minimising delivery costs. Grain produced by MHP's one farm not located in close proximity to an MHP poultry plant may be sold to third parties with the proceeds used to purchase replacement grain in the local market of a poultry production site.

Other Agricultural Operations

Revenues from other agricultural operations were UAH 274.2 million (U.S.$54.3 million), or 11% of total revenues from continuing operations, in 2007 compared to UAH 160.1 million (U.S.$31.7 million), or 10% of total revenues from continuing operations, in 2006.

MHP's revenues from sales of other meat were UAH 174.3 million (U.S.$34.5 million) in 2007 as compared to UAH 106.9 million (U.S.$21.2 million) in 2006. These revenues include sales of beef, sausages and cooked meats produced by Druzhba. The increase was primarily due to increased production and sales of sausages and cooked meats.

MHP's revenues from other agricultural sales were UAH 99.8 million (U.S.$19.8 million) in 2007 as compared UAH 53.2 million (U.S.$10.5 million) in 2006 and included sales of goose meat, foie gras, fruit, potatoes and milk. The increase was primarily due to increased sales of milk, fruits and vegetables. In addition, the increase was attributable to sales of grain grown temporarily in fields held for fruit production which were awaiting the planting of orchards. The contribution to revenue of grain sales is expected to decrease over time with fruit sales increasing.

Net Change in Fair Value of Biological Assets and Agricultural Produce

The net change in fair value of biological assets and agricultural produce was UAH 61.9 million (U.S.$12.3 million) in the year ended 31 December 2007 as compared to UAH 53.7 million (U.S.$10.6 million) in the year ended 31 December 2006. This increase related primarily to higher volume of chickens and grain as well as higher estimated fair values for these assets due to increased market prices.

In addition, the fair value effect for the year ended 31 December 2006 was significantly influenced by the gain recognised in connection with the change in accounting estimates with respect to the valuation of broilers and breeders. There was no corresponding change in 2007. Excluding this change in accounting estimates, the increase in fair value of MHP's assets was primarily due to higher volumes and market prices in 2007.

Cost of Sales from Continuing Operations

MHP's cost of sales from continuing operations increased by 72% to UAH 1,869.7 million (U.S.$370.2 million) from UAH 1,084.1 million (U.S.$214.7 million) in 2006 and increased as a percentage of total revenue from continuing operations to 78% in 2007 from 68% in 2006. The table below sets forth MHP's cost of sales from continuing operations by segment in 2006 and 2007:

	Year ended 31 December					
	2006			2007		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Cost of sales related to poultry and related operations	846,828	167,689	53.3%	1,439,290	285,008	59.7%
Cost of sales related to grain operations	82,191	16,275	5.2%	122,940	24,345	5.1%
Cost of sales related to other agricultural operations	155,110	30,715	9.7%	307,516	60,894	12.7%
Total cost of sales from continuing operations	**1,084,129**	**214,679**	**68.2%**	**1,869,746**	**370,247**	**77.5%**

The following table provides additional information relating to the MHP's cost of sales from continuing operations for the periods shown.

	Year ended 31 December					
	2006			2007		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Raw materials and other inventory used	734,741	145,493	46.2%	1,223,222	242,222	50.7%
Payroll and related expenses[(1)]	164,080	32,491	10.3%	301,555	59,714	12.5%
Depreciation[(2)]	108,380	21,461	6.8%	207,068	41,004	8.6%
Other	76,928	15,234	4.9%	137,901	27,307	5.7%
Total cost of sales from continuing operations	**1,084,129**	**214,679**	**68.2%**	**1,869,746**	**370,247**	**77.5%**

Notes:

(1) Relates only to personnel employed at MHP's production facilities.

(2) Relates to depreciation of buildings, equipment and other property, plant and equipment at MHP's production facilities and MHP's trucks used in the production process.

The increase in cost of sales was primarily attributable to increased sales volumes in 2007, particularly in MHP's poultry and grain segments and also to increased raw material prices.

Raw materials and other inventory used increased by 66% to UAH 1,223.2 million (U.S.$242.2 million) in 2007 from UAH 734.7 million (U.S.$145.5 million) in 2006 due to increased use of raw materials in MHP's chicken and grain operations, including its new Myronivka chicken project, due to higher production volumes. The increase was also due to higher raw material costs, particularly grain costs and the cost of imported fodder additives. MHP has significantly increased its internal production of hatchery eggs at the parent farms and increased grain operations with the acquisition of Urozhay in the fourth quarter 2006. MHP's increasing self-sufficiency with respect to hatching eggs and grain production has shifted costs from the raw materials line item, which principally relates to materials purchased from third parties, to other cost components, such as payroll and depreciation, reflecting the elimination impacts of the increased headcount and machinery associated with the cost of sales flowing from intersegment sales. Raw materials costs as a percentage of total costs of sales decreased to 65% in 2007 from 68% in 2006.

MHP's payroll and related expenses increased by 84% to UAH 301.6 million (U.S.$59.7 million) in 2007 from UAH 164.1 million (U.S.$32.5 million) in 2006. These expenses constituted 16% of MHP's total cost of sales from continuing operations in 2007 as compared to 15% of MHP's total cost of sales from continuing operations in 2006. The increase in payroll and related expenses was due to increases in salaries paid to personnel employed at MHP's production facilities and annual bonus payments, which were partially attributable to increased headcount from the commencement of operations at MHP's new Myronivka chicken project.

Depreciation increased by 91% to UAH 207.1 million (U.S.$41.0 million) in 2007 from UAH 108.4 million (U.S.$21.5 million) in 2006 due to additional capital expenditures made in 2007, particularly in relation to MHP's chicken breeding and processing operations and the launch of new poultry breeding and mixed fodder plants at Myronivka.

Other costs increased by 79% to UAH 137.9 million (U.S.$27.3 million) in 2007 from UAH 76.9 million (U.S.$15.2 million) in 2006. The major component of other costs are utilities to operate the production facilities and the increase was primarily due to the increased scale of production and increased utilities costs, especially prices for gas.

Cost of Sales Related to Poultry and Related Operations

MHP's cost of sales for the poultry and related operations segment increased by 70% to UAH 1,439.3 million (U.S.$285.0 million) in 2007 from UAH 846.8 million (U.S.$167.7 million) in 2006 and increased as a percentage of total revenue from continuing operations to 60% in 2007 from 53% in 2006. The increase was primarily related to higher production volumes, but were also affected by higher grain prices.

Depreciation costs increased due to additional capital expenditures made in 2007 with respect to Myronivka and the addition of a second production line at MHP's convenience food plant.

Other costs associated with MHP's poultry operations increased in line with higher volumes of production and were affected by higher utilities costs. Management believes the increase was partially mitigated by cost reductions achieved as a result of economies of scale within the poultry farms.

Cost of Sales Related to Grain Operations

Notwithstanding an almost threefold increase in revenue from 2006 to 2007, MHP's cost of sales for its grain operations increased by only 50% to UAH 122.9 million (U.S.$24.3 million) in 2007 from UAH 82.2 million (U.S.$16.3 million) in 2006, mainly due to production costs, which are primarily fixed costs, being spread over higher production volumes.

Cost of Sales Related to Other Agricultural Operations

MHP's cost of sales for its other agricultural operations increased by 98% to UAH 307.5 million (U.S.$60.9 million) in 2007 from UAH 155.1 million (U.S.$30.7 million) in 2006. The increase was due to higher production and sales volumes resulting from acquisitions as the other agricultural segment subsidiaries were generally consolidated as from 31 March 2006 so that the 2006 results are for only three quarters.

The increase in cost of sales attributable to the processing of other meat products is primarily due to the increased cost of raw materials resulting from higher grain prices. Since the conversion rate of feed consumed into the live weight of beef and pork is higher than that for the poultry, the cost of beef and pork is more susceptible to higher grain prices. In addition, these operations had higher energy and depreciation costs in line with higher production volumes in 2007.

The cost of sales relating to goose meat, foie gras, fruit, potatoes, milk and other related products also increased in 2007 due to higher grain prices and costs related to the fruit business. In addition, payroll expenses increased due to additional employees engaged in the fruit production business as well as general wage increases in Ukraine.

Gross Profit from Continuing Operations

The following table provides information relating to MHP's gross profit from continuing operations for the years ended 31 December 2006 and 2007.

	Year ended 31 December					
	2006			2007		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Poultry and related operations:						
Gross profit excluding change in fair value of biological assets and agricultural produce	494,569	97,934	31.1%	464,277	91,936	19.2%
Net change in fair value of biological assets and agricultural produce	56,998	11,287	3.6%	39,158	7,754	1.6%
Total	551,567	109,221	34.7%	503,435	99,690	20.9%
Grain operations:						
Gross profit excluding change in fair value of biological assets and agricultural produce	5,245	1,039	0.3%	111,436	22,067	4.6%
Net change in fair value of biological assets and agricultural produce	5,029	995	0.3%	11,790	2,334	0.5%
Total	10,274	2,034	0.6%	123,226	24,401	5.1%
Other agricultural operations:						
Gross profit excluding change in fair value of biological assets and agricultural produce	4,995	989	0.3%	(33,326)	(6,599)	(1.4)%
Net change in fair value of biological assets and agricultural produce	(8,375)	(1,658)	(0.5)%	10,972	2,173	0.5%
Total	(3,380)	(669)	(0.2)%	(22,354)	(4,426)	(0.9)%
Total	**558,461**	**110,586**	**35.1%**	**604,307**	**119,665**	**25.1%**

Gross Profit Related to Poultry and Related Operations

Gross profit from MHP's poultry and related operations decreased to UAH 503.4 million (U.S.$99.7 million) in 2007 from UAH 551.6 million (U.S.$109.2 million) in 2006, reflecting the higher costs of this segment, primarily grain costs, and also higher depreciation expenses incurred in connection with the new Myronivka chicken farm. In addition, the fair value effect declined year-to-year to UAH 39.2 million (U.S.$7.8 million) in 2007 from UAH 57.0 million (U.S.$11.3 million) in 2006. This was primarily the result of the change in MHP's accounting policy used to determine the fair value of biological assets and the recognition of gains in 2006 as a result of this change. Excluding the effect of this change, the fair value of assets increased in 2007 due to higher volumes and market prices.

Gross profit from MHP's poultry and related operations segment also declined as a percentage of total gross profit to 83% in 2007 from 99% in 2006. This decrease reflects both the increase in the scale of MHP's grain segment as well its increased margins on sales of grain to third parties and the poultry and related operations segment.

Gross Profit Related to Grain Operations

Gross profit from MHP's grain operations increased to UAH 123.2 million (U.S.$24.4 million) in 2007 from UAH 10.3 million (U.S.$2.0 million) in 2006, and it also increased as a percentage of the total gross profit to 20% in 2007 from 2% in 2006. This segment has been significantly affected by favourable changes in grain prices during 2007, which have increased the segment's margins, as well as production volume increases and higher internal and external sales. In addition, the period-to-period increase in the fair value of MHP's grain inventory also contributed to higher gross profit.

Gross Profit Related to Other Agricultural Operations

MHP's other agricultural operations had a gross loss of UAH 22.4 million (U.S.$4.4 million) in 2007 and a loss of UAH 3.4 million (U.S.$0.7 million) in 2006. The greater gross loss in 2007 resulted from difficult market conditions for MHP's foie gras, additional costs relating to the development of the fruit business and increased production costs, particularly grain.

Gross Margin

Management believes that MHP generally has been able to achieve higher gross profit margins than its industry peers in Ukraine principally as a result of the high level of vertical integration in MHP's business and its efficient production methods.

MHP's gross margin from continuing operations decreased to 25.1% in 2007 from 35.1% in 2006. This decrease was primarily the result of lower gross margins for the poultry and related operations segment, which decreased from 41.1% to 25.9%, affected by rising costs, principally grain, with a lag in increases in poultry prices. In addition, sunflower oil represented a larger component in the poultry and related operations segment's sales in 2007. As sunflower oil is a by-product of fodder production its sale has the effect of reducing fodder production costs and because it is associated with these costs it is deemed to be sold at a 0% margin. The decrease in the poultry and related operation's margin was partially offset by a 51.6% increase in the gross margin from the grain segment.

The deterioration in the gross margin related to the other agricultural operations was primarily due to costs related to the development of the foie gras and fruit businesses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 47% to UAH 260.6 million (U.S.$51.6 million) in 2007 from UAH 177.1 million (U.S.$35.1 million) in 2006. As a percentage of total revenue from continuing operations this item has been stable at approximately 11% during 2006 and 2007. MHP's selling, general and administrative expenses during these years were as follows:

	Year ended 31 December					
	2006			2007		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Payroll and related expenses[1]	51,401	10,178	3.2%	82,347	16,306	3.4%
Advertising expenses	36,802	7,287	2.3%	48,612	9,626	2.0%
Representative costs and business trips	31,530	6,243	2.0%	39,955	7,912	1.7%
Services	22,963	4,547	1.5%	34,869	6,905	1.5%
Fuel and other materials used	16,230	3,214	1.0%	22,576	4,471	1.0%
Depreciation expense[2]	12,027	2,382	0.8%	19,244	3,811	0.8%
Insurance expenses	2,241	444	0.1%	5,708	1,130	0.2%
Bank services, conversion fees and other taxes	1,869	370	0.1%	4,163	824	0.1%
Other	2,063	409	0.1%	3,099	614	0.1%
Total	**177,126**	**35,074**	**11.1%**	**260,573**	**51,599**	**10.8%**

Notes:

(1) Relates only to administration and sales and distribution employees.

(2) Relates only to depreciation in respect of administration and sales and distribution assets.

Payroll and related expenses for administration and sales and distribution employees increased by 60% to UAH 82.3 million (U.S.$16.3 million) in 2007 from UAH 51.4 million (U.S.$10.2 million) in 2006. The increase was due to an increase in headcount at MHP's headquarters and increased wages paid to headquarters personnel and employees at MHP's distribution centres.

Advertising expenses increased by 32% to UAH 48.6 million (U.S.$9.6 million) in 2007 from UAH 36.8 million (U.S.$7.3 million) in 2006. The increase was primarily attributable to the continuing advertising campaign supporting MHP's brand "Lehko!" for convenience foods. Significant advertising expenses were also incurred to support the flagship brand "Nasha Ryaba". Advertising expenses in 2006 related primarily to the development and broadcast of television commercials, while in 2007 there was an increased emphasis on other types of advertising.

Representative costs and business trips increased by 27% to UAH 40.0 million (U.S.$7.9 million) in 2007 from UAH 31.5million (U.S.$6.2 million) in 2006. In both years, these costs consisted primarily of chartered flights in 2006 related to MHP's transactions with foreign financial institutions.

Services costs increased by 52% to UAH 34.9 million (U.S.$6.9 million) in 2007 from UAH 23.0 million (U.S.$4.5 million) in 2006 mainly due to increased use of professional advisors.

MHP's costs for fuel and other materials increased by 39% to UAH 22.6 million (U.S.$4.5 million) in 2007 from UAH 16.2 million (U.S.$3.2 million) in 2006. The increase was mainly due to higher fuel and maintenance costs associated with the operation of MHP's delivery vehicles and management believes the increase was consistent with the expansion of MHP's operations. The decrease in this line item as a percentage of selling, general and administrative expenses was due primarily to significantly larger increases in staff costs and administrative expenses, advertising expenses and representative costs and business trips.

Depreciation expense related to administration and sales and distribution assets increased by 60% to UAH 19.2 million (U.S.$3.8 million) in 2007 from UAH 12.0 million (U.S.$2.4 million) in 2006. The increase primarily related to an increase in the number of MHP's refrigerated distribution trucks.

MHP's insurance costs in 2006 and 2007 primarily related to insurance of its truck fleet. The increase in insurance expenses between the two years is due to general increase in MHP's fleet of trucks.

Government Grants Recognised As Income

The table below summarises the government grants recognised as income by MHP in 2006 and 2007:

	Year ended 31 December					
	2006			2007		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Grants related to processing of live animals	90,929	18,006	5.7%	149,689	29,641	6.2%
Government VAT refunds for the agricultural industry	131,912	26,121	8.3%	107,893	21,365	4.5%
Grants related to fruit cultivation	7,054	1,397	0.4%	12,206	2,417	0.5%
Grants related to breeding programmes	1,750	347	0.1%	6,050	1,198	0.3%
Other government grants	4,080	807	0.3%	8,423	1,668	0.3%
Total	**235,725**	**46,678**	**14.8%**	**284,261**	**56,289**	**11.8%**

Grants related to processing of live animals increased by 65% to UAH 149.7 million (U.S.$29.6 million) in 2007 from UAH 90.9 million (U.S.$18.0 million) in 2006. This increase was attributable to the increased volumes of processed poultry, beef and pork in 2007 as compared to 2006 and an increase in the amount of the grant for poultry from an average of UAH 0.45 per kilogramme in 2006 to UAH 0.50 per kilogramme in 2007.

Government VAT refunds for the agricultural industry decreased by 18% to UAH 107.9 million (U.S.$21.4 million) in 2007 from UAH 131.9 million (U.S.$26.1 million) in 2006 and decreased as a percentage of total government grants recognised as income to 38% in 2007 from 56% in 2006. The decrease in government VAT refunds for the agricultural industry from 2006 to 2007 is due to changes in the intergroup sales structure through which MHP's agricultural subsidiaries sell their products through JSC MHP. Under Ukrainian tax regulations, agricultural companies may retain VAT refunds. In 2007, the intragroup price at which the products were transferred to JSC MHP was reduced. This change in sales structure was intended to allow JSC MHP to retain more of the margin in order to allow it to cover expenses associated with its role as issuer of MHP's listed Notes. The change also had the incidental effect of reducing the VAT recoverable by the agricultural subsidiaries.

Grants related to fruit cultivation increased by 73% to UAH 12.2 million (U.S.$2.4 million) in 2007 from UAH 7.1 million (U.S.$1.4 million) in 2006. This increase was attributable to higher capital expenditures incurred by MHP to expand its fruit production, primarily with respect to planting orchards.

Grants related to breeding programmes increased to UAH 6.1 million (U.S.$1.2 million) from UAH 1.8 million (U.S.$0.3 million). This increase was attributable to the higher amount allocated to this programme under the state budget in 2007.

Other government grants income includes grants received for the grain growing as the most significant portion. These grants increased to UAH 8.4 million (U.S.$1.7 million) in 2007 as compared to UAH 4.1 million (U.S.$0.8 million) in 2006. The increase was primarily attributable to the additional hectares planted in 2007. Grants for breeding related to beef processing also contributed more to grants income in 2007 as a result of the higher volume of cattle reared in 2007 as compared to 2006.

Other Operating Expenses

MHP's other operating expenses increased to UAH 36.7 million (U.S.$7.3 million) in 2007 from UAH 32.3 million (U.S.$6.4 million) in 2006. The increase was generally consistent with the expansion of MHP's operations. In addition, in 2007 certain of MHP's subsidiaries were required to provide pre-payments for longer time periods in line with changing market practice. As a result, under applicable accounting rules, MHP was required to increase its provisions for bad debts and to amortise a higher amount under bad debt expense. Management does not believe there has been any significant increase in bad debts actually incurred from period to period.

Other Operating Income

Other operating income increased to UAH 9.4 million (U.S.$1.9 million) in 2007 from UAH 6.1 million (U.S.$1.2 million) in 2006.

Operating Profit Before Loss on Impairment of Property, Plant and Equipment

MHP's operating profit before loss on impairment of property, plant and equipment increased 1.7% to UAH 600.7 million (U.S.$119.0 million) in 2007 from UAH 590.8 million (U.S.$117.0 million) in 2006 as a result of the factors described above. The following table shows the operating profit before loss on impairment of property, plant and equipment for each of MHP's segments for the periods shown.

	Year ended 31 December					
	2006			2007		
	Amount		Percentage of total operating profit before loss on impairment of property, plant and equipment	Amount		Percentage of total operating profit before loss on impairment of property, plant and equipment
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Poultry and related operations	586,450	116,129	99.3%	495,705	98,160	82.5%
Grain operations	15,674	3,104	2.6%	145,060	28,724	24.2%
Other agricultural operations	31,951	6,326	5.4%	2,841	563	0.4%
Unallocated corporate expenses	(43,265)	(8,567)	(7.3%)	(42,910)	(8,497)	(7.1%)
Operating profit before loss on impairment of property, plant and equipment	**590,810**	**116,992**	**100.0%**	**600,696**	**118,950**	**100.0%**

Loss on Impairment of Property, Plant and Equipment

During the year ended 31 December 2007, MHP carried a review of its property, plant and equipment and it identified indicators of impairment associated with the assets used in the production of foie gras and convenience foods under the "Lehko!" brand.

The production of foie gras was originally intended to be sold primarily within Ukraine and other CIS countries. Sales have been increasing, but growth has been slower than expected and, although management views the European Union as an important additional market for foie gras, the Ukrainian government has not yet finalised negotiations to obtain the necessary approvals which would allow the export of foie gras and related products from Ukraine into the EU. MHP has not reduced its production of foie gras because the long-term nature of the production cycle and Management's expectation that MHP will be able to export its foie gras to the European Union. Similarly, while MHP's convenience food products have experienced increasing sales, market growth has been slower than originally anticipated at the beginning of the project. As a result, the convenience food business does not currently utilise its full production capacity.

Accordingly, according to the revised assessments as to the profitability of these businesses based upon actual sales, MHP has recognised an impairment loss of UAH 51.7 million for the difference in these amounts. The amount of impairment losses recognised during the period, together with information on the discount rates used in the estimation of the recoverable amount of impaired assets and the business segments to which the assets belong, is as follows:

Production line	Business segment	Discount rate used	Loss on impairment	
		(%)	(UAH'000)	(U.S.$'000)
Convenience foods	Poultry and related operations	19.6	28,700	5,683
Goose meat and foie gras	Other agricultural	22.0	23,004	4,555
Total			**51,704**	**10,238**

No impairment was recorded in 2006.

Operating Profit

MHP's operating profit decreased 7.1% to UAH 549.0 million (U.S.$108.7 million) in 2007 from UAH 590.8 million (U.S.$117.0 million) in 2006. The decrease reflects the UAH 45.8 million (U.S.$9.1 million) increase in gross profit from continuing operations and UAH 48.5 million (U.S.$9.6 million) increase in grant income, which were more than offset by the UAH 83.4 million (U.S.$16.5 million) increase in selling, general and administrative expenses and impairment charges in 2007 in the amount of UAH 51.7 million (U.S.$10.2 million).

Other Income/(Expenses), Net

Other income/(expenses), net, decreased by 286.5% to a net expense of UAH (310.0) million (U.S.$(61.4) million) in 2007 from a net expense of UAH (80.2) million (U.S.$(15.9) million) in 2006.

The change in other expenses, net, was primarily attributable to an increase in finance costs to UAH 249.9 million (U.S.$49.5 million) in 2007 from UAH 184.4 million (U.S.$36.5 million) in 2006. The increase in finance costs was primarily due to interest expense on Senior Notes issued in November 2006, obligations under capital leases and interest on commodity loans.

The increase was also attributable to a foreign exchange loss of UAH 66.0 million (U.S.$13.1 million) in 2007 as compared to a loss of UAH 28.4 million (U.S.$5.6 million) in 2006. The foreign exchange loss in 2006 was principally due to the increase in MHP's long-term debt relating to its expenditures associated with the Myronivka project. Additionally, in 2006 MHP realised a gain from the acquisition of shares representing a minority interest in Druzhba with no corresponding gain in 2007.

Profit Before Income Tax

MHP's profit before income tax decreased 53.2% to UAH 239.0 million (U.S.$47.3 million) in 2007 from UAH 510.6 million (U.S.$101.1 million) in 2006 as a result of the UAH 41.8 million (U.S.$8.3 million) decrease in operating profit and the UAH 229.8 million (U.S.$45.5 million) increase in other expenses, net, primarily attributable to the increase of UAH 65.5 million (U.S.$13.0 million) in finance costs, net, due to increased borrowings, the increase of UAH 37.5 million (U.S.$7.4 million) in foreign exchange losses, and the various one-off gains recognised in 2006 and 2007 upon acquisitions of subsidiaries and non-controlling interest in subsidiaries with a smaller corresponding gain in 2007.

Income Tax (Expense)/Benefit Attributable to Continuing Operations

MHP's income expense in 2006 and 2007 was as follows:

	Year ended 31 December			
	2006		2007	
	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)
Current income tax expense	3,586	710	5,718	1,132
Deferred tax expense	8,001	1,584	(3,728)	(738)
Income tax attributable to discontinued operations (natural gas trading)	(8,692)	(1,721)	171	34
Total income tax expense attributable to continuing operations	**2,895**	**573**	**2,161**	**428**

In 2007, MHP had a current income tax expense of UAH 5.7 million (U.S.$1.1 million) as compared to a current income tax expense of UAH 3.6 million (U.S.$0.7 million) in 2006. The increase was primarily due to increased revenue of MHP in 2007. In 2007, MHP had deferred tax benefit of UAH 3.7 million (U.S.$0.7 million) as compared to deferred tax expense of UAH 8.0 million (U.S.$1.6 million) in 2006. A net deferred tax benefit arose primarily due to timing differences between advances received from customers and expenses deferred for taxation purposes; however this was partially offset by higher deferred tax liabilities relating to property, plant and equipment.

Net Profit for the Year from Continuing Operations

Net profit from continuing operations decreased to UAH 236.8 million (U.S.$46.9 million), or 10% of total revenues from continuing operations, in 2007 from UAH 507.7 million (U.S.$100.5 million), or 32% of total revenues from continuing operations, in 2006. The decrease reflected the UAH 271.6 million (U.S.$53.8 million) decrease in profit before income tax and the UAH 0.7 million (U.S.$0.1 million) decrease in total income tax expense from 2006 to 2007.

Discontinued Operations (Natural Gas Trading)

MHP's revenues from natural gas trading decreased by 70% to UAH 44.8 million (U.S.$8.9 million) in 2007 from UAH 150.1 million (U.S.$29.7 million) in 2006. The decrease was attributable to the discontinuation of these operations in March 2007.

Loss from natural gas trading was UAH 0.5 million (U.S.$0.1 million) in 2007 as compared to profit UAH 26.1 million (U.S.$5.2 million) in 2006. The decrease in profit from natural gas trading was due to the discontinuation of these operations in March 2007.

Net Profit for the Year

Net profit for the year decreased to UAH 236.3 million (U.S.$46.8 million), or 10% of total revenues from continuing operations, in 2007 from UAH 533.8 million (U.S.$105.7 million), or 34% of total revenues from continuing operations, in 2006, as a result of the UAH 270.9 million (U.S.$53.6 million) decrease in net profit for the year from continuing operations and the loss from natural gas trading.

Year ended 31 December 2006 compared to year ended 31 December 2005

Revenues from Continuing Operations

MHP's total revenues from continuing operations increased by 18% to UAH 1,588.9 million (U.S.$314.6 million) in 2006 from UAH 1,346.2 million (U.S.$266.6 million) in 2005. The poultry and related operations segment accounted for UAH 1,341.4 million (U.S.$265.6 million), or approximately 84% of MHP's total revenues from continuing operations, in 2006. The grain segment accounted for UAH 87.4 million (U.S.$17.3 million), or approximately 6% of MHP's total revenues from continuing operations, in 2006. The other agricultural operations segment accounted for UAH 160.1 million (U.S.$31.7 million), or approximately 10% of MHP's total revenues from continuing operations, in 2006.

The expansion of MHP's operations, including enhanced grain production, resulted in the separation of MHP's operations into its three operating segments beginning in 2007. The financial results for 2005 and 2006 were re-presented to provide information according to this segmental division as well as to show natural gas trading as a discontinued operation. The following table presents MHP's revenues from continuing operations by type for 2005 and 2006.

	Year ended 31 December					
	2005			2006		
	Amount		Percentage of total revenue from continuing operations(1)	Amount		Percentage of total revenue from continuing operations(1)
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Poultry and related operations segment:						
Revenue from sales of chicken meat	1,114,469	220,687	82.8%	1,063,301	210,555	66.9%
Revenue from sunflower oil sales	150,230	29,749	11.1%	193,476	38,312	12.2%
Revenue from other poultry related sales	81,483	16,135	6.1%	84,620	16,756	5.3%
Sales to external customers	1,346,182	266,571	100%	1,341,397	265,623	84.4%
Grain segment:						
Revenue from sales of feed grains	—	—	—	87,436	17,314	5.5%
Sales to external customers	—	—	—	87,436	17,314	5.5%
Other agricultural operations segment:						
Revenue from sales of other meat processing	—	—	—	106,930	21,174	6.7%
Other agricultural sales	—	—	—	53,175	10,530	3.4%
Sales to external customers				160,105	31,704	10.1%
Total revenues from continuing operations(1)	**1,346,182**	**266,571**	**100.0%**	**1,588,938**	**314,641**	**100.0%**
Intersegment sales:						
Poultry and related sales segment	—	—		19,605	3,882	
Grain segment	—	—		39,698	7,861	
Other agricultural operations segment	—			3,868	766	
Total intersegment sales	**—**	**—**		**63,171**	**12,509**	

Note:

(1) Excluding intersegment sales.

Poultry and Related Operations

MHP's revenues from poultry and related operations were UAH 1,341.4 million (U.S.$265.6 million) in 2006 and UAH 1,346.2 million (U.S.$266.6 million) in 2005.

MHP's revenues from sales of chicken meat decreased by 5% to UAH 1,063.3 million (U.S.$210.6 million) in 2006 from UAH 1,114.5 million (U.S.$220.7 million) in 2005. The decrease was primarily attributable to the effect of a decrease in average sales prices, which was offset in part by an increase in volumes of chicken products sold.

On an adjusted weight basis calculated in line with industry standards, the average sales price for MHP's chicken products and by-products was UAH 8.69 per kilogramme and UAH 8.33 per kilogramme, both excluding VAT in 2005 and 2006, respectively. Prices for MHP's chicken products normalised in the second quarter of 2006. Management believes that the effects of bird flu outbreaks at the end of 2005 were of a short-term nature and did not have a significant impact on MHP's earnings in 2006.

The difference in prices for chicken products from 2005 to 2006 was also partially due to unusually high prices in 2005 due to an undersupply of other types of meat such as beef and pork (resulting in a significant increase in prices for such types of meat) in 2005 as well as the cancellation of import tariff exemptions in March 2005, which resulted in a decrease in the supply of chicken products in the Ukrainian market and therefore also contributed to the increase in prices for chicken products.

MHP's chicken production volume increased to approximately 142,000 tonnes of processed weight in 2006 from approximately 139,400 tonnes of processed weight in 2005. The slight increase in sales volumes from 2005 to 2006 was due to technological improvements within production facilities and sales in the first quarter of 2006 of the stock MHP built up at the end of 2005 following the bird flu outbreaks.

Revenues from sales of sunflower oil were UAH 193.5 million (U.S.$38.3 million), or 12% of total revenues from continuing operations, in 2006 as compared to UAH 150.2 million (U.S.$29.7 million), or 11% of total revenues from continuing operations, in 2005. The increase was the result of an increase in volumes of sunflower oil sales despite a decrease in the price of sunflower oil in 2006 as compared to 2005. The increase in volumes of sunflower oil sales was primarily due to low prices for sunflower seeds and higher levels of consumption of sunflower protein in fodder.

Revenues from other poultry related sales were UAH 84.6 million (U.S.$16.8 million), or 5% of total revenues from continuing operations, in 2006 as compared to UAH 81.5 million (U.S.$16.1 million), or 6% of total revenues from continuing operations, in 2005. The increase was primarily due to the commencement of sales of "Lehko!" convenience food products in January 2006.

Grain Operations

MHP's revenues from sales of feed grains to third parties were UAH 87.4 million (U.S.$17.3 million) in 2006 and include sales of barley, rape, soy bean, sugar beets and corn. As this segment's operations were acquired in 2005 and first consolidated as of 31 December 2005, the segment did not have any revenues for 2005. Following the acquisition of the grain production subsidiaries, MHP invested in the grain business with a view to increasing its vertical integration and revenues.

The intersegment sales by Grain segment, which were eliminated from MHP's revenues from continuing operations, has amounted to UAH 39.7 million (U.S.$7.9 million) or 63% of MHP's total intersegment sales in 2006. MHP did not have grain operations in 2005.

Other Agricultural Operations Segment

MHP's other agricultural operations were largely acquired by MHP as of 31 December 2005 and 31 March 2006 and, accordingly, are not reflected in MHP's financial statements in respect of 2005. Revenues from other agricultural operations were UAH 160.1 million (U.S.$31.7 million), or approximately 10% of MHP's total revenues from continuing operations, in 2006.

MHP's revenues from sales of other meat were UAH 106.9 million (U.S.$21.2 million) in 2006. These revenues were attributable to companies acquired by MHP in 2006 and first consolidated as of 31 March 2006, and they include sales of beef, sausages, cooked meats and foie gras. Accordingly, revenues from these operations only reflect sales as from 31 March 2006.

MHP's revenues from other agricultural sales were UAH 53.2 million (U.S.$10.5 million) in 2006 and include sales of fruit, potatoes, milk and agricultural by-products.

Net Change in Fair Value of Biological Assets and Agricultural Produce

The net change in fair value of biological assets and agricultural produce was UAH 53.7 million (U.S.$10.6 million) in the year ended 31 December 2006 as compared to UAH 8.1 million (U.S.$1.6 million) in the year ended 31 December 2005. This change primarily reflected the adoption of a new valuation method in 2006 as well as higher inventories of biological assets due to acquisitions and expansion of production.

Cost of Sales from Continuing Operations

MHP's cost of sales from continuing operations increased by 44% to UAH 1,084.1 million (U.S.$214.7 million) in 2006 from UAH 753.5 million (U.S.$149.2 million) in 2005 and increased as a percentage of total revenue from continuing operations to 68% in 2006 from 56% in 2005. The table below sets forth MHP's cost of sales from continuing operations by segment for 2005 and 2006:

	Year ended 31 December					
	2005			2006		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Cost of sales related to poultry and related operations	753,521	149,212	56.0%	846,828	167,689	53.3%
Cost of sales related to grain operations	—	—	—	82,191	16,275	5.1%
Cost of sales related to other agricultural operations	—	—	—	155,110	30,715	9.7%
Total cost of sales from continuing operations	**753,521**	**149,212**	**56.0%**	**1,084,129**	**214,679**	**68.2%**

Notes:

(1) Relates only to personnel employed at MHP's production facilities.

(2) Relates to depreciation of buildings, equipment and other property, plant and equipment at MHP's production facilities and MHP's trucks used in the production process.

The following table provides information relating to MHP's cost of sales related to continuing operations for the periods shown.

	Year ended 31 December					
	2005			2006		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Raw materials and other inventory used	580,129	114,877	43.1%	734,741	145,493	46.2%
Payroll and related expenses(1)	77,457	15,338	5.8%	164,080	32,491	10.3%
Depreciation(2)	69,540	13,770	5.2%	108,380	21,461	6.8%
Other	26,395	5,227	2.0%	76,928	15,234	4.8%
Total cost of sales from continuing operations	**753,521**	**149,212**	**56.0%**	**1,084,129**	**214,679**	**68.2%**

The primary reason for the increase in cost of sales was the increased volume as a result of the consolidation of the Kyivska companies with effect from 31 March 2006 and Urozhay from 28 October 2006.

Raw materials and other inventory used in continuing operations increased by 27% to UAH 734.7 million (U.S.$145.5 million) in 2006 from UAH 580.1 million (U.S.$114.9 million) in 2005. The increase was primarily due to increased volume as a result of the acquisition of the Kyivska companies. A slight increase in raw materials and other inventory used in MHP's chicken operations resulted from increased fodder costs also contributed to the general increase in the raw materials element of cost of sales between the two years.

MHP's payroll and related expenses incurred in continuing operations increased by 112% to UAH 164.1 million (U.S.$32.5 million) in 2006 from UAH 77.5 million (U.S.$15.3 million) in 2005. These expenses constituted 15% of MHP's total cost of sales from continuing operations in 2006 as compared to 10% in 2005. The increase in payroll and related expenses was due to an increase in the number of employees due to the consolidation of the Kyivska Group and the commencement of operations at Myronivska. The increase in wages reflected the general trend of increasing wages within the Ukrainian economy.

Depreciation related to MHP's continuing operations increased by 56% to UAH 108.4 million (U.S.$21.5 million) 2006 from UAH 69.5 million (U.S.$13.8 million) in 2005 due to additional capital expenditures made in 2005, particularly in relation to MHP's chicken breeding and processing operations and the acquisitions of Snyatynska, Kyivska and Druzhba.

Other costs incurred in continuing operations increased by 191% to UAH 76.9 million (U.S.$15.2 million) in 2006 from UAH 26.4 million (U.S.$5.2 million) in 2005 were due to MHP's expanded operations, particularly in the grain and other agricultural segments. These increases were largely attributable to increases in the prices paid for natural gas.

Cost of Sales Related to Poultry and Related Operations

MHP's cost of sales for the poultry and related operations segment increased by 12% to UAH 846.8 million (U.S.$167.7 million) in 2006 from UAH 753.5 million (U.S.$149.2 million) in 2005 and decreased as a percentage of total revenue from continuing operations to 53% in 2006 from 56% in 2005. These costs were affected by the acquisition of companies which were consolidated from 31 December 2005, as well as general increases in utilities, wages and other costs.

Cost of Sales Related to Grain Operations

MHP's feed grain production started in 2006 with the acquisition of Zernoproduct on 31 December 2005. Cost of sales for MHP's grain operations was UAH 82.2 million (U.S.$16.3 million) in 2006. These costs comprised the following major components: seeds, fertilisers and crops security means, utilities, harvesting services and storage costs, agricultural machinery leases, operating lease payments for the land leased, depreciation and other costs.

Cost of Sales Related to Other Agricultural Operations

MHP's other agricultural operations segment began with the acquisition of subsidiaries at the end of 2005 and in the first quarter 2006. The results of these subsidiaries were not reflected in 2005 financial statements and Kyivska and Druzhba were only partially reflected in the 2006 financial statements. MHP's cost of sales for its other agricultural operations segment was UAH 155.1 million (U.S.$30.7 million). The major components of cost of sales for agricultural operations constituted payroll expenses and depreciation, including depreciation attributable to the meat processing facility.

Gross Profit from Continuing Operations

MHP's gross profit from continuing operations decreased by 7% to UAH 558.5 million (U.S.$110.6million) in 2006 from UAH 600.8 million (U.S.$119.0 million) in 2005. The following table provides information relating to MHP's gross profit from continuing operations for the periods presented.

	Year ended 31 December					
	2005			2006		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Poultry and related operations:						
Gross profit excluding change in fair value of biological assets and agricultural produce	592,661	117,359	44.0%	494,569	97,934	31.1%
Net change in fair value of biological assets and agricultural produce	8,089	1,601	0.6%	56,998	11,287	3.6%
Grain operations:						
Gross profit excluding change in fair value of biological assets and agricultural produce	—	—	—	5,245	1,039	0.3%
Net change in fair value of biological assets and agricultural produce	—	—	—	5,029	995	0.3%
Other agricultural operations:						
Gross profit excluding change in fair value of biological assets and agricultural produce	—	—	—	4,995	989	0.3%
Net change in fair value of biological assets and agricultural produce	—	—	—	(8,375)	(1,658)	(0.5)%
Total	**600,750**	**118,960**	**44.6%**	**558,461**	**110,586**	**35.1%**

Gross Profit Related to Poultry and Related Operations

Gross profit from the poultry and related operations segment decreased to UAH 551.6 million (U.S.$109.2 million) in 2006 from UAH 600.8 million (U.S.$119.0 million) in 2005. The decrease was primarily attributable to the decrease in average sales prices for chicken meat and by-products in 2006 compared to 2005 and increased production costs, in particular, payroll, depreciation and utilities costs.

The gross profit in 2006 was affected by increase in fair value of the 2006 closing balances of biological assets and agricultural produce. Fair value of closing balances of biological assets and agricultural produce increased to UAH 57.0 million (U.S.$11.3 million) at the end of 2006 from UAH 8.1 million (U.S.$1.6 million) at the end of 2005 reflecting the change in valuation methodology and higher market prices.

Gross Profit Related to Grain Operations

Gross profit from the grain operations segment was UAH 10.3 million (U.S.$2.0 million), or 1.8% of the total MHP's gross margin in 2006. A significant portion of this segment's gross margin constituted the increase in the fair value of the harvest reflecting grain price increases in 2006.

Gross Profit Related to Other Agricultural Operations

Gross profit from the other agricultural operations segment was a negative UAH 3.4 million (U.S.$0.7 million) in 2006. The negative result was caused by an adverse change in the fair value of the segment's livestock at the end of 2006 as compared to the end of 2005. The gross profit, excluding the effect of fair value change, was not materially changed from period-to-period.

Gross Margin

MHP's gross margin from continuing operations decreased to 35% in 2006 from 45% in 2005. The decrease was primarily attributable to lower gross margins from MHP's poultry operations which decreased to 41.1% in 2006 from 44.6% in 2005. This deterioration was caused by both increases in costs of production, principally payroll and depreciation, and lower average sales prices for chicken meat and by-products in 2006 compared to 2005. The start-up of new operations, particularly in the other agricultural operations segment, also contributed to the reduction in gross margin.

Grain sales resulted in a gross margin of 11.8% in 2006, primarily as a result of favourable grain prices. Gross margin excluding effect of change in fair value adjustment for the grain operations was 6.0% in 2006.

The other agricultural operations segment had a small loss of 2.1%.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 84% to UAH 177.1 million (U.S.$35.1 million) in 2006 from UAH 96.2 million (U.S.$19.1 million) in 2005. Selling, general and administrative expenses as a percentage of total revenue from continuing operations increased to approximately 11% in 2006 from approximately 7% in 2005. MHP's selling, general and administrative expenses during these years were as follows:

	Year ended 31 December					
	2005			2006		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Payroll and related expenses[1]	27,440	5,434	2.0%	51,401	10,178	3.2%
Advertising expenses	19,581	3,877	1.5%	36,802	7,287	2.3%
Representative costs and business trips	9,014	1,785	0.7%	31,530	6,243	2.0%
Services	12,339	2,443	0.9%	22,963	4,547	1.5%
Fuel and other materials used	10,722	2,123	0.8%	16,230	3,214	1.0%
Depreciation expense[2]	7,985	1,581	0.6%	12,027	2,382	0.8%
Insurance expenses	2,801	555	0.2%	2,241	444	0.1%
Bank services, conversion fees and other taxes	5,968	1,182	0.4%	1,869	370	0.1%
Other	379	75	0.0%	2,063	409	0.1%
Total	**96,229**	**19,055**	**7.1%**	**177,126**	**35,074**	**11.1%**

Notes:

(1) Relates only to administration and sales and distribution employees.

(2) Relates only to depreciation in respect of administration and sales and distribution assets.

Payroll expenses for administration and sales and distribution employees increased by 87% to UAH 51.4 million (U.S.$10.2 million) in 2006 from UAH 27.4 million (U.S.$5.4 million) in 2005. The increase was due to a significant increase in management compensation, including higher remuneration to Mr Kosyuk, increased headcount at MHP's headquarters due to the acquisition of new entities and increased salaries paid to personnel employed at MHP's headquarters and distribution centres.

Advertising expenses increased by 88% to UAH 36.8 million (U.S.$7.3 million) in 2006 from UAH 19.6 million (U.S.$3.9 million) in 2005. The increase was primarily attributable to an advertising campaign in early 2006 to support MHP's flagship brand "Nasha Ryaba" during the bird flu outbreak and the launch of the new brand "Lehko!" for MHP's convenience foods. Advertising expenses in both years related primarily to the development and broadcast of television commercials.

Representative costs and business trips increased by 250% to UAH 31.5 million (U.S.$6.2 million) in 2006 from UAH 9.0 million (U.S.$1.8 million) in 2005. This increase was primarily attributable to the use of chartered flights in 2006 in connection with increased activity with foreign financial institutions.

Services costs increased by 86% to UAH 23.0 million (U.S.$4.5 million) in 2006 from UAH 12.3 million (U.S.$2.4 million) in 2005 mainly due to increases in audit costs, restructuring expenses and the use of third party consultants.

MHP's costs for fuel and other materials increased by 51% to UAH 16.2 million (U.S.$3.2 million) in 2006 from UAH 10.7 million (U.S.$2.1 million) in 2005. The increase was mainly due to increased fuel and maintenance costs associated with the operation of MHP's delivery vehicles for finished products in line with the expansion of MHP's operations. MHP's costs for fuel and other materials decreased as a percentage of selling, general and administrative expenses to 9% in 2006 from 11% in 2005The decrease as a percentage of selling, general and administrative expenses was due primarily to significantly larger increases in staff costs and administrative expenses, advertising expenses and representative costs and business trips.

Depreciation expense related to administration and sales and distribution assets increased by 51% to UAH 12.0 million (U.S.$2.4 million) in 2006 from UAH 8.0 million (U.S.$1.6 million) in 2005. The increase primarily related to an increase in the number of MHP's refrigerated distribution trucks.

MHP's insurance costs in 2005 and 2006 primarily related to insurance of its truck fleet. The decrease in insurance expenses between the two years is due to a general decrease in insurance tariffs for vehicles in Ukraine during 2006.

Government Grants Recognised As Income

The table below summarises the government grants recognised as income by MHP in 2005 and 2006:

	Year ended 31 December					
	2005			2006		
	Amount		Percentage of total revenue from continuing operations	Amount		Percentage of total revenue from continuing operations
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Government VAT refunds for the agricultural industry	113,763	22,527	8.5%	131,912	26,121	8.3%
Grants related to processing of live animals	47,367	9,380	3.5%	90,929	18,006	5.7%
Grants related to fruit cultivation(1)	—	—	—	7,054	1,397	0.4%
Grants related to breeding programmes	1,400	277	0.1%	1,750	347	0.1%
Other government grants(1)	—	—	—	4,080	807	0.3%
Total	**162,530**	**32,184**	**12.1%**	**235,725**	**46,678**	**14.8%**

Note:

(1) Represents government grants received by MHP in 2006 as a result of a consolidation of the acquisitions as of 31 December 2005 and 31 March 2006.

Government VAT refunds for the agricultural industry increased by 16% to UAH 131.9 million (U.S.$26.1 million) in 2006 from UAH 113.8 million (U.S.$22.5 million) in 2005, but decreased as a percentage of total government grants recognised as income to 56% in 2006 from 70% in 2005. The increase in government VAT refunds for the agricultural industry from 2005 to 2006 was due to the acquisition of additional agricultural entities. Grants related to processing of live animals increased by 92.0% to UAH 90.9 million (U.S.$18.0 million) in 2006 from UAH 47.4 million (U.S.$9.4 million) in 2005. This increase was attributable to an increase in the amount of the grant for poultry from UAH 0.30 per kilogramme in 2005 to UAH 0.45 per kilogramme in 2006 and was also attributable to the inclusion in 2006 of grants for pork and beef processing as a result of the addition of MHP's beef and pork production operations in 2006.

Other Operating Expenses

MHP's other operating expenses increased to UAH 32.3 million (U.S.$6.4 million) in 2006 from UAH 5.5 million (U.S.$1.1 million) in 2005. The large increase was principally due to increased expenses in connection with the internationalisation of MHP's business and the preparation for corporate finance transactions by the Company.

Other Operating Income

Other operating income increased to UAH 6.1 million (U.S.$1.2 million) in 2006 from UAH 3.6 million (U.S.$0.7 million) in 2005. This resulted from increases in a number of items; however, none of the changes were material.

Operating Profit Before Loss on Impairment of Property, Plant and Equipment

The following table provides information relating to MHP's operating profit before loss on impairment of property, plant and equipment in 2005 and 2006.

	Year ended 31 December					
	2005			2006		
	Amount		Percentage of total operating profit before loss on impairment of property, plant and equipment	Amount		Percentage of total operating profit before loss on impairment of property, plant and equipment
	(UAH'000)	(U.S.$'000)	(%)	(UAH'000)	(U.S.$'000)	(%)
Segment result before impairment related to poultry and related operations	674,172	133,499	101.4%	586,450	116,129	99.3%
Segment result before impairment related to grain operations	—	—	0.00%	15,674	3,103	2.6%
Segment result before impairment related to other agricultural operations	—	—	0.00%	31,951	6,327	5.4%
Unallocated corporate expenses	(9,014)	(1,785)	(1.4%)	(43,265)	(8,567)	(7.3%)
Operating profit before loss on impairment of property, plant and equipment	**665,158**	**131,714**	**100%**	**590,810**	**116,992**	**100%**

Loss on Impairment of Property, Plant and Equipment

No impairment was recognised in 2005 or 2006.

Operating Profit

Operating profit decreased 11.2% to UAH 590.8 million (U.S.$117.0 million) in 2006 from UAH 665.2 million (U.S.$131.7 million) in 2005. The decrease primarily reflects the UAH 42.3 million (U.S.$8.4 million) decrease in gross profit and the UAH 80.9 million (U.S.$16.0 million) increase in selling, general and administrative expenses, partially offset by the UAH 73.2 million (U.S.$14.5 million) increase in grant income from 2005 to 2006.

Other Income/(expenses), Net

Other income/(expenses), net, was a net expense of UAH 80.2 million (U.S.$15.9 million) in 2006 and a net expense of UAH 17.8 million (U.S.$3.5 million) in 2005. The increase in expenses was primarily attributable to higher finance costs of UAH 184.4 million (U.S.$36.5 million) in 2006 as compared to UAH 50.3 million (U.S.$10.0 million) in 2005 due to an increase in bank borrowings and early repayment penalties paid to the International Finance Corporation ("**IFC**") in 2006 in the amount of UAH 52.3 million (U.S.$10.4 million). MHP's finance costs in 2005 and 2006 comprised the following.

The increase in other expenses, net, was also attributable to a foreign exchange loss of UAH 28.4 million (U.S.$5.6 million) in 2006 as compared to a foreign exchange gain of UAH 30.8 million (U.S.$6.1 million) in 2005. The foreign exchange loss in 2006 was principally due to the impact of the appreciation of the Euro relative to the hryvnia during 2006 and the revaluing of MHP's long-term and short-term Euro-denominated debt into hryvnia at the relevant balance sheet date in accordance with IFRS.

Profit Before Income Tax

Profit before income tax decreased by 21.1% to UAH 510.6 million (U.S.$101.1 million) in 2006 from UAH 647.3 million (U.S.$128.2 million) in 2005 as a result of the UAH 74.3 million decrease in operating profit and a UAH 62.3 million (U.S.$12.3 million) in net other expenses.

Income Tax Expense Attributable to Continuing Operations

MHP's income tax expense attributable to continuing operations in 2005 and 2006 was as follows:

	Year ended 31 December			
	2005		2006	
	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)
Current income tax expense	2,070	410	3,586	710
Deferred tax expense	413	82	8,001	1,584
Income tax attributable to discontinued operations (natural gas trading)	(462)	(92)	(8,692)	(1,721)
Total income tax expense attributable to continuing operations	**2,021**	**400**	**2,895**	**573**

In 2006, MHP had a current income tax expense of UAH 3.6 million (U.S.$0.7 million) as compared to a current income tax expense of UAH 2.1 million (U.S.$0.4 million) in 2005. The increase was due to expansion of MHP's operations in 2006, in particular its grain and other meat processing segments. In 2006, MHP had a deferred tax expense of UAH 8.0 million (U.S.$1.6 million) as compared to a deferred tax expense of UAH 0.4 million (U.S.$0.08 million) in 2005. The slight change related primarily to the effect of timing differences between MHP's accounting policies and its actual tax payments.

Net Profit for the Year From Continuing Operations

Net profit for the year from continuing operations decreased to UAH 507.7 million (U.S.$100.5 million), or 32% of total revenues from continuing operations, in 2006 from UAH 645.3 million (U.S.$127.8 million), or 48% of total revenues from continuing operations, in 2005, as a result of the UAH 136.7 million (U.S.$27.1 million) decrease in profit before income tax and the UAH 0.9 million (U.S.$0.2 million) increase in income tax expense from 2005 to 2006.

Discontinued Operations (Natural Gas Trading)

MHP's revenues from natural gas trading increased by 115% to UAH 150.1 million (U.S.$29.7 million) in 2006 from UAH 69.8 million (U.S.$13.8 million) in 2005. The increase was attributable to MHP taking advantage of the forecasted increase in prices for natural gas in 2006, by accumulating stock in the end of 2005 and selling such stock in the first half of 2006, as well as to increased sale price for gas. MHP discontinued its natural gas operations in March 2007.

Profit from natural gas trading was UAH 26.1 million (U.S.$5.2 million) in 2006 as compared to UAH 1.4 million (U.S.$0.3 million) in 2005. The increase in profit from natural gas trading was due to an increase in volumes sold, an increase in gas prices and opportunistic purchases. Cost of sales related to MHP's natural gas trading operations increased by 93% to UAH 131.2 million (U.S.$26.0 million) in 2006 from UAH 68.0 million (U.S.$13.5 million) in 2005.

Net Profit for the Year

Net profit for the year decreased to UAH 533.8 million (U.S.$105.7 million), or 34% of total revenues from continuing operations, in 2006 from UAH 646.7 million (U.S.$128.1 million), or 48% of total revenues from continuing operations, in 2005, as a result of the UAH 137.6 million (U.S.$27.2 million) decrease in net profit for the year from continuing operations offset by the profit from discontinued operations.

Liquidity and Capital Resources

MHP's liquidity needs arise principally from the need to finance its working capital requirements and capital expenditures. In the years under review, MHP has met most of its liquidity needs out of net cash generated from operating activities, bank borrowings and issuances of debt securities.

Working capital, defined as current assets (excluding cash and cash equivalents) minus current liabilities (excluding short-term bank borrowings and current portion of long-term bank borrowings, current portion of bonds issued, current portion of finance lease obligations, accounts payable for property, plant and equipment and interest accrued), was UAH 474.2 million (U.S.$93.9 million), UAH 956.5 million (U.S.$189.4 million) and UAH 1,079.4 million (U.S.$213.7 million) as at 31 December

2005, 2006 and 2007, respectively. In 2005, 2006 and 2007, respectively, MHP obtained UAH 151.1 million (U.S.$29.9 million), UAH 245.5 million (U.S.$48.6 million) and UAH 268.3 million (U.S.$53.1 million) of short-term working capital bank loans at the end of each respective year to purchase feed grains and repaid these loans in the spring of the following year. MHP had undrawn short-term working capital loan facilities in an aggregate amount of UAH 214.8 million (U.S.$42.5 million) as of 31 December 2007. The total amount of undrawn borrowing facilities available to MHP was UAH 289.0 million (U.S.$57.2 million), including UAH 14.0 million (U.S.$2.8 million) of overdrafts as of 31 December 2007. Approximately 38% of MHP's bank debt as of 31 December 2007 was represented by short-term loans used to finance MHP's working capital needs. Management believes that MHP has sufficient working capital and the ability to fund its operations for at least the next 12 months from the date of this Prospectus.

The Company intends to use its net proceeds from the Offering to finance the expansion of its poultry and grain businesses through capital expenditures (including the potential construction of the Vinnytsya chicken farm and expanding grain growing operations, including potential land acquisitions) and potentially through selective acquisitions in the Ukrainian agricultural sector.

Cash Flows

The following is a summary of MHP's cash flows in 2005, 2006 and 2007:

	Year ended 31 December					
	2005		2006		2007	
	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)
Net cash generated by operating activities	532,210	105,388	167,029	33,075	497,749	98,564
Net cash used in investing activities	(659,066)	(130,508)	(1,159,647)	(229,633)	(542,428)	(107,411)
Net cash generated by/(used in) financing activities	144,644	28,642	1,183,931	234,442	(128,676)	(25,481)
Net increase/(decrease) in cash	**17,788**	**3,522**	**191,313**	**37,884**	**(173,355)**	**(34,328)**

Net Cash Generated by Operating Activities

The following table provides additional information relating to the net cash generated by MHP's operating activities for the period presented.

	Year ended 31 December					
	2005		2006		2007	
	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)
Operating profit before working capital changes	730,912	144,735	697,308	138,081	788,700	156,178
Working capital changes	(149,317)	(29,568)	(362,457)	(71,774)	(46,770)	(9,261)
Other operating cash flow	(49,385)	(9,779)	(167,822)	(33,232)	(244,181)	(48,353)
Net cash generated by operating activities	**532,210**	**105,388**	**167,029**	**33,075**	**497,749**	**98,564**

MHP's cash flows from operating activities have primarily resulted from operating profit, as adjusted for non-cash items such as depreciation and for changes in working capital. Net cash generated from operating activities was UAH 532.2 million (U.S.$105.4 million), UAH 167.0 million (U.S.$33.1 million) and UAH 497.7 million (U.S.$98.6 million) in 2005, 2006 and 2007, respectively.

The main contributors to working capital are connected with the development of MHP's business and the increasing scale of its operations, particularly investment connected with launching the Myronivka poultry farm, which were mostly incurred in 2006, and the expansion of MHP's crop production business in 2006 and 2007. In addition, MHP had higher working capital in 2006 due to an increase in inventories of sunflower intended to provide a hedge against future price increases. MHP reduced its inventory in 2007 and purchased a forward contract for its grain requirements.

In addition, significant financial expenditures were made in 2006 and to a lesser extent 2007, related to an increase in financing, including the Notes issuance in late 2006, to fund capital expenditures.

Net Cash Used In Investing Activities

Net cash used in investing activities was UAH 659.1 million (U.S.$130.5 million), UAH 1,159.6 million (U.S.$229.6 million) and UAH 542.4 million (U.S.$107.4 million) in 2005, 2006 and 2007, respectively. The increases over the years discussed were primarily due to increases in purchases of property, plant and equipment particularly in 2006 in connection with Myronivka.

In 2005, MHP spent UAH 524.1 million (U.S.$103.8 million) on purchases of property, plant and equipment. Substantially all of these purchases related to the construction of the Myronivka chicken farm in Kaniv, Cherkassy region and the construction of MMPP. In 2006 MHP spent UAH 1,032.7 million (U.S.$204.5 million) on property, plant and equipment, of which purchases at Myronivka and Starynska, agricultural machinery for grain growing and fruit cultivation, as well as equipment for meat processing, were the most significant. In 2007, MHP spent UAH 505.8 million (U.S.$100.1 million) for property, plant and equipment primarily related to the Myronivka project, and also with acquisition of agricultural machinery for crop production. This reduced amount as compared to 2006 reflects the fact that the bulk of the Myronivka project's capital expenditures for poultry and fodder production, breeding and hatching were made in 2006.

In 2007 MHP also spent UAH 58.1 million (U.S.$11.5 million) mostly for fruit trees to expand fruit production. The increase in investing activities in 2007 also reflects higher longer term deposits as compared to 2006 which have been used to guarantee forward commodity contracts. MHP also divested its ZZG subsidiary in April 2007, realising a cash inflow of UAH 24.2 million (U.S.$4.8 million).

For a description of MHP's capital expenditures over the years discussed, see "—Capital Expenditures" below.

Net Cash Generated by/(used in) Financing Activities

	Year ended 31 December					
	2005		2006		2007	
	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)
Treasury shares acquisition	(7,981)	(1,580)	—	—	—	—
Proceeds from bank loans	63,008	12,476	(222,523)	(44,064)	(51,507)	(10,199)
Proceeds from corporate bonds issued	—	—	1,462,500	289,604	—	—
Transaction costs related to corporate bonds issued	—	—	(31,767)	(6,290)	(10,635)	(2,106)
Finance lease payments	(15,249)	(3,020)	(26,290)	(5,206)	(66,534)	(13,175)
Issue of share capital and contribution to additional paid in capital	104,866	20,766	2,011	398	—	—
Net cash generated by/(used in) financing activities	**144,644**	**28,642**	**1,183,931**	**234,442**	**(128,676)**	**(25,480)**

Net cash generated from financing activities was UAH 144.6 million (U.S.$28.6 million), UAH 1,183.9 million (U.S.$234.4million) and UAH (128.7) million (U.S.$(25.5) million) in 2005, 2006 and 2007, respectively. Net cash flow from financing activities significantly increased in 2006 as a result of the issuance of the Notes and local bonds issue in 2006, which allowed the refinancing of most of MHP's bank loans. The negative cash flow from financing activities in 2007 was primarily due to reduced external financing of capital expenditures, relying instead on the proceeds from the Notes, as well as the repayment of bank and lease indebtedness, in accordance with their payment schedules.

Capital Expenditures

MHP has been substantially expanding its operations and the Company expects to continue to make significant investments for the expansion of its business. MHP's capital expenditures include expenditures for constructing new facilities, modernising existing facilities (including newly-acquired facilities) and purchasing equipment, vehicles and other miscellaneous items.

Historical Capital Expenditures

MHP's capital expenditures for 2005, 2006 and 2007 are summarised in the following table:

	Year ended 31 December					
	2005		2006		2007	
	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)
Type of Capital Expenditure(1)(2)						
Facilities for poultry and related operations	386,107	76,457	936,851	185,515	753,731	149,254
Facilities for grain growing cultivation	—	—	120,553	23,872	74,271	14,707
Facilities for other agricultural operations	—	—	141,086	27,938	68,858	13,635
Facilities for selling, general and administrative purposes(3)	56,553	11,199	82,548	16,346	82,366	16,310
Total(1)	**442,660**	**87,656**	**1,281,038**	**253,671**	**979,226**	**193,906**

Notes:

(1) The table has been prepared to show actual additions of property, equipment, etc. during the respective periods as opposed to capital expenditures on a cash basis and therefore does not correlate with MHP's cash flow expenditures.

(2) Capital expenditures does not include property, plant and equipment acquired through business combinations.

(3) Primarily trucks for distribution of poultry products.

MHP invested approximately UAH 386.1 million (U.S.$76.5 million), UAH 936.9 million (U.S.$185.5 million) and UAH 753.7 million (U.S.$149.3 million) in facilities for poultry and related operations (of which the Myronivka chicken farm project was the most significant component) in 2005, 2006 and 2007 respectively.

MHP invested approximately UAH 120.5 million (U.S.$23.9 million) and UAH 74.3 million (U.S.$14.7 million) in its facilities for grain growing operations in 2006 and 2007, respectively.

Investments in facilities for other agricultural operations, primarily in production equipment for meat processing, comprised UAH 141.1 million (U.S.$27.9 million) and UAH 68.9 million (U.S.$13.6 million) in 2006 and 2007, respectively.

Budgeted Capital Expenditure

MHP's budgeted capital expenditures for 2008 are summarised in the following table:

Type of Capital Expenditure(1)	UAH	U.S.$
	(In millions)	
Facilities for poultry and related operations	545	108
Facilities for grain growing production	86	17
Facilities for other agricultural operations	56	11
Facilities for selling, general and administrative purposes(2)	187	37
Total	**874**	**173**

Notes:

(1) Including maintenance.

(2) Primarily related to planned construction of a new headquarters and the purchase of additional distribution trucks.

The total cost of the Myronivka project is expected to be UAH 2,929 million (U.S.$580 million). A substantial portion of the capital expenditure budgeted in 2008 for poultry and related operations is for continued expenditure on Myronivka which is expected to be completed in late 2009.

MHP is currently developing a new capital expenditure plan for the period 2009 to 2013 which may include amounts for selected acquisitions and potential acquisitions of land.

MHP's actual capital expenditures may vary significantly from its estimates and depend on a variety of factors, including the availability of funding and other factors fully or partially outside MHP's control. In particular, management may consider purchasing land should the current law in Ukraine be amended to allow direct land ownership, and it would consider selected business acquisitions.

Capital Resources

To date, MHP has relied on net cash generated by operating activities, bank loans and issuances of debt securities to finance its capital expenditures. In addition, MHP has financed a certain amount of its equipment purchases through vendor financing and leasing. MHP also plans to use a part of the proceeds from the Offering to finance part of its capital expenditures in the future.

The availability of external financing is influenced by many factors, including MHP's financial position and market conditions. Under certain circumstances, MHP may be required to repay certain indebtedness. The Company expects that MHP's current and expected capital resources will be sufficient for its anticipated capital expenditures and other operating needs under its current business plan. See "Risk Factors—Risks Relating to MHP—MHP must observe certain financial and other restrictive covenants under the terms of its indebtedness and any failure to comply with such covenants could put MHP into default".

On 30 November 2006, the Company issued senior guaranteed notes in an aggregate amount of U.S$250.0 million. See "—Debt Securities In Issue" below. The net proceeds from the offering of the Notes were used by MHP in part to repay indebtedness under certain loan facilities.

As at 31 December 2007, MHP had total long-term indebtedness of UAH 1,899.8 million (U.S.$376.2 million). The table below sets out MHP's indebtedness as of 31 December 2007:

Indebtedness	Maturity Date	Undrawn amount in original currency	Amount Outstanding as at 31 December 2007 in original currency	Amount Outstanding as at 31 December 2007	Amount Outstanding as at 31 December 2007	Interest Rate
		(millions)	(millions)	(UAH millions)	(millions)	
Senior Notes due 2011	30/11/2011	—	U.S.$250.0	UAH 1,262.5	U.S.$250.0	10.25%
Druzhba Nova bonds	18/08/2008	—	UAH 200.0	UAH 200.0	U.S.$39.6	14%
Commerzbank Loans	2011/2012	10	EUR 21.7	UAH 160.8	U.S.$31.8	EURIBOR plus 1.3%
Rabobank Facilities	2007–2012	—	EUR 37.3	UAH 276.5	U.S.$54.8	EURIBOR plus 0.6%–1%
Total long-term indebtedness				**1,899.8**	**376.2**	

Approximately 38% of MHP's bank debt as of 31 December 2007 was represented by short-term loans to finance MHP's working capital needs.

Debt Securities in Issue

As at the date of this Prospectus MHP's debt securities in issue were as follows. For information regarding maturities, see "—Contractual Obligations" below.

- *Senior Guaranteed Notes due 2011.* On 30 November 2006, the Company issued senior guaranteed notes (the "**Notes**") in an aggregate amount of U.S$250.0 million. The Notes bear interest at a rate of 10.25% per annum payable semi-annually and mature on 30 November 2011. JSC MHP, Druzhba, Druzhba Nova, MFC, Oril Leader, Peremoga and Zernoproduct jointly and severally guaranteed all amounts in respect of the Notes. The net proceeds from the offering of the Notes were used by MHP in part to repay indebtedness under certain loan facilities. The Notes contain covenants that, subject to certain exceptions and qualifications, limit the ability of the Company and certain of its subsidiaries to:
  - incur additional indebtedness or issue preference shares;
  - make certain restricted payments or investments;
  - transfer or sell assets;
  - create or incur certain liens;
  - enter into sale and leaseback transactions;
  - issue or sell shares of the Company's restricted subsidiaries;

- create restrictions on the ability of the Company's restricted subsidiaries to pay dividends or make other payments to the Company;
- merge, consolidate, amalgamate or combine with other entities;
- issue guarantees or indebtedness by the Issuer's restricted subsidiaries;
- enter into transactions with affiliates;
- designate restricted subsidiaries as unrestricted subsidiaries; and
- enter in any business other than permitted business.

The Notes also provide for certain events of default, which, if continuing, may result in the Notes being declared immediately due and payable upon written notice to the Company served by the Notes' trustee or the holders of at least 25% in principal amounts of then outstanding Notes. Such events include, among other things:

- default for 30 days in payment when due of interest on the Notes;
- default in payment when due of principal of, or premium on, the Notes;
- failure by the Company or any of its restricted subsidiaries to comply for 30 days after written notice with their obligation to repurchase Notes in certain circumstances provided for in the indenture governing the Notes or with any of their obligations under the covenants contained in the Notes; and
- failure by the Company or any of its restricted subsidiaries to comply for 60 days after written notice by the Notes' trustee or the holders of at least 25% in principal amounts of then outstanding Notes, with any of agreements in the documents entered into in connection with the offering of the Notes.

In a case of event of default arising from certain events in bankruptcy or insolvency, all outstanding Notes become due and payable immediately without further action or notice.

- *Druzhba Nova bonds.* On 10 August 2006, Druzhba Nova registered with the State Securities and Stock Exchange Commission of Ukraine the issuance of a total of UAH 200.0 million (U.S.$39.6 million) 14% domestic bonds for the purpose of financing its day-to-day operations, introducing new production technologies and purchasing equipment, machinery and raw materials. All of the bonds have been issued. The interest on the bonds is payable in eight quarterly instalments over the period from 20 November 2006 to 18 August 2008 at a rate of 14% per annum. The principal amount of the bonds is repayable on 18 August 2008. JSC MHP and Druzhba Nova entered into a surety agreement, under which JSC MHP has secured the repayment of all obligations arising out of the above bond issuance.

Loan Facilities

In 2005, 2006 and 2007, MHP's most significant long-term loan facilities included the following:

- *IFC 2003 Loan Facilities.* In December 2003, JSC MHP entered into a loan agreement with IFC for the provision of two loan facilities (the "**IFC 2003 Loan Facilities**") in an aggregate amount of U.S.$30.0 million (UAH 151.5 million) for the purpose of financing the rehabilitation and expansion of MHP's poultry operations in Ukraine.
- *IFC 2005 Loan Facilities.* In May 2005, MHP entered into a second loan agreement with IFC for the provision of two loan facilities in an aggregate amount of U.S.$60.0 million (UAH 303.0 million) (the "IFC 2005 Loan Facilities").
- *Commerzbank Loan Facilities.* In September 2005, MHP entered into a loan agreement with Commerzbank for the provision of loan facilities in an aggregate amount of EUR 25.0 million. In the course of 2005 and 2006, Commerzbank opened nine individual loan facilities for an aggregate amount of EUR 24.8 million with the maturity dates between 2007 and 2012. In 2007 Commerzbank increased the aggregate amount of the loan facilities under the 2005 agreement to EUR 35.0 million. As of 31 March 2008, the aggregate amount outstanding under these facilities was EUR 21.3 million.

- *Rabobank Loan Facilities.* In 2005 and 2006, MHP entered into six loan facilities agreements with Rabobank (the "Rabobank Loan Facilities") for an aggregate amount of EUR 47.4 million. The maturity dates under the Rabobank Loan Facilities are between 2010 and 2013.

MHP's indebtedness under the IFC 2003 Loan Facilities and IFC 2005 Loan Facilities was repaid in full in December 2006 with a portion of the proceeds from the offering of the Notes by the Company.

MHP also has a number of short-term loan facilities from Ukrainian banks. As of 31 March 2008, the aggregate amount outstanding under such facilities was UAH 303.0 million (U.S.$60.0 million).

Vendor Financing and Capital Leases

In each of 2005, 2006 and 2007 MHP purchased trucks, equipment and agricultural machinery (seeders, tractors) for its breeding farms, chicken farms, fodder production facilities and grain production facilities partially financed from loans and leases with certain vendors, including Scania Credit AB, Zeppelin, UkrEsko and Big Dutchman and leasing companies: Case, Massey Ferguson and MTZ. As of 31 December 2007 the aggregate amount outstanding under these agreements including the amount of other short-term payables for property plant and equipment was approximately UAH 51.2 million (U.S.$10.1 million). The amount of MHP's capital lease obligations as of 31 December 2007 was UAH 221.8 million (U.S.$43.9 million). The weighted average interest rate on MHP's capital lease obligations was 8.8%, 10.0% and 9.4% for payables denominated in EUR, USD and UAH as of 31 December 2007.

Contractual Obligations

The following table summarises MHP's contractual obligations, commercial commitments and principal payments it was obliged to make as of 31 December 2007 under its debt instruments, vendor financing agreements, leases and other agreements.

	Less than 1 Year		2 Year		3–5 Years		More than 5 Years		Total as at 31 December 2007	
	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)	(UAH'000)	(U.S.$'000)
Contractual Obligations:										
Debt securities in issue(1)	—	—	—	—	1,262,500	250,000	—	—	1,262,500	250,000
Domestic bonds issued(1)	200,000	39,604	—	—	—	—	—	—	200,000	39,604
Short-term bank loans	268,340	53,137	—	—	—	—	—	—	268,340	53,137
Long-term bank loans	104,629	20,719	104,629	20,719	228,057	45,159	—	—	437,315	86,597
Capital leases	70,210	13,903	59,010	11,685	92,581	18,332	—	—	221,801	43,920
Vendor financing(2)	48,611	9,626	2,624	520	—	—	—	—	51,235	10,146
Operating lease obligations	29,633	5,868	28,675	5,678	81,157	16,071	234,111	46,359	373,576	73,976
Purchase commitments(3)	589,983	116,828	—	—	—	—	—	—	589,983	116,828
Sale commitments on sunflower oil	64,990	12,869	—	—	—	—	—	—	64,990	12,869
Purchase obligations on property plant and equipment(4)	19,446	3,851	—	—	—	—	—	—	19,446	3,851
Additional share purchases(5)	3,604	714	—	—	—	—	—	—	3,604	714
Total	**1,399,446**	**277,119**	**194,938**	**38,602**	**1,664,295**	**329,562**	**234,111**	**46,359**	**3,492,790**	**691,642**

Notes:

(1) Contractual obligations under debt securities and bonds do not include unamortised costs or premiums.

(2) Includes payables for property, plant and equipment.

(3) Purchase commitments on forward contracts include the following:

(a) UAH 545.9 million (U.S.$108.1 million) forward contract for purchases of sunflower seeds and corn; and

(b) UAH 44.1 million (U.S.$8.7 million) purchase commitments on the acquisition of breeder flocks from a foreign supplier.

(4) Represents contracts with foreign suppliers for the purchase of property, plant and equipment for development of agricultural properties.

(5) Represents a commitment to purchase additional shares in MZKK of UAH 1.4 million (U.S.$0.3 million) and additional participatory interest in Lypivka for UAH 2.2 million (U.S.$0.4 million).

As of 31 December 2007, MHP did not have any contingent commitments or off-balance sheet arrangements.

Management expects to fund its contractual obligations from net cash generated from operating activities, bank borrowings and issuances of debt securities.

Pledges

MFC has pledged certain of its movable property to secure its obligations under its long-term loans with Commerzbank. The secured bank borrowings were represented by facilities for UAH 90.7 million (U.S.$18.0 million). As of 31 December 2007, MHP had property, plant and equipment with an aggregate value of UAH 56.9 million (U.S.$11.3 million) pledged as collateral to secure its borrowings.

Risk Management Policies

Capital Risk Management

MHP manages its capital to ensure that MHP entities will be able to continue as a going concern, while maximising the return to equity holders by seeking to maintain a balance between higher returns that might be possible with higher levels of borrowings and the security afforded by a more conservative capital position. Management reviews the capital structure on a regular basis. Based on the results of this review, MHP takes steps to balance its overall capital structure through new share issues and as the issue of new debt or the redemption of existing debt.

MHP's target is to achieve a leverage ratio of not higher than 3.25 (3.0 from 1 January 2008 to 31 December 2008 and 2.5 thereafter), determined as the proportion of debt to adjusted operating profit. As described in note 26 to the Consolidated Financial Statements, as of 31 December 2007, 2006 and 2005 the leverage ratio was 2.86, 3.14 and 0.65, respectively. For purposes of this leverage ratio, debt is defined as long- and short-term interest-bearing liabilities. Adjusted operating profit is defined as operating profit as adjusted for depreciation expense and non-recurring gains and losses.

The main risks inherent in MHP's operations are those related to credit risk exposures, market movements in interest rates and foreign exchange rates, the potential negative impact of livestock or crop diseases and commodity price and procurement risks.

Credit risk

MHP is exposed to credit risk which is the risk that one party to a financial obligation will fail to discharge its obligations and cause the other party to incur a financial loss. MHP structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one customer or groups of customers. The approved credit period for major groups of customers, which include franchisees, distributors and supermarkets, is set at five to 21 days. Other customers are generally subject to pre-payment terms.

Limits on the level of credit risk are approved and monitored on a regular basis by Management. Management assesses the recoverability of amounts receivable from customers starting from 30 and 60 days following the expiration of the credit period for receivables for sales of poultry and for other sales, respectively. No assessment is performed immediately upon the expiration of the credit period.

Of the trade accounts receivables balance at the end of 2007, MHP's five largest customers represented 26% of MHP's total trade accounts receivable.

Liquidity Risk

Liquidity risk is the risk that MHP will not be able to settle all of its liabilities as they become due. MHP's liquidity position is monitored and managed and MHP has a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

MHP's target is to maintain its current ratio, defined as the proportion of current assets to current liabilities, in excess of 1.1. As of 31 December 2007, 2006 and 2005, the current ratio was as follows:

	2007	2006	2005
Current assets	1,350,053	1,297,598	572,141
Current liabilities	932,208	525,683	335,639
Current ratio	**1.4**	**2.5**	**1.7**

Currency Risk

Currency risk is defined as the risk that the value of a financial obligation will fluctuate due to changes in foreign exchange rates. MHP undertakes certain transactions denominated in foreign currencies and MHP does not use any derivatives to manage foreign currency risk exposure. Management sets limits on its level of currency exposure.

The carrying amount of MHP's foreign currency denominated monetary assets and liabilities as at 31 December 2007 were as follows:

Assets	**U.S.$-denominated 2007**	**EUR-denominated 2007**
Trade accounts receivable	1,758	—
Cash and cash equivalents	25,254	3
Total assets	**27,012**	**3**

Liabilities	**U.S.$-denominated 2007**	**EUR-denominated 2007**
Trade accounts payable	7,356	19,712
Accounts payable for property, plant and equipment	596	16,241
Bank borrowings	54,540	437,315
Bonds issued	1,230,198	—
Finance lease and vendor financing obligations	22,638	118,546
Total liabilities	**1,315,328**	**591,814**

The table below provides information regarding MHP's sensitivity to the strengthening of the hryvnia against the U.S. dollar and euro by 10%. 10% is the sensitivity rate which represents management's assessment as to the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a theoretical 10% change in foreign currency rates.

	U.S.$-denominated	**EUR-denominated**
Profit or loss	128,832	59,181

During the year ended 31 December 2007, the hryvnia depreciated against the Euro by 11.6%. The exchange rate of the hryvnia against the dollar did not fluctuate during the year ended 31 December 2007. See "Exchange Rates".

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect MHP's interest expense and the value of its financial instruments. MHP borrows on both a fixed and variable rate basis. The primary sources of MHP's funds are loans tied to LIBOR or EURIBOR from foreign banks and are, accordingly, at interest rates which are generally below those available in Ukraine.

Management estimates that a 1% increase or decrease in variable rates would affect MHP's profit or loss and shareholders' equity as at and for the year ended 31 December 2007 by UAH 0.5 million for LIBOR-related liabilities, UAH 4.8 million for EURIBOR-related liabilities and UAH 0.3 million for NBU-related liabilities. This analysis was applied to loans and borrowings (financial liabilities) based on the assumptions that amount of liability outstanding as at the balance sheet date was outstanding for the whole year.

Management does not consider this risk to be significant.

Livestock/Crop Diseases Risk

MHP's agroindustrial business is subject to risks of outbreaks of various livestock and crop diseases. These diseases could result in mortality and crop losses. Disease control measures have been adopted by MHP to minimise and manage this risk. MHP's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to mitigate the risk of any outbreak of livestock and crop 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 the risk of price increases, MHP accumulates sufficient commodity stock at each balance sheet date and uses commodity forward purchase contracts to support at least one quarter of operations.

Critical Accounting Policies

The following section discusses accounting policies applied in preparing the financial statements that management believes are most dependent on the application of estimates and assumptions. Such assumptions or estimates are based on historical experience and the currently available information. Actual results may differ significantly from such estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. Management, on an ongoing basis, reviews estimates and assumptions, and if management determines as a result of its consideration of facts and circumstances, that modifications in assumptions and estimates are appropriate, results of operations and the financial position as reported in the consolidated financial information may change significantly. The following is a discussion of what management believes to be the most critical accounting policies.

Accounting For Acquisitions

The acquisition of subsidiaries from third parties is accounted for using the purchase method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. The interest of minority shareholders of subsidiaries acquired from third parties is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The determination of fair value of assets, liabilities and equity instruments requires significant judgment. Further, due to the nature of MHP's transactions, significant judgment and estimation are used to determine an acquired company's future performance for recording contingent purchase price.

The excess of the cost of acquisition over the fair value of MHP's share of the net identifiable assets of the acquired subsidiary at the date of acquisition is recognised as goodwill. Any excess of the fair value of the share in net identifiable assets over the cost of acquisition is recognised immediately in the consolidated income statement.

The assets and liabilities of subsidiaries acquired from entities under common control are recorded in these consolidated financial statements at their pre-acquisition carrying values. Any difference between the carrying value of net assets of these subsidiaries, and the consideration paid by MHP is accounted for as an adjustment to shareholders' equity. The results of the acquired entity are reflected from the date of acquisition.

Biological Assets and Agricultural Produce

MHP recognises a biological asset or agricultural produce when: (i) MHP controls the asset as a result of past events; (ii) it is probable that future economic benefits associated with the asset will flow to MHP; and (iii) the fair value or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated point-of-sale costs at both initial recognition and at the balance sheet date, with any resulting gain or loss recognised in the consolidated income statement. Point-of-sale costs 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 estimated point-of-sale costs and total production costs is allocated to biological assets held in stock as of each balance sheet date as a fair value adjustment. The change in this adjustment from one period to another is recognised in *Net change in fair value of biological assets and agricultural produce* in the consolidated income statements.

Agricultural produce harvested from biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in the consolidated income statement in the period in which it arises.

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

Biological Assets

(i) Broilers: Fair value of broilers is determined by reference to the cash flows that will be obtained from sales of 44-day old chickens, with an allowance for costs to be incurred and risks to be faced during the remaining grow-out process.

(ii) Breeders: The fair value of breeders is determined using the discounted cash flow approach based on hatchery egg market prices.

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

(iv) Orchards: Orchards consist of plants used for fruit production. Fruit trees achieve normal productive age at two years. The fair value of orchards which have attained normal productive age is determined using the discounted cash flow approach.

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 time of slaughter.

(ii) Grain, potatoes and fruits: The fair value of grain, potatoes and fruits is determined by reference to market prices at the point of harvest.

(iii) 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 time to harvest.

Property, Plant and Equipment

Property, plant and equipment is carried at historical cost, or at the cost of construction, less accumulated depreciation and accumulated impairment losses, except for grain storage facilities, which are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Subsequently, capitalised costs include major expenditures for improvements and replacements that extend their useful lives or increase their revenue-generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to the consolidated income statement as incurred.

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 balance sheet date. If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity as a revaluation reserve. However, such increase is recognised in the consolidated income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated income statement. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the consolidated income statement. However, such decrease is debited directly to revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

During the year ended 31 December 2007, MHP engaged independent appraisers to revalue its grain storage facilities. The valuation, which conformed to the International Valuation Standards, was determined by reference to observable prices in an active market and recent market transactions on arm's length terms. As a result, MHP recorded a valuation increase of UAH 56.2 million on to the revaluation reserve within shareholders' equity and a related increase in value to the grain storage facilities assets.

At each balance sheet date, MHP reviews the carrying amounts of its property, plant and equipment 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). 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, management must estimate future cash flows from the cash generating unit. These cash flow projections are based upon a number of assumptions including but not limited to discount rates, future transaction levels and future price levels. The 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. Changes in assumptions and estimates included within the impairment reviews could result in significantly different results than those recorded in the consolidated financial statements.

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 consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. 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 consolidated income statement, 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.

During the year ended 31 December 2007, MHP carried out its annual review of property, plant and equipment to determine if any indications of impairment existed. Based on this review, it identified indicators of impairment associated with the assets used in the production of goose meat and foie gras and in production of convenience foods under the "Lehko!" brand. As a result, MHP estimated the value in use of these assets and determined that the carrying value exceeds the value in use. Accordingly, MHP recognised an impairment loss of UAH 51.7 million for the difference in these amounts.

Income Taxes

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 utilised. MHP records deferred tax assets based on the estimated amount of respective expenses management intends to deduct in future periods for tax purposes. The amount of expenses management actually deducts in these further periods may differ significantly from the amount management estimated, and accordingly, this may result in a material increase or decrease in the amount of deferred tax expense recorded in a future period. In addition, deferred tax assets are reviewed at each balance sheet date to determine whether or not management believes it is probable these assets will be utilised in future periods. This determination is based on estimates of future profitability, and to the extent that management does not believe it is probable the assets will be utilised, the amount recognised on the balance sheet is reduced. A change in these estimates could also result in the write off of deferred tax assets in future periods for assets that are currently recorded on the balance sheet.

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

Deferred income tax assets and liabilities are offset when:

- MHP has a legally enforceable right to set off the recognised amounts of current tax assets and current tax liabilities;
- MHP has an intention to settle on a net basis, or to realise 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.

Thirteen of the MHP group companies (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. These thirteen companies are exempt from income taxes and pay the Fixed Agricultural Tax instead.

Allowance for Irrecoverable Accounts Receivable

Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Changes in assumptions and estimates could result in significantly different results than those recorded in the consolidated financial statements.

The following overview includes extracts from publicly available information, data and statistics and has been extracted from official sources and other sources Management believes to be reliable. The Company accepts responsibility for accurately reproducing such information, data and statistics but accepts no further responsibility in respect of such information, data and statistics. Such information, data and statistics may be approximations or may use rounded numbers.

Overview of the Ukrainian Markets for Meat Products

Meat Consumption in Ukraine

In a trend observed in other markets worldwide, the consumption of meat products in Ukraine has grown in line with increasing income levels of the population. Management believes that consumption levels of meat in Ukraine will continue to grow. The table below shows the level of meat consumption (measured by processed weight) and per capita income of the Ukrainian population in Ukraine in 2003, 2004, 2005, 2006 and 2007. According to GfK, total consumer spending on meat in Ukraine was approximately U.S.$6.5 billion in 2007.

The consumption of poultry has been the main driver in the growth of meat consumption levels in Ukraine.

	2003	2004	2005	2006	2007
Income (U.S.$ per capita per annum)(1)	901.0	1,134.2	1,541.7	2,017.3	—(2)
Meat consumption (kilogrammes per capita per annum)(3)	35.0	39.0	39.0(4)	42.0(4)	45.0(4)

Sources:

(1) SCSU.

(2) Information not available.

(3) GfK.

(4) Does not include unofficial imports, which, according to GfK, could have accounted for approximately 200,000 additional kilogrammes of meat per capita in each of 2005, 2006 and 2007. See "—Poultry Supply in Ukraine" below.

The level of meat consumption in Ukraine remains below the average consumption level in developing countries and significantly below the consumption levels in developed countries. The level of meat consumption in Ukraine is also below the annual recommended dietary requirements, which, according to INRAMS is approximately 80.0 kilogrammes per capita per annum. According to GfK, in 2007, meat consumption in Ukraine was 45.0 kilogrammes of meat per capita (measured by processed weight), as compared to 117 kilogrammes per capita in the United States, 86 kilogrammes per capita in Brazil, 67 kilogrammes per capita in Mexico, 50 kilogrammes per capita in Russia and 53 kilogrammes per capita in Hungary (according to FAPRI, MUR and Rosptakhosoiuz).

Poultry Consumption in Ukraine

According to SCSU and GfK estimates, the aggregate consumption of poultry meat in Ukraine in 2007 was 821,000 tonnes. The annual per capita consumption of chicken meat in Ukraine increased by approximately 12.5% to 18.0 kilogrammes per capita in 2007 as compared to 16.0 kilogrammes per capita in 2006, and represented an approximately 28.5% increase from 14.0 kilogrammes per capita in both 2004 and 2005. However, the level of poultry consumption in Ukraine remains below the average consumption level in developing countries and significantly below the consumption levels in developed countries. In 2007, consumption levels in Russia, Hungary and the United States were 19, 25 and 45 kilogrammes per capita, respectively. Management expects consumption levels for poultry in Ukraine to continue to grow in the short- to medium-term.

In a trend also observed in other markets worldwide, Ukrainian consumers are tending to eat more poultry compared to beef and pork, with poultry meat being cheaper than beef and pork. In part, this is due to the conversion rate for poultry (the number of kilogrammes of fodder required to produce one kilogramme of increase in live weight) being significantly lower at approximately two kilogrammes than the conversion rate for pork at approximately four kilogrammes and beef at approximately six kilogrammes. In addition, this is also due to longer growout periods for beef and pork, and in both cases is particularly important in light of the recent grain price increases. In March 2008, according to the Agrarian Ministry, the average retail price for one kilogramme of poultry meat in the Ukrainian retail market (exclusive of VAT) was UAH 13.5 (U.S.$2.7), as compared with UAH 23.3 (U.S.$4.6) and UAH 25.5 (U.S.$5.1) for one kilogramme of beef and pork, respectively. In addition, consumers are tending to eat more poultry for health reasons, as poultry has a higher protein and lower fat content than beef and pork. The following table shows the relative percentages of meat consumption in Ukraine represented by poultry, beef and pork and per capita consumption of each type of meat for 2004, 2005, 2006 and 2007.

Year	Poultry meat		Pork		Beef		Other meat		Total	
	Kilogrammes per capita	%	Kilogrammes per capita	%	Kilogrammes per capita	%	Kilogrammes per capita	%	Kilogrammes per capita[1]	%
2007	18	39	16	36	11	24	—	1	45	100
2006	16	37	13	30	13	30	—	3	42	100
2005	14	35	12	32	12	31	—	2	38	100
2004	14	36	13	33	11	29	—	2	38	100

Source: GfK

(1) Does not include other types of meat, which do not account for material share of meat consumption in Ukraine and unofficial imports.

In addition, as shown in the following table, in recent years the number of cattle in Ukraine has been continuously decreasing.

	Year Ended 31 December							
	2000	2001	2002	2003	2004	2005	2006	2007
	(In million heads)							
Cattle								
Industrial	5.04	4.66	4.19	3.17	2.69	2.49	2.29	1.90
Household	4.39	4.76	4.91	4.55	4.21	4.02	3.88	3.80
Total	**9.43**	**9.42**	**9.10**	**7.72**	**6.90**	**6.51**	**6.17**	**5.70**

Source: GfK

The number of cattle in Ukraine as at 1 March 2005, 2006, 2007 and 2008 was 7.2 million, 6.8 million, 6.4 million and 5.7 million, respectively, according to the SCSU.

The relatively low level of per capita consumption of poultry in Ukraine, the replacement of other types of meat with poultry by consumers, the undersupply of other types of meat (such as beef and pork) resulting in more significant increases in prices for these types of meat and increasing income levels of the Ukrainian population are all factors that are expected to contribute to continued increasing demand for poultry in Ukraine. In addition, due to the lack of affordable protein substitutes, demand for chicken products in Ukraine is less sensitive to price fluctuations and other factors, such as bird flu (as compared to the demand in certain other European countries, such as Italy and France). The growth in demand for poultry in Ukraine slowed in the fourth quarter of 2005 and in the first quarter of 2006 as a result of seasonality and the outbreak of bird flu. Nonetheless, growth in demand has continued in 2006 and 2007 principally due to the increased purchasing power of the Ukrainian population and has been supported by a decrease in poultry prices in these periods.

The table below shows the levels of poultry consumption (measured by processed weight) in Ukraine and certain other countries in 2003, 2004, 2005, 2006 and 2007.

Country	2003	2004	2005	2006	2007
	(In kilogrammes per capita per annum)				
United States[1]	43.1	44.9	46.6	46.1	45.4
Brazil[1]	32.1	31.8	33.1	36.0	36.4
Mexico[1]	24.8	26.2	26.8	28.0	28.1
Hungary[1]	23.8	24.0	23.8	24.0	24.5
Russia[2]	15.5	16.0	17.4	18.0	19.0
Ukraine[3]	9.0	14.0	14.0	16.0	18.0

Sources:

(1) FAPRI.

(2) Rosptakhosoiuz.

(3) SCSU.

Poultry Supply in Ukraine

According to GfK, overall poultry meat supply in Ukraine was approximately 821,000 tonnes in 2007, as compared to 741,000 tonnes in 2006, 633,000 tonnes in 2005 and 672,000 tonnes in 2004. As indicated in the following table, the increase in supply of poultry in 2007 as compared to 2006 and in 2006 as compared to 2005 was primarily due to increased output of chicken meat by domestic producers. The decrease in supply in 2005 as compared to 2004 was primarily attributable to a decrease in volumes of officially imported poultry in 2005 as compared to 2004. See "—Recent Developments in the Ukrainian Poultry Industry—Effective Introduction of Import Tariff".

	2004		2005		2006		2007	
	Amount	**Percentage of total supply**	**Amount**	**Percentage of total supply**	**Amount**	**Percentage of total supply**	**Amount**	**Percentage of total supply**
	(In thousands of tonnes of processed weight, except percentages)							
Domestic supply	376	56%	491	78%	589	79	690	84
Imported supply[(1)]	296	44%	142	22%	152	21	131	16
Total supply	**672**	**100%**	**633**	**100%**	**741**	**100%**	**821**	**100%**

Source: GfK.

Note:

(1) Does not include unofficial imports.

Production volumes have increased significantly since 1999 due to investment in production facilities by industrial producers in the context of increasing demand and improving macroeconomic conditions in Ukraine. Despite this increase in production levels, demand continues to exceed domestic supply by a significant margin and all poultry meat produced in Ukraine is consumed domestically.

Meat is produced in Ukraine by both industrial producers and households, with the latter having accounted for more than 50% of all meat produced in Ukraine in 2007, according to GfK. In 2007, the percentage of poultry industrially produced in Ukraine (76% of total domestic poultry output, according to GfK) was significantly higher than that of beef (32%), pork (32%) or of meat generally (52%). Management believes that this relatively high level of industrialisation of the poultry industry enables poultry producers (including MHP) to more efficiently respond to increased demand for meat products, as compared to producers of other types of meat.

Industrial production of chicken meat typically involves large-scale production conducted at enclosed chicken farms using a certain degree of industrial technology. Under applicable regulations, chicken products produced by industrial producers must undergo a number of tests to demonstrate their compliance with applicable quality standards. Household producers typically raise chickens outdoors at their own homes in amounts of 10 to 50 birds simultaneously and use no industrial technology in production. Household producers generally use the chicken products they produce for their own consumption, although they may sell part of the chicken meat they produce in small amounts.

The table below shows, for 2004, 2005, 2006 and 2007, domestic poultry supply in Ukraine by category of producer.

	2004		2005		2006		2007	
	Amount	Percentage of total domestic supply	Amount	Percentage of total domestic supply	Amount	Percentage of total domestic supply	Amount	Percentage of total domestic supply
	(In thousands of tonnes of processed weight, except percentages)							
Domestic industrial production . . .	229	61%	314	64%	413	70%	523	76%
Domestic household production . . .	146	39%	176	36%	176	30%	167	24%
Total domestic supply	**376**	**100%**	**491**	**100%**	**589**	**100%**	**690**	**100%**

Source: GfK.

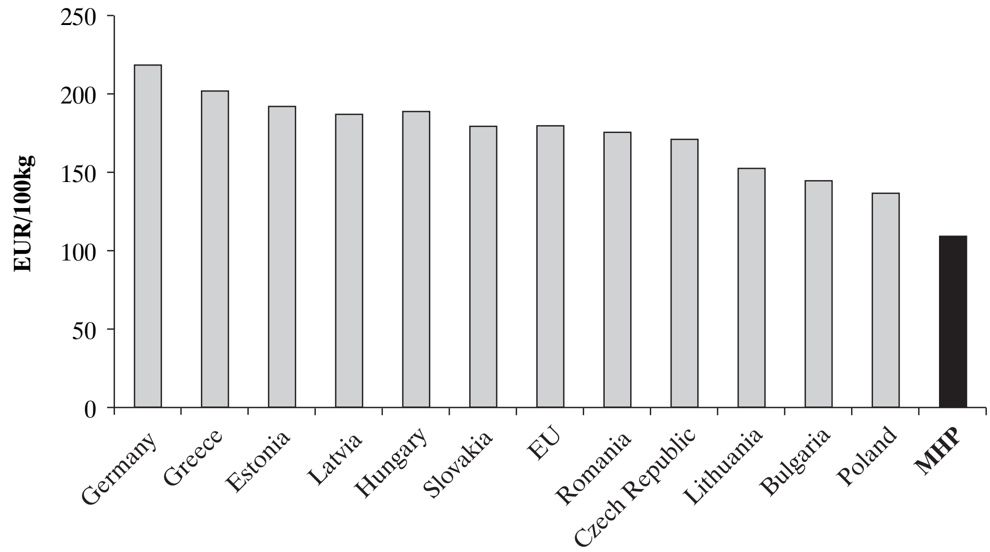
Industrial production of poultry in Ukraine increased by approximately 37% in volume in 2005 as compared to 2004, by approximately 31% in 2006 as compared to 2005 and by approximately 27% in 2007 as compared to 2006. The increase was principally due to the introduction of additional production facilities, modernisation of technology, increases in productivity, improved veterinary maintenance and control over product quality as well as state support for manufacturers of broiler chicken meat. Household production decreased by 5% in 2007 as compared to 2006, remained stable in absolute terms in 2006 as compared to 2005, and increased by approximately 21% in 2005 as compared to 2004. At the same time, household production decreased as a percentage of total domestic supply to 24% in 2007 as compared to 30% in 2006, 36% in 2005 and 39% in 2004. The principal reasons for the decrease in household production as a percentage of domestic supply were: improved economic conditions, resulting in increased income among the Ukrainian population, enabling consumers to buy chicken products instead of growing chicken at their own households; an increase in the supply of chicken meat in the market; economic inefficiency of household production, in part due to the high price of fodder (whereas industrial producers can purchase fodder in large quantities at reduced costs); and, more recently, the higher susceptibility of birds raised in households to bird flu and the resulting decrease in demand from customers for chicken produced by households.

Notwithstanding the growth in industrial production of chicken meat in Ukraine in recent years, demand for chicken products continues to exceed domestic supply. The shortfall in domestic supply is partially addressed by imported frozen chicken meat. According to GfK, during 2007 Ukraine imported 131,000 tonnes of chicken meat, as compared to 152,000 tonnes in 2006, 142,000 tonnes in 2005 and 296,000 tonnes in 2004. These figures do not reflect illegal imports of chicken products that continue to be sold into the Ukrainian market (principally to the "further processing" segment of the market). Management believes imports of poultry do not materially affect MHP's business because imported chicken products are typically frozen and are sold to the further processing segment, which does not account for a significant percentage of MHP's sales.

The Ukrainian government has been trying to reduce the volume of illegal imports of poultry for the last three years. However, according to GfK, certain experts believe that the overall illegal supplies of poultry meat into Ukraine increased in 2007, 2006 and 2005 as compared to 2004. According to such experts, in 2005, 2006 and 2007, the illegal supply of all types of meat into Ukraine could have been approximately 200,000 tonnes per year.

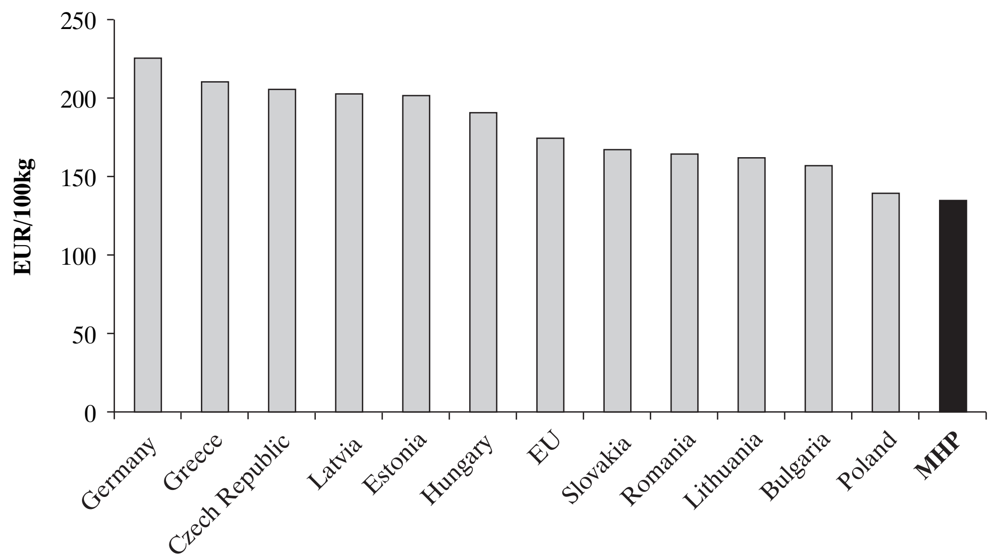
While the prices for MHP's chicken products have increased in early 2008, they remain relatively low compared to prices in other European countries. The following charts show average chicken prices in various European countries as compared to MHP's prices for (i) the 12 months ended 29 February 2008; and (ii) February 2008.

Average for 12 months ending 29 February 2008



Source: CIRCA

February 2008



Source: CIRCA

Poultry Product Distribution in Ukraine

Poultry products in Ukraine are mainly distributed through two distinct wholesale channels: to retailers and to further processors. Domestic industrially produced chilled poultry products are primarily sold to retailers in big and medium-size cities, while cheaper frozen meats are predominantly distributed to further processors or to companies which use chicken as an ingredient for their products.

Competition in the Ukrainian Poultry Market

The Ukrainian market for industrially produced poultry is relatively consolidated, with the four largest producers accounting for approximately 70% of the market in 2007.

While there are currently approximately 60 Ukrainian industrial enterprises that produce chicken meat, only three of these are considered by MHP to be significant competitors. Currently, approximately 70% of the overall industrial production of poultry in Ukraine is attributable to the five largest companies operating in the sector. In 2007, MHP's share of the Ukrainian market for industrially produced poultry was approximately 36%. Its closest competitors CJSC "Complex Agromars" ("**Agromars**"), LLC "Ruby Rose Agricole" ("**Ruby Rose**") and CJSC Poultry Processing Plant "Dniprovsky" ("**Dniprovsky**") accounted for 21%, 7% and 6% of the market, respectively, in 2007.

Based on Management's belief that MHP is the lowest cost producer in Ukraine and one of the lowest cost producers worldwide, Management believes it will be difficult for new significant competitors to enter the market due to the time and investment a new entrant would need to achieve a comparable position. For example, (i) operating industrial chicken facilities requires obtaining suitable land and constructing production facilities, each of which requires investment and certain governmental permits and licences, which may be difficult or time consuming to obtain (see "Business—Licences and Permits"); (ii) second, the Ukrainian poultry production industry is based on a vertically integrated model, which is different from the business model used in most markets where non-Ukrainian chicken production companies operate, and such competitors may have difficulty adapting to the Ukrainian market; (iii) third, the Ukrainian market lacks the farming infrastructure for hatching and growout of chickens that is commonly used in western poultry markets, which may pose difficulties for western poultry companies seeking to enter the Ukrainian market utilising their traditional approach.

In general, the competitive factors in the Ukrainian poultry industry include product quality, product development, brand identification, breadth of product line and customer service. MHP principally competes with other vertically integrated Ukrainian industrial producers of chicken meat, particularly Agromars, Ruby Rose and Dniprovsky.

Agromars is a vertically integrated industrial poultry producer, located in the Kyiv region, which maintains breeding flocks, produces hatching eggs and operates facilities for growout and processing of chicken. Agromars also grows an insignificant amount of its own grains used to produce mixed fodder and has grain storage facilities. Agromars sells its products under the "Gavrylivsky Chicken" brand. Although Agromars sells most of its products directly to customers in the Kyiv region, its products are also available in other regions of Ukraine where they are sold through distributors. In early 2007, Agromars acquired OJSC "Kurhansky Broiler" ("**Kurhansky**"), an industrial poultry producer, located in the Kharkiv region. Prior to its acquisition by Agromars, Kurhansky was only partially self-sufficient in hatching eggs and was not an integrated producer. Management believes that following its acquisition by Agromars, Kurhansky's self-sufficiency in hatching eggs has improved. In 2007, Agromars accounted for approximately 21% of the poultry industrially produced in Ukraine (taking into account the acquisition of Kurkansky).

Ruby Rose is a partially integrated industrial poultry producer located in the Kyiv region. In addition to growing chickens, Ruby Rose maintains its own breeding flock and grows some corn and soy. Ruby Rose sells its products under the "Morozivsky Chicken" brand, predominantly in Kyiv and the Kyiv region. In 2007, Ruby Rose accounted for approximately 7% of the poultry industrially produced in Ukraine.

Dniprovsky is an industrial poultry producer, located in the Dnipropetrovsk region, which is partially self-sufficient in hatching eggs and mixed fodder. It sells its products mainly in eastern Ukraine under the trademark "Dniprovsky Chicken". In 2007, Dniprovsky accounted for approximately 6% of the poultry industrially produced in Ukraine.

In 2007, MHP's share of the Ukrainian market for industrially produced poultry was approximately 36%, as compared to approximately 35% and 44% in 2006 and 2005, respectively. The decrease in MHP's market share from 2005 levels was primarily due to MHP's output remaining stable due to capacity restraints while Myronivka was being constructed in 2006 and introduction of additional production capacities by MHP's competitors during the same period. In 2007, both MHP and its competitors increased their production volumes, resulting in MHP's market share remaining stable as compared to 2006.

The following table sets out information on the top five Ukrainian industrial poultry producers and other industrial producers as a whole for the years indicated.

Producer	2005 Production volume	2005 Market share	2006 Production volume	2006 Market share	2007 Production volume	2007 Market share
	(In thousands of tonnes of processed weight)	(%)	(In thousands of tonnes of processed weight)	(%)	(In thousands of tonnes of processed weight)	(%)
MHP	139.4	44.3	142.5	34.5	190.8	36.4
Agromars[(1)]	66.0	21.0	89.0	21.5	110.9	21.2
Ruby Rose	23.3	7.4	39.0	9.4	35.5	6.8
Dniprovsky	19.5	6.2	28.5	6.9	31.3	6.0
Kurhansky[(1)]	15.0	4.8	18.1	4.4	—	—
Others	51.2	16.3	95.9	23.3	155.0	29.6
Total:	**314.4**	**100.0**	**413.0**	**100.0**	**523.0**	**100.0**

Source: SCSU.

Note:

(1) Agromars acquired Kurhansky in early 2007. Had this acquisition occurred on 1 January 2005, the combined market share of Agromars and Kurhansky would have been 25.8% and 25.9% in 2005 and 2006, respectively.

MHP also competes with Ukrainian households that produce chicken meat. The household segment of the market has traditionally been strong in Ukraine, competing with industrial producers principally based on price. However, household production is decreasing. See "—Poultry Supply in Ukraine".

Management believes that the market for chilled poultry is generally limited to producers operating in the territory of Ukraine due to the inefficiency of transporting chilled products over significant distances from outside Ukraine. However, MHP to a certain extent faces competition from foreign suppliers of frozen chicken meat, which principally supply their products to the "further processing" sector. Imports of frozen chicken meat are not viewed by MHP as a significant competitive threat, principally because MHP's sales to the "further processing" sector account for a relatively small percentage of its overall business. In addition, Management believes chilled chicken products are generally preferred by Ukrainian consumers and are unlikely to be replaced to a significant extent by frozen chicken products. Management also believes that, due to consumer preferences, chilled chicken products are able to command a price premium over frozen products. Imports of chicken meat into Ukraine decreased significantly in 2005, 2006 and 2007 as compared to 2004 due to the effective introduction of import tariffs which further weakened the competitive position of non-Ukrainian suppliers. See "—Recent Developments in the Ukrainian Poultry Industry—Effective Introduction of Import Tariff" and "Risk Factors—Risks Relating to MHP—MHP benefits from trade barriers on poultry imports into Ukraine, which may be reduced or eliminated". Due to expected increases in demand in the future, the Company expects that prices for chicken products in Ukraine will stay relatively stable in the coming years notwithstanding increased production and supply.

Recent Developments in the Ukrainian Poultry Industry

Pricing Agreement with the Ukrainian Government

On 3 April 2008, the Government of Ukraine, the major Ukrainian producers of socially important food products (including MHP) and retail distributors signed a memorandum of understanding (the "**Memorandum**"). Under the Memorandum, in the period from 7 April 2008 until 1 September 2008, MHP and other food producers undertook to refrain from increases of wholesale prices for their products (including poultry products) that cannot be "justified", to refrain from the reduction of supply of its products to consumers, and to enter into direct contractual relations with retail distributors of such products. Management believes that the Memorandum does not restrict it from justified increases of prices of its products, due, for example, to increases in MHP's cost of sales. Management believes that this agreement will not have a negative impact on MHP's business and its financial results.

On 17 April 2008, the CMU adopted the Price Resolution. The Price Resolution applies to all producers of food products which are subject to state regulation, and it establishes a formula for the calculation of wholesale prices of food products and profits from such sales and limits the profit margin that can be charged. While the scope of the Price Resolution is not entirely clear, it is likely that it applies to chicken, beef and pork meat and sunflower oil. Management believes that the approach MHP uses for determining the wholesale prices for MHP's products is in line with the formula established by the Price Resolution, and that due to MHP's vertical integration, the Price Resolution will not have a negative impact on MHP's business and financial results.

Effective Introduction of Import Tariff

Prior to March 2005, most poultry imports entered Ukraine through areas having the status of "free economic zones" which exempted such imports from import tariffs. In March 2005, the Ukrainian parliament cancelled all of the tax, customs duty and other incentives and exemptions for such zones, thereby effectively increasing the cost of imported poultry products by an amount equivalent to EUR 0.7 per kilogramme of processed weight for the principal types of imported poultry products, such as legs and thighs, and 30%–60% of the customs value but not less than EUR 1.5–3.0 per kilogramme of processed weight for whole chicken. This effective introduction of an import tariff temporarily created a trade barrier that resulted in a significant decrease in imports of poultry. As a result, supply problems were created in the "further processing" segment, which heavily relied on imported products. Many further processors started to purchase domestically-produced poultry, which subsequently caused prices to increase in both the wholesale and retail segments of the market.

However, this trade barrier was eased in July 2005 when the import tariff for whole chickens was decreased to 10% of the customs value, but not less than EUR 0.4 per kilogramme of processed weight (while the tariff for legs and thighs remained unchanged at EUR 0.7 per kilogramme). In addition, certain importers of poultry products who previously benefited from exemptions from import tariffs were able to successfully challenge the cancellation of such exemptions in the Ukrainian courts so that their imports of poultry continued to be exempt from such tariffs until the end of 2007. Prior to the final closure of such zones, in mid-2007, certain importers released unusually high levels of frozen meat into the market, thereby depressing meat prices in the first half of 2007. Although the Ukrainian government currently does not plan to grant any further import tariff exemptions to importers of poultry products, there can be no assurance that this will continue to be the case. In addition, upon Ukraine becoming a member of the WTO, which, as discussed above, will take place on 16 May 2008, the import tariff on most poultry products (including frozen legs and thighs) will be 10% of the customs value but not less than EUR 0.4 per kilogramme of processed weight. At the same time, the import tariff for fresh and chilled chicken parts will remain unchanged at EUR 0.7 per kilogramme of processed weight for certain types of products and 30% of the customs value but not less than EUR1.5 per kilogramme of processed weight for other types of products.

Bird Flu and Newcastle Disease

Since 2003, the H5N1 strain of bird flu, which is potentially lethal to humans, has infected poultry flocks and other birds in several countries around the world, including Ukraine. In 2005, 2006 and 2007, several cases of bird flu were reported in wild birds and domestic poultry in the Crimea and Sumy regions of Ukraine. More recently, in the Crimea region of Ukraine, there have been cases of bird flu in domestic birds reported in January 2008 and in wild birds reported in February 2008. Bird flu is highly contagious among birds and can cause sickness or death of some domestic poultry, including chickens, geese, ducks and turkeys. After the outbreak of bird flu, the Ukrainian state authorities continued to implement a variety of emergency measures to prevent the further spread of the virus, including imposing local quarantine measures in affected areas, as well as mandatory seizing and slaughtering of birds. As of the date of this Prospectus, all quarantine measures have been lifted. Ukraine has also coordinated with Russia its efforts in protecting against bird flu. See "Risk Factors—Risks Relating to MHP—Outbreaks of bird flu and other livestock diseases could have a material adverse effect on MHP's business".

In addition, one case of Newcastle disease was reported in Ukraine in February 2006 at an industrial chicken farm in the Kharkiv region of Ukraine. This outbreak is reported to have occurred due to inferior biosecurity measures employed at the farm, including insufficient control over the quality of fodder and bedding. In addition, two cases of Newcastle disease were reported in household birds in the Chernigiv and Rivne regions of Ukraine in April 2006. Control measures were immediately put in place, including culling and incineration of affected birds, quarantine, vaccination and disinfection of affected premises and equipment. These measures were effective, limiting the outbreaks to stand-alone incidents. There have been no other reported cases of Newcastle disease in Ukraine.

To date, MHP's facilities have not been affected by outbreaks of bird flu or Newcastle Disease.

Primarily due to seasonality but also in response to a decrease in demand for chicken products following the outbreak of bird flu globally and in Ukraine, MHP reduced its prices for chicken products in the fourth quarter of 2005. MHP also reduced its prices for chicken products in the first quarter of 2006 in response to decreased demand as a result of the outbreak of bird flu and in part due to seasonality. Management believes that the prices for chicken products in Ukraine normalised in the second quarter of 2006 and are no longer impacted by the effects of bird flu.

Overview of the World and Ukrainian Markets for Grain

World Production, Consumption and Outlook

General

The world grain market (excluding rice) comprises wheat and coarse grains, including corn, barley, sorghum, oats and rye. The global grain market is dominated by producers and traders from China, the United States, the European Union, India and Russia.

As shown in the table below world grain production for the agricultural year 2007/2008 is forecast at 1,661.2 million tonnes, an increase of 5.62% compared to the volume in 2006/2007. For the agricultural year 2007/2008 coarse grain is expected to account for over 60% of total grain production. According to FAS USDA ("*Grain World Markets and Trade, March 2008*"), from 2006/2007 to 2007/2008, grain consumption is anticipated to increase by 3.61% from 1,624.3 to 1,682.9 million tonnes. Consequently, for the agricultural year 2007/2008 consumption is expected to exceed production by 21.7 million tonnes, thus reducing year end stocks.

The table below provides information on world grain production (total and by crop) in the agricultural years starting from 2003/2004 to 2007/2008.

	Agricultural Year(1)				
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008(2)
	(In million tonnes)				
Wheat	553.5	625.1	621.5	593.2	605.0
Coarse grain total	916.1	1,015.8	977.3	979.6	1,056.2
including:					
Corn	627.3	714.8	696.3	704.3	770.2
Barley	142.4	153.0	136.6	137.4	133.2
Sorghum	58.3	57.5	58.4	57.0	64.6
Oats	26.3	25.7	23.9	23.1	25.6
Rye	14.0	17.0	14.5	12.3	14.6
other	47.8	47.8	47.6	45.5	48.0
Total:	**1,470.0**	**1,640.9**	**1,598.8**	**1,572.8**	**1,661.2**

Source: FAS USDA: "Grain World Markets and Trade, March 2008"

Notes:

(1) "Agricultural Year" is an industry term, meaning in the case of wheat a year lasting from July to June in the following year and in the case of coarse grains from October to September in the following year. Accordingly, for example, production figures for wheat in 2003/2004 are for the period from July 2003 to June 2004 whereas production figures for coarse grains in 2003/2004 are for the period from October 2003 to September 2004.

(2) Forecast.

According to FAS USDA ("*Grain World Markets and Trade, March 2008*"), in the agricultural year 2007/2008, the world's five largest grain producers (China, the United States, the European Union, India and Russia) are expected to account for approximately 67% of the world's total grain output. China is the largest overall grain producer accounting for the largest quantity of coarse grains and second largest quantity of wheat.

World Trade in Grain

According to FAS USDA ("*Grain World Markets and Trade, March 2008*"), the five major grain exporting countries by volume are Argentina, Canada, the European Union, Russia and the United States. The United States is the leading grain exporter in the world and its market share in the agricultural year 2007/2008 is expected to be approximately 45%. The United States is also expected to reach a market share of approximately 65% of the world export volumes of corn and 31% of wheat in the agricultural year 2007/2008.

The table below provides information on major wheat[(1)] exporters and wheat export volumes:

	Agricultural Year				
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008[(2)]
	(In thousand tonnes)				
The United States	32.295	28,464	27,424	25,025	33,500
Canada	15,526	15,117	15,616	19,481	14,500
Russian Federation	3,114	7,951	10,664	10,790	12,500
Argentina	7,346	13,502	8,301	12,210	10,000
EU-27	9,834	14,745	15,694	13,873	9,000
Kazakhstan, Republic of	4,217	3,039	3,817	8,000	8,500
Australia	15,096	15,826	15,213	11,241	8,000
China, Peoples Republic of	2,824	1,171	1,397	2,783	2,500
Turkey	854	2,217	2,900	2,000	1,500
Ukraine	**66**	**4,351**	**6,461**	**3,366**	**1,500**
Pakistan	43	50	50	200	1,000
Others	12,260	6,227	5,770	6,065	5,550
World Total	**103,475**	**112,660**	**113,307**	**115,034**	**108,050**

Source: FAS USDA: "Grain World Markets and Trade, March 2008"

Notes:

(1) Wheat statistics include wheat, flour and other products on a grain equivalent basis.

(2) Forecast.

The table below provides information on major coarse grain exporters and coarse grain export volumes:

	Agricultural Year				
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008[(1)]
	(In thousand tonnes)				
The United States	54,078	50,692	61,443	59,210	70,035
Argentina	10,834	14,371	11,243	17,181	16,005
Brazil	6,191	1,457	2,826	8,188	10,650
Canada	3,474	3,217	4,010	3,787	4,800
EU-27	2,159	5,954	3,649	5,490	4,760
Ukraine	**3,811**	**6,465**	**7,444**	**3,941**	**3,510**
Australia	6,752	4,996	5,616	2,024	2,635
Paraguay	548	386	1,314	2,048	1,600
South Africa, Republic of	838	1,553	1,429	456	1,525
Kazakhstan, Republic of	635	107	115	614	1,210
Russian Federation	1,767	1,534	1,450	1,836	1,050
Others	11,291	10,513	7,872	9,277	3,405
World Total	**102,378**	**101,245**	**108,411**	**114,052**	**121,185**

Source: FAS USDA: "Grain World Markets and Trade, March 2008"

Note:

(1) Forecast.

The import market for grains is highly fragmented with Japan being the largest importer of grains, followed by the European Union. Other large importers include Mexico, South Korea, Egypt and Saudi Arabia.

Prices

Prices of all major grains increased significantly during the 2007 calendar year. U.S. wheat prices reached a record high of over U.S.$5.40 per bushel in December 2007, an increase of more than 70% over the year. This price increase resulted from tightened supplies from major exporters including Canada and Australia due to droughts experienced in those countries.

International coarse grain prices have also experienced significant increases over the last year driven by strong demand and tight export supplies. According to Reuters, UK, in February 2008, U.S. corn prices reached levels of over U.S.$5.40 per bushel it highest ever level on the Chicago Board of Trade. Price increases were primarily due to supply shortages in the face of strong demand for the production of ethanol (for which corn is used) in the United States.

The Ukrainian Grain Market

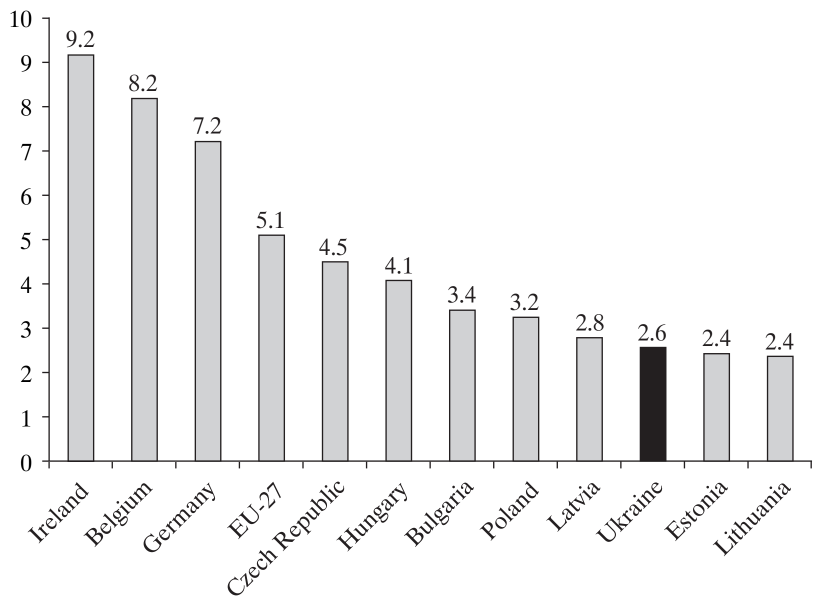
Overview

According to the Agrarian Ministry, Ukraine has approximately 42.9 million hectares of agricultural land and 32.4 million hectares of arable land representing approximately 71% and 54% of country's total land area respectively. Ukraine agricultural land benefits from its extremely fertile black soil (or chernozem) which accounts for about 25% of total world black soil reserves. According to the Agrarian Ministry, in 2007 wheat, barley, corn, sunflowers, sugar beet, soybean, rape and potatoes accounted for 24.3%, 19.3%, 8.5%, 13.4%, 2.5%, 2.6%, 3.5% and 3.6%, respectively, of arable land in Ukraine.

Land under cultivation, and hence grain production, decreased significantly after the collapse of the Soviet Union due to the lack of capital and other resources, the disappearance of farming cooperatives and the absence of incentives for entrepreneurship. In recent years rising demand on the domestic market as well as export markets, the emergence of large farming enterprises and the general revival of the farming industry, have contributed to significant increases in land under crop and grain production.

According to the SCSU, 34.2 million tonnes of grain were harvested in Ukraine in 2006, compared to 51.0 million tonnes in 1991. The average grain yield was 2.4 tonnes per hectare in 2006 as compared to 3.5 tonnes in 1991. The following table shows the wheat yield for European countries in 2006:

Wheat yield for European countries, 2006, tonnes per hectare



Source: Eurostat, Statistical yearbook of Ukraine

Management believes that Ukraine's grain production will increase significantly in the medium to long term and exceed pre-1991 production levels.

Grain Consumption

According to FAS USDA ("*Grain World Markets and Trade, March 2008*"), domestic consumption of wheat in Ukraine is forecast at 12.7 million tonnes for the agricultural year 2007/2008, an increase of approximately 8.5% from the previous year.

Grain exports

Historically wheat and barley have been the main export crops of Ukraine. However, in recent years Ukraine's wheat export volumes have decreased. By contrast export volumes for corn, which has not traditionally been a large export crop for Ukraine, have (except in 2006/2007) been increasing regularly, according to FAS USDA ("*Grain World Markets and Trade, March 2008*").

The major destination of Ukrainian wheat are countries in the EU, especially Spain and Italy, with a 22% share in total wheat exports, and the South-East, the Middle East, including Israel, Libya, Syria, and North Africa, including Algeria, Tunisia, Egypt and Morocco.

In the agricultural year 2006/2007, Ukraine was the second largest exporter of barley behind China. In 2007/2008 it is forecast to be the fourth largest producer behind China, Australia and Canada. Its main market is the Middle East, with Saudi Arabia being the key market, and North Africa.

Regulation of the Ukrainian Grain Market

Legal Framework

The Law of Ukraine "On State Support of Agriculture of Ukraine", dated 24 June 2004 (the "**State Support Law**"), sets out various state policies aimed at supporting the production of agricultural products and the development of the agricultural market in Ukraine. The State Support Law authorises the CMU to specify which grain crops in any given year will be subject to state pricing regulation. Once specified by the CMU, the Agrarian Ministry sets the minimum and maximum purchasing prices for grain crops in Ukraine. The minimum and maximum prices are not mandatory trade prices but are used as benchmarks against which the state will determine whether intervention is necessary to stabilise grain prices in Ukraine. Stabilisation of grain prices is carried out by the Agrarian Fund of Ukraine (the "**Agrarian Fund**"), a state institution.

State Price Stabilisation

Although prices for grain in Ukraine generally follow world prices, the Agrarian Fund usually carries out price stabilisation for a particular grain crop when prices exceed or fall below the maximum or minimum purchasing prices, respectively, by 5% or more.

The Agrarian Fund carries out price stabilisation by conducting forward purchases of grain into the State Food Reserve (established by the Agrarian Fund). In 2008, the Agrarian Fund is required to purchase 803,000 tonnes of wheat and meslin (mix of wheat and rye) and 78,000 tonnes of rye into the State Food Reserve. The 2008 Budget Law allocates UAH 1,623 million (approximately U.S.$321 million) to the Agrarian Fund for this purpose.

When prices for a particular grain crop deviate by more than 20% from the maximum/minimum purchasing prices, the Agrarian Fund may suspend trade in the grain crop and consult with the participants of the grain market. If the consultation process is not successful, the Agrarian Fund may request that the CMU impose mandatory maximum and minimum purchasing prices for all participants in the grain market. If temporary price regulation fails to improve the grain market, the CMU must prepare and submit to the Ukrainian Parliament a draft law for the provision of temporary budget subsidies to Ukrainian grain producers.

The Agrarian Ministry established the following minimum and maximum purchase prices for certain grain crops in the agricultural years between 2006/2007 and 2008/2009.

	Agricultural Year					
	2006/2007		2007/2008		2008/2009	
	UAH	U.S.$	UAH	U.S.$	UAH	U.S.$
			(Price per tonne including VAT)			
Soft wheat						
1st class	850/945	168/187	1000/1087	198/215	1501/1851	297/337
5th class	520/580	103/115	750/815	149/161	967/1193	192/236
Durum wheat						
1st class	935/1040	185/206	1090/1185	216/235	1651/2036	327/403
5th class	570/635	113/126	780/848	155/168	1051/1296	208/257
Rye						
1st class	540/600	107/119	900/978	178/194	1112/1372	220/272
3rd class	400/445	79/88	800/870	158/172	882/1088	175/216

Source: the Agrarian Ministry, except for prices expressed in U.S.$ which are based on MHP's calculations.

The establishment and operation of the domestic grain market is further regulated in detail by the Law of Ukraine "On Grain and Grain Market in Ukraine", dated 4 July 2002. This law defines, among other things, the participants of the grain market, the scope of the state regulation of this market and general requirements for the storage of grain.

Imports and Exports

Import duties are currently imposed on various grain crops pursuant to the Law of Ukraine "On Customs Duty of Ukraine", dated 5 April 2001. The import duty on wheat is EUR 40 per tonne, except for seed wheat, on which there is no import duty. The import duty imposed on corn is equal to 25% of the customs value of imported corn, but no less than EUR 20 per tonne. The import duty imposed on barley, rye, and oats is equal to EUR 20 per tonne.

Exports Quotas for Grain

The CMU is authorised to set quotas for grain exports. For the period from 31 December 2007 until 30 April 2008, the export quota for wheat, barley and rye was set at 603,000 tonnes, representing approximately 2% of the grain crop harvested in 2007. In April 2008, the CMU extended the export quota regime for wheat, barley and rye until 1 July 2008, but increased this quota to 2.1 million tonnes. For the period from 31 December 2007 until 31 March 2008, the export quota for corn was set at 600,000 tonnes. From April 2008, the CMU replaced the export quota for corn with the export licensing regime, to stay in place until 1 July 2008.

Ukraine has committed to abolish grain export quotas following its accession to the WTO. It appears unlikely that the quotas will be lifted in the 2007/2008 agricultural year, although under the WTO arrangements the Ukrainian government should minimise its interference in the grain market during the year by employing other mechanisms to support low prices of socially important bakery products.

Export Quotas for Sunflower Oil

In March 2008, the Ukrainian government introduced export quotas and licensing for sunflower oil in an aggregate amount of 300,000 tonnes for all Ukrainian producers for the period from April 2008 and until 1 July 2008. Although it has been reported that this quota was subsequently increased to 500,000 tonnes, the official text of the relevant government resolution is not yet available and it has not yet officially entered into force. On 16 April 2008, MHP was issued a quota of approximately 8,500 tonnes for export of sunflower oil for this period. MHP believes that when and if the general export quota is increased, its individual quota will be increased as well. On the basis of its current quota, MHP has applied for an export license and expects this license to be issued in the near future. In the three months ending 31 March 2008, MHP produced and sold approximately 21,000 tonnes of sunflower oil (all of which was exported), and expects its production volume of sunflower oil to be approximately the same in the three months ending 30 June 2008. On the basis of pricing and demand in the domestic market and the short-term nature of the export quotas, MHP does not believe that this quota imposition will have a material adverse impact on MHP's financial results.

State Support for Agricultural Producers

As a matter of its state policy, and to enhance the development of its agricultural industry, Ukraine provides various types of support to Ukrainian agricultural producers. The following types of financial support are currently available to Ukrainian agricultural producers:

Tax Exemptions

Fixed Agricultural Tax

Under Ukrainian law, producers of agricultural products are permitted to choose between general and special regimes of taxation with respect to certain taxes. In particular, in accordance with the Law on Fixed Agricultural Tax, agricultural companies engaged in the production, processing and sale of agricultural products may choose to be registered as payers of FAT, provided that their sales of agricultural goods of their own production account for more than 75% of their gross income. FAT is paid in lieu of corporate income tax, land tax, duties for special use of water objects, municipal tax, duties for geological survey works and duties for trade patents. The amount of FAT payable is calculated as a percentage of a deemed value of all of the land plots (determined as of 1 July 1995) leased or owned by a taxpayer. This tax exemption is effective until 31 December 2009.

State Subsidies

VAT Refunds for the Agriculture Industry

According to the VAT Law, Ukrainian agricultural companies are entitled to retain the difference between input VAT paid on items purchased by such companies for their operations and VAT charged on their agricultural products sold (currently at the rate of 20%). The amounts so retained are transferred to special bank accounts and may be used for payments for goods and services related to the company's agricultural activities. This VAT refund benefit was received by MHP during 2005, 2006 and 2007 and continues to be available to MHP. The VAT retention benefit will be available until 1 January of the year subsequent to the year of Ukraine's accession to the WTO, which will take place on 16 May 2008. Accordingly, it will end on 1 January 2009.

The precise scope of the state subsidies described below depends on the funds allotted for these purposes in the state budget for the relevant year.

Government Grants Related to Processing of Animal Products

Agricultural producers which breed poultry and cattle are entitled to state subsidies for every item of poultry or cattle either slaughtered at their own (owned or leased) facilities or transferred for slaughtering and processing to other entities. As from 1 January 2008, financial support for bred and slaughtered cattle and poultry is granted in the following amounts: UAH 0.65 (U.S.$0.13) per kilogramme of chicken, UAH 0.90 (U.S.$0.18) per kilogramme of duck, goose or turkey, UAH 1.90 (U.S.$0.38) per kilogramme of beef and UAH 1.40 (U.S.$0.28) per kilogramme of pork, in each case based on live weight at time of slaughter.

Government Grants Related to Breeding Programmes

The 2008 Budget Law allocates UAH 125.0 million (U.S.$24.75 million) for support of agricultural companies engaged in chicken and cattle breeding. Most of these funds are made available to state-owned companies having the status of a pedigree plant, selection centre or pedigree poultry farm. However, private agricultural companies with a similar status (such as MHP) are also entitled to subsidies or partial compensation of costs incurred in connection with pedigree resources.

Government Grants Related to Crop Growing

The amount of this type of subsidy is calculated based on the size of the area on which a particular crop has grown. In particular, the companies growing spring sugar beets for the Ukrainian market receive subsidies of UAH 550 (U.S.$108.9) per hectare of planted area, those growing spring rice receive subsidies of UAH 220 (U.S.$43.6) per hectare, those growing spring or winter wheat, rye, triticale (a hybrid of rye and wheat), oats, peas, buckwheat and millet receive subsidies of UAH 100 (U.S.$19.8) per hectare and those growing spring soy beans receive subsidies of UAH 80 (U.S.$15.8) per hectare. The companies wishing to receive these subsidies are required to satisfy two conditions: (i) at least 20% of one of the specified spring crops should be insured, and (ii) they must sell at least 20% of wheat and rye they have grown at the Ukrainian official market. Although MHP meets this condition, it currently does not maintain insurance for spring crops at every one of its crop growing facilities due to its unavailability, or unavailability at economically viable prices, in certain locations; however, it intends to maintain such insurance in the future to the extent it is available.

A state subsidy is also available for entities engaged in plant breeding. In addition, the state covers 50% of the premiums paid by such entities to insurance companies for insuring certain agricultural crops, including wheat, rye, corn, soy beans and sunflower.

Partial Compensation for Finance Costs and Other Subsidies

The state partially subsidises interest paid by agricultural producers on loans received from Ukrainian commercial banks. The amounts of such subsidies are determined annually in the budget for the relevant year and are currently limited to amounts equal to interest rates established by the NBU at 10% for loans in hryvnia and 6% for loans in foreign currency. The state also partially subsidises agricultural machinery purchased by agricultural producers. Agricultural producers are required to meet certain conditions to qualify for these subsidies.

BUSINESS

Overview

MHP is one of the leading agroindustrial companies in Ukraine, focussing on the production of chicken meat under the brand name "Nasha Ryaba" and, to an increasing extent, the cultivation of various grains. MHP is the leading poultry company in Ukraine, accounting for approximately 36% of all chicken meat commercially produced in Ukraine in 2007, according to SCSU. MHP also has an important and expanding grain operation with what Management believes to be one of the largest agricultural land portfolios in Ukraine. In aggregate, MHP leases approximately 148,500 hectares of land for its operations, of which approximately 110,000 hectares are used for grain production. In addition, MHP produces and sells sunflower oil as a by-product of its fodder production, as well as beef, sausages, cooked meats, convenience food products, goose meat, foie gras, fruit and potatoes.

In 2007, MHP had revenues from continuing operations of UAH 2,412.1 million (U.S.$477.6 million) and profit from continuing operations of UAH 236.8 million (U.S.$46.9 million). Chicken and grain sales accounted for approximately 59.4% and 8.1%, respectively, of MHP's revenues from continuing operations in 2007. MHP has grown significantly in recent years. As at 31 December 2007, MHP's total assets were UAH 4,810.3 million (U.S.$952.5 million) as compared to assets of UAH 1,934.2 million (U.S.$383.0 million) as at 31 December 2005.

MHP's facilities are amongst the most technologically advanced in Ukraine:

- *Chicken production facilities.* MHP operates vertically integrated chicken production facilities comprising four chicken farms, which produced approximately 190,800 tonnes of chicken meat in 2007 as compared to approximately 139,400 tonnes in 2005. The chicken farms are serviced by two breeder farms (at which hatching eggs are produced), three fodder mills and 11 distribution centres. Management believes this vertical integration allows MHP to reduce production and transportation costs, better coordinate and control the various stages of production, reduce delivery times for its end products and improve the overall quality of its products. In addition, each of MHP's chickens is hatched, grown out and processed within the same chicken farm, providing a significant biosecurity advantage over other industrial producers which acquire chicks or chickens from third parties for growout and processing. In line with industry practice MHP acquires its breeder flocks from independent producers in Germany. MHP is significantly expanding its facilities through the construction of the Myronivka chicken farm complex in the Cherkasy region which is expected to be fully operational at an annual capacity of 200,000 tonnes of chicken meat in late 2009. MHP completed the first phase of construction of Myronivka, and since October 2007 it has been operating at the design capacity of that first phase of 100,000 tonnes of chicken meat per year. MHP also produces convenience food products at its MMPP facility, which is one of the largest and most technologically advanced convenience food facilities in Ukraine.
- *Grain growing facilities.* MHP currently leases approximately 110,000 hectares of land at its five principal grain growing facilities to cultivate corn in support of its chicken operations and, to an increasing extent, other grains such as wheat and rape for sale to third parties. In 2007, MHP produced approximately 476,000 tonnes of grain. MHP intends to expand its grain growing capacities by approximately 20–25% annually through acquisitions of rights to additional land plots in Ukraine, concentrating on fertile "black soil" areas in proximity to its existing facilities.
- *Other agricultural facilities.* MHP operates facilities for the production of beef, sausages, cooked meats, goose meat, foie gras, fruit and potatoes. These facilities utilise approximately 36,000 hectares of leased land.

MHP distributes its chicken products through branded franchise points of sale and on a wholesale basis directly to retailers, including supermarkets and hypermarkets, foodservice businesses and industrial producers. In 2007, approximately 60% and 30%, respectively, of MHP's chicken and other meat products were sold through branded franchise points of sale and to other retailers, including supermarkets. MHP sells most of its chicken products under the "Nasha Ryaba" brand. MHP also sells convenience food products under the "Lehko!" brand, premium beef under the "Certified Angus" brand, foie gras under the "Foie Gras" brand and sausages under the "STOV Druzhba Narodiv" brand. MHP sells its grains through the spot markets exclusively within Ukraine. MHP's other meat products are sold principally to retailers and supermarkets.

Competitive Strengths

Management believes that MHP benefits from the following competitive strengths:

- ***Leading market position in a large and growing market for poultry products.*** MHP is the leading producer of poultry products in Ukraine, with a 2007 market share for commercially produced chicken meat of approximately 36%, according to SCSU. Management expects the annual consumption levels for poultry in Ukraine to continue to grow in the short- to medium term. Management believes that MHP's established market position and reputation for quality enhance its bargaining position with respect to MHP's national retail customers. MHP's scale also helps it to realise production and marketing economies of scale, and positions MHP to capitalise on the expected continued growth and development of the Ukrainian market. Management also believes that MHP enjoys a competitive advantage over potential new entrants due to the significant time and investment that would be required for a new entrant to achieve a comparable market position.

- ***Strong brands.*** MHP has strong brands in the consumer markets in which it operates. Based on research conducted by GfK in February 2008, unprompted brand recognition of MHP's "Nasha Ryaba" brand was 92%, and prompted brand recognition was 100%. MHP also has several other national and regional brands for processed meat products. Management believes that its brands are perceived as representing the highest quality and greatest reliability thereby helping to support a strong pricing strategy. MHP intends to continue to focus its marketing efforts on enhancing the value of its brands, particularly "Nasha Ryaba".

- ***Vertically integrated operations which reduce costs and enhance quality control.*** MHP owns and operates each of the key stages of chicken production processes, from feed grains and fodder production to egg incubation and growout to processing, marketing, distribution and sales (including through MHP's franchise outlets). In 2007, MHP internally produced all of the hatching eggs for its chicken operations and all of its fodder. Based on its 2007 harvest, MHP expects to source internally approximately 60% of the corn used for fodder during the 2007-2008 agricultural year. In addition, MHP's land plots are consolidated at five principal farms, four of which are in close proximity to MHP's chicken production facilities. The consolidated nature of MHP's land plots and their proximity to MHP's storage, fodder production and chicken facilities enable MHP to achieve economies of scale and support vertical integration due to efficient use of machinery and reduced transport and storage costs. MHP also uses chicken droppings as a fertiliser on approximately 50% by area of its grain growing facilities. Vertical integration reduces MHP's dependence on suppliers and its exposure to increases in raw material prices. Management believes this is particularly important in developing markets, such as Ukraine, to avoid supply interruption and price volatility. Management believes that vertical integration also creates synergies in a number of other areas, reducing per unit costs. In addition to cost efficiency, vertical integration also allows MHP to maintain strict biosecurity and to control the quality of its inputs and the resulting quality and consistency of its products through to the point of sale.

- ***Expanding grain operations allow MHP to benefit from increases in grain prices.*** MHP's current business developed from its grain trading activities in 1999 and 2000, when MHP was one of the leading grain traders in Ukraine. MHP currently grows corn, to support the vertical integration of its chicken production and, increasingly, other grains such as wheat and rape for sales to third parties, on approximately 110,000 hectares of leased land. In 2007, MHP produced 476,000 tonnes of grain, compared to 291,000 tonnes in 2006. MHP leases agricultural land located primarily in the highly fertile black soil regions of Ukraine. Black soil has a significant percentage of organic matter, and Management believes that the quality of MHP's land plots enables it to minimise its fertiliser and fuel costs. Management believes that its grain operations help MHP to exercise strict cost control over its chicken operations, to take advantage of Ukraine's widely-recognised potential as a country with fertile grain-growing soils and to provide MHP with an opportunity to benefit from increases in grain prices through increasing sales to third parties of wheat and rape. Furthermore, once the current moratorium on sales of agricultural land in Ukraine is lifted, MHP will have a priority over third parties to acquire ownership of the plots it currently leases, thereby giving MHP a competitive advantage over new entrants into the Ukrainian grain cultivation market.

- ***Diversified sales structure.*** In 2007, approximately 60% and 30%, respectively, of MHP's chicken products were sold through branded franchise points of sale and to retail chains. MHP operates an extensive branded franchise network, which Management believes is unique among Ukrainian food businesses, consisting of 2,011 franchise points of sale as of 31 March 2008. In recent years, major supermarket chains have become an increasingly important distribution channel for MHP's food products in Ukraine, and MHP expects sales through these chains to increase further. MHP is the preferred supplier of chicken and various other meat products to a number of nationwide supermarket chains, including Furshet, Velyka Kyshenya and Metro, enabling MHP's product availability and penetration and therefore sales to increase as these retailers continue to expand throughout Ukraine. MHP believes that its diversified sales structure helps to broaden its customer base and to achieve better pricing by creating a competitive balance between its principal distribution channels.

- ***Developed distribution network.*** To support its sales, MHP maintains a distribution network consisting of 11 distribution and logistical centres, within major Ukrainian cities. MHP uses its trucks for the distribution of its products, which Management believes reduces overall transportation costs and delivery times. MHP's distribution and logistical centres also provide general support to MHP's franchisees and monitor franchisees' compliance with MHP's retail standards. Management believes that MHP's extensive distribution network helps it to enhance its overall customer service, and to secure its market positioning, by ensuring quality, reliability and timely product delivery and increases the overall availability of MHP's products.

- ***High biosecurity standards.*** MHP employs strict biosecurity measures throughout its entire poultry production process, from breeding to poultry production, as well as fodder production facilities in order to minimise the risk of contamination and disease at its chicken production facilities. These measures include, amongst other things, keeping chickens within indoor production facilities, employing multi-site farming, disinfecting vehicles entering production areas, regularly monitoring the health of livestock and employees and providing the means to trace each batch of chicken to its production facility. In addition, unlike many other producers which acquire chicks or chickens from third party suppliers, MHP's chickens are typically hatched, grown-out and processed within a single chicken farm. Management believes MHP's biosecurity system not only complies with Ukrainian legislation but is in line with international best practices. In addition, MHP imposes strict hygiene standards on its franchisees and monitors compliance with these standards through continuous random inspections. In addition, MHP complies with the high hygiene standards of its retail customers. MHP has never been, and is not being, required to recall any of its products and has not experienced any claims relating to food quality issues.

- ***Modern technology.*** MHP employs advanced technologies at its various production facilities, and Management believes that MHP's chicken farms, grain cultivation, fodder and convenience food production facilities are amongst the most modern in the world. Much of MHP's production process is automated, which ensures and promotes consistently high-quality products in a cost-effective manner. MHP is currently introducing new gas-packaged chicken products to the market which are expected to have a longer shelf life. MHP sources the equipment for its chicken production facilities from leading European suppliers, including Big Dutchman (Germany), MOBA (Netherlands), VDL (Netherlands), Meyn Food (Netherlands), Pas Reform (Netherlands), CFS (Netherlands), Sprout Matador (Denmark), Harlev (Denmark) and Buhler AG (Switzerland). Management believes that the benefits of its modern equipment and advanced technologies are reflected in MHP's favourable performance indicators (including chicken survival rate) and production costs. MHP also applies modern farming practices supported by modern machinery in its grain cultivation business, which helps it to optimise yields and to reduce wastage and consumption of fuel.

- ***Focus on consumer-driven innovation.*** MHP was the first to introduce a number of value-added products to the Ukrainian market, including its "Lehko!" line of convenience food products and meat snacks, as well as delicacies such as foie gras and its premium "Certified Angus" beef products. MHP has also been a leader in retailing and packaging innovation, such as its branded franchise "Nasha Ryaba" network. Management believes that these consumer driven innovations address a shifting trend among consumer preferences in Ukraine toward healthier, higher quality and convenient food consumption.

- ***Experienced management team and industry expertise.*** MHP has been active in agricultural operations since 1998 and MHP's founder, Mr Kosyuk, was one of the first to capitalise on opportunities in the Ukrainian agricultural market following Ukraine's transition to a market economy. Most of MHP's senior management team comprised of experienced highly motivated professionals who have worked closely and effectively together, have been with MHP since 1998, when MHP started its grain trading activities and have over 100 years of combined agro-industry experience. Management believes that MHP's agro-industry expertise will help it to identify and capitalise on additional opportunities in the future.

Strategy

MHP's overall objective is to maintain and expand its position as one of the leading agroindustrial companies in Ukraine, while strengthening its position as the leading Ukrainian poultry production company and developing its grain cultivation operations. Key elements of its strategy include:

- ***Expanding chicken production capacity.*** In order to meet the expected growth in demand, MHP has begun and already completed the first phase of its expansion programme to substantially increase its annual poultry production capacity to 350,000 tonnes by 2010. This represents an increase of approximately 146% above 2006 and approximately 83% above production 2007 levels. As part of this programme, MHP is continuing to develop the Myronivka chicken farm, which is expected to be the largest in Ukraine and one of the largest chicken farms in Europe. MHP is also developing additional breeding and hatching facilities and expanding its capacity for the production of fodder. Myronivka is expected to be fully operational at an annual capacity of 200,000 tonnes of chicken meat in late 2009. MHP is also currently considering construction of an additional chicken farm in the Vinnytsya region following the completion of its Myronivka project. As a result of its expansion programme, MHP expects to achieve further economies of scale and to decrease its per unit operating costs. See "—Overview of Operations—Chicken Operations—New Production Facilities for Chicken Operations" below.

- ***Expanding capacity for grain production.*** In light of world prices and demand, MHP intends to further expand its grain cultivation capacities by acquiring rights to additional high-yielding land plots throughout Ukraine, particularly in areas near its existing grain production facilities. In the short- to medium term, MHP intends to expand its grain growing capacities by approximately 20–25% annually through acquisitions of rights to additional land plots in Ukraine, concentrating on fertile soils in proximity to its existing facilities. Management believes that increased grain production also complements MHP's chicken capacity expansion programme, in line with MHP's plans for continued vertical integration. In addition, expanded grain operations would position MHP to capitalise on any further increases in grain prices through its sales of grain to third parties. Once the current moratorium on sales of agricultural land in Ukraine is lifted, MHP will consider the acquisition of ownership rights both to the plots it currently leases, pursuant to its priority rights to acquire such plots, and of additional plots.

- ***Increasing vertical integration.*** MHP perceives vertical integration as key to maintaining consistently high quality standards and reducing costs by realising economies of scale. MHP aims to become self-sufficient in corn requirements for its poultry production in the 2008/2009 agricultural year and onwards. In addition, MHP intends to continue to find complementary uses for the various by-products of its production processes. For example, it is currently using sunflower husks from oil pressing as a fuel to generate steam energy for one of its fodder plants and intends to continue to increase its self-sufficiency in energy resources.

- ***Continue to develop MHP's distribution network and customer base.*** MHP plans to further develop its distribution network through opening of additional distribution centres in major Ukrainian cities to capture additional retail shelf space, improve geographic coverage and increase product availability and visibility. Management believes that MHP will benefit from its position as a significant supplier of chicken and other meat products to Ukraine's modern supermarket chains as these chains continue their rapid national expansion. Management also believes that the quality and leading position of its "Nasha Ryaba" branded products will also assist MHP's bargaining position with these supermarket chains and will help MHP in its goal of maintaining its position as their supplier of choice for a wide range of chicken and other meat products.

- ***Continued agroindustrial diversification.*** MHP has continually sought to develop new business lines and intends to continue this focus on producing value-added products, such as new convenience food products under its "Lehko!" brand, in order to further improve its sales margins and to strengthen its brands. As part of this diversification strategy, MHP is currently considering further development and expansion of its meat processing facilities and intends to maintain its beef and pork production facilities to position MHP to capitalise on future growth as these markets develop in Ukraine.

History

MHP was established in 1998 as Closed Joint-Stock Company "Myronivsky Hliboproduct". The establishment of MHP was initiated by Yuriy Kosyuk, who has since managed MHP and is currently the Company's Chief Executive Officer. Prior to the Offering Mr Kosyuk was the Company's sole beneficial shareholder. Set forth below are the significant milestones in the development of MHP.

1998 MHP obtained a controlling stake in MFC, as a result of which it became one of the leading domestic grain traders in Ukraine.

1999 MHP began chicken production at its newly-established Peremoga chicken farm and over the next five years developed its vertically integrated chicken production operations through the addition of two chicken farms (Druzhba Nova and Oril Leader) and two chicken breeding facilities (Starynska and Shahtarska).

2002 The "Nasha Ryaba" brand was introduced for fresh chicken meat.

2003 The "Nasha Ryaba" branded franchising programme was launched. In December 2003, MHP became the first Ukrainian business to receive a loan from IFC for the expansion and modernisation of its production facilities.

As part of its diversification strategy, between 2003 and 2006, MHP launched several new business initiatives, including selling foie gras and goose meat products, producing pork, sausages and cooked meats, cultivating potatoes, corn, sunflower, wheat, rye and other crops, and breeding and raising pedigree cattle to produce high quality beef products under MHP's "Certified Angus" brand.

2004 As part of its vertical integration strategy, a sunflower processing factory was established at MFC to produce vegetable protein from sunflower seeds for use in mixed fodder. MHP also began selling sunflower oil, a by-product of the protein production.

2005 Zernoproduct, a corn, wheat, barley and sunflower farm established in 2004 as a joint venture by Snyatynska joined the MHP group. Katerynopilsky Elevator, a fodder mill and feed grains storage facility was also added. These initiatives increased MHP's control over its fodder production and produced grain for third party sales. In May 2005, MHP established Zavod ZBV to produce pre-cast concrete panels for the construction of poultry houses.

2006 The Company was incorporated on 30 May 2006, under the laws of Luxembourg to serve as the ultimate holding company for MHP.

In January, MHP completed the construction of MMPP, one of the largest and most technologically advanced facilities for the production of convenience food products in Ukraine. MHP began producing chicken, beef and pork convenience food products under the "Lehko!" brand at this facility. In addition, pursuant to its strategy for increased grain production, MHP acquired a grain farm, Urozhay, and established two additional grain farming companies Lypivka and Agrofort.

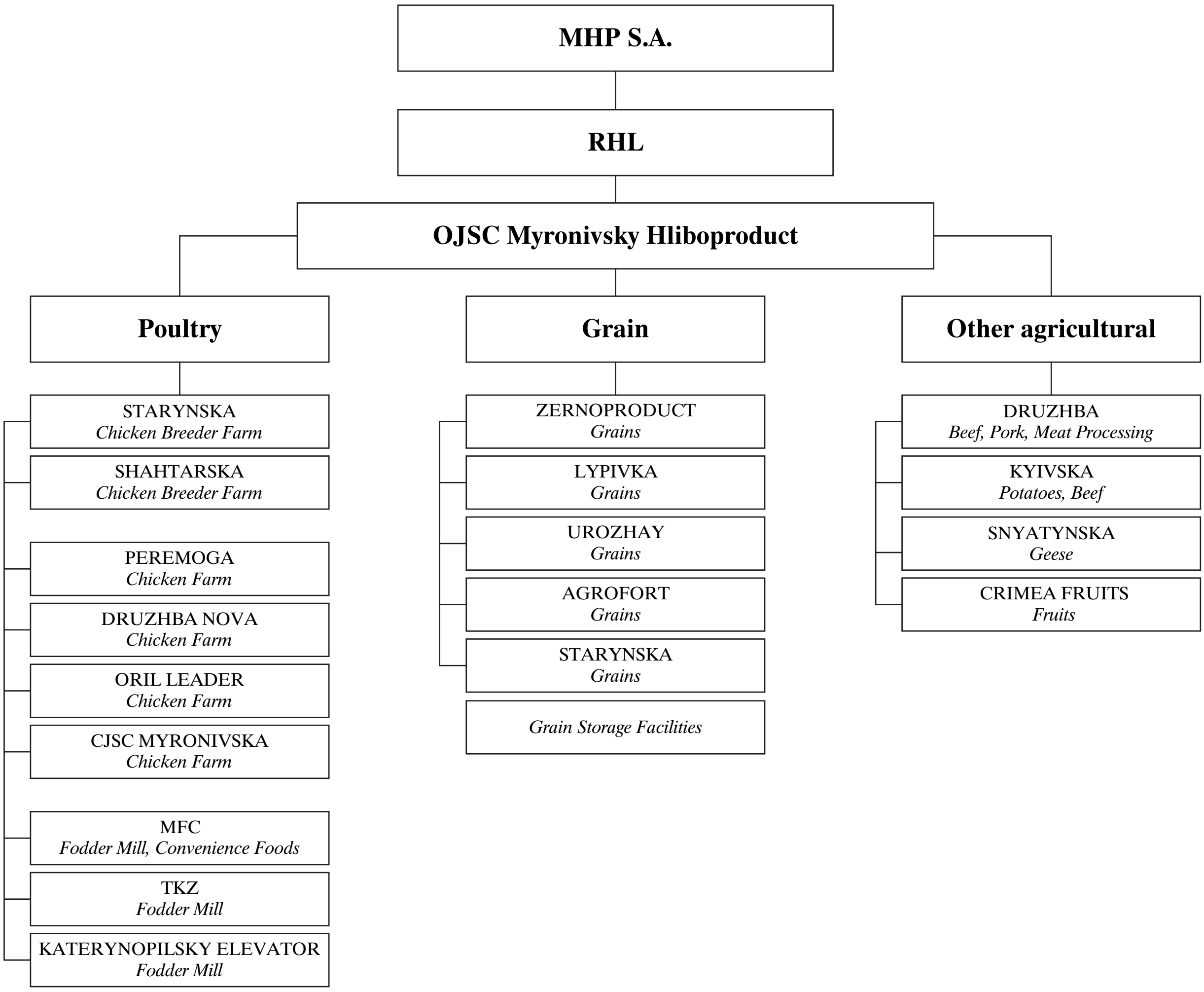
MHP completed the acquisition of majority stakes in: (i) Kyivska, which primarily breeds cattle and grows potatoes; (ii) Druzhba, a producer of sausages and beef; and (iii) Crimea Fruits, which cultivates and sells apples, pears, peaches, plums, sweet cherries, grapes and strawberries.

On 30 November 2006, the Company completed a U.S.$250 million offering of high yield notes listed on the London Stock Exchange.

2007 The first phase of the Myronivka chicken farm started operating at the design capacity of that first phase in October 2007. It is located near Kaniv in the Cherkasy region and, once it becomes fully operational in 2009, is expected to be the largest facility by production volume in Ukraine's chicken meat sector. MHP also expanded its Starynska breeding farm and installed two new fodder production lines at its Katerynopilsky Elevator facility to ensure sufficient supply of hatching eggs and fodder to the Myronivka chicken farm.

Organisational Structure

The Company, which is incorporated in Luxembourg, is the holding company of the MHP group of companies. MHP conducts its business in Ukraine through a number of direct and indirect subsidiaries. See "General Information". The chart below shows MHP's business (but not legal) structure:



Products

MHP's core business is the production of chicken products, which accounted for approximately 59.4% of MHP's revenues from continuing operations in 2007. In addition, MHP cultivates corn which is used in the production of fodder for its chicken operations, as well as wheat and rape for sales to third parties. MHP also produces sunflower oil, convenience food products, sausages, cooked meats, beef, goose meat and foie gras, fruit and potatoes. MHP had gas trading activities in 2005 and 2006 but discontinued these activities in March 2007. The following tables provide information about MHP's sales volumes and revenues from the sales of its principal products.

	Year ended 31 December								
	2005			2006			2007		
	Amount		Percentage of MHP total revenues from continuing operations	Amount		Percentage of MHP total revenues from continuing operations	Amount		Percentage of MHP total revenues from continuing operations
	UAH	U.S.$(1)	%	UAH	U.S.$(1)	%	UAH	U.S.$(1)	%
	(In thousands, except percentages)								
Poultry and poultry-related products	**1,346,182**	**266,571**	**100%**	**1,341,397**	**265,623**	**84.4%**	**1,943,567**	**384,865**	**80.5%**
Chicken meat	1,114,469	220,687	82.8%	1,063,301	210,555	66.9%	1,433,366	283,835	59.4%
Sunflower oil	150,230	29,749	11.2%	193,476	38,312	12.2%	338,490	67,028	14.0%
Other poultry-related products(2)	81,483	16,135	6.0%	84,620	16,756	5.3%	171,711	34,002	7.1%
Grains	**—**	**—**	**—**	**87,436**	**17,314**	**5.5%**	**194,376**	**38,490**	**8.1%**
Other agricultural products	**—**	**—**	**—**	**160,105**	**31,704**	**10.0%**	**274,190**	**54,295**	**11.3%**
Other meat and meat products(3)				106,930	21,174	6.7%	174,343	34,523	7.2%
Other agricultural products(4)	—	—	—	53,175	10,530	3.3%	99,847	19,771	4.1%
Total revenue from continuing operations	**1,346,182**	**266,571**	**100%**	**1,588,938**	**314,641**	**100%**	**2,412,133**	**477,650**	**100%**

	For the year ended 31 December		
	2005	2006	2007
	(tonnes)		
Poultry and poultry-related products			
Chicken meat (adjusted weight)	128,566	129,012	172,170
Sunflower oil	50,025	70,672	88,144
Convenience food products	—	2,354	3,808
Grains	—	162,270	229,390
Other agricultural products			
Other meat and meat products(3)	—	8,273	13,561
Goose meat and fois gras	—	668	890
Fruit and potatoes	—	7,280	13,130

Notes:

(1) The U.S. dollar amounts presented in the table above have been translated solely for the convenience of the reader using the rate published by the NBU on 31 December 2007 of UAH 5.05 to U.S.$1.00. No representation is made that the hryvnia or dollar amounts referred to herein could have been or could be converted into hryvnia or dollars, as the case may be, at these rates, or any other particular rate at all. See "Presentation of Financial and Other Information".

(2) Other poultry related sales include sales of mixed fodder to third parties and, from commencement of sales, convenience food products.

(3) Sales of other meat include sales and, prior to 31 March 2006, re-sales of beef, pork, sausages and cooked meats produced by Druzhba. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reorganisation of MHP".

(4) Other agricultural sales include sales and re-sales of goose meat, foie gras, fruits and potatoes.

Set forth below is a description of each of MHP's principal products.

Poultry and Poultry Related Products

Chicken Meat

MHP produces an extensive range of chicken products, comprising primarily chilled products and some frozen chicken products. MHP sells its chilled chicken products through its branded franchise network and also on a wholesale basis directly to retailers, including supermarkets, foodservice customers (hotel, restaurant or cafeteria operators, or "**HoReCa**") and industrial producers. Substantially all of MHP's chilled chicken products are sold under the "Nasha Ryaba" brand and to date MHP has not entered into private-label arrangements with any of its customers. MHP also markets its value-added convenience chicken products under the "Lehko!" brand. Sales of chicken meat accounted for approximately 82.8%, 66.9% and 59.4% of MHP's revenues from continuing operations in 2005, 2006 and 2007, respectively.

The following table sets forth production information for MHP's chicken operations in 2005, 2006 and 2007:

	2005	2006	2007
Chicken (processed weight), tonnes	139,400	142,016	190,775
Chicken (adjusted weight), tonnes(1)	130,197	133,260	172,650

Note:

(1) Represents production volume in line with industry standards, which adjusts for the price of by-products. The production volumes used throughout this document (other than in this table) are not adjusted and represent the actual tonnage of chicken meat, including by products, which is produced.

Nasha Ryaba Products

"Nasha Ryaba" is MHP's flagship brand and the brand used for substantially all of MHP's packaged and unpackaged chilled chicken products. It was launched in 2002 and today is one of the most well-known brands in Ukraine according to GfK. MHP's "Nasha Ryaba" products consist of the following:

- *Unpackaged products.* There are currently 19 different unpackaged Nasha Ryaba products, including whole chicken, chicken portions and a variety of ancillary products. These products are delivered to franchisees and other retailers, including supermarkets, and sold "loose" to customers under various types of point of sale branding and branded price stickers. This is the way in which most chicken meat is traditionally purchased in Ukraine.
- *Packaged products.* There are currently nine different packaged Nasha Ryaba products, including chicken portions and ancillary products. The main advantage of packed products is their longer shelf-life, which is achieved with vacuum technology and the use of multi-layer barrier film.
- *"Appetising" range products.* There are currently five lines within the Nasha Ryaba "appetising" range of packaged chicken products, each of which is raw and marinated in spices. These products are sold as whole chickens or portions under the "Nasha Ryaba Appetising" label. Sales of products in this range began in May 2004.

Frozen Unbranded Chicken

To manage mismatches in supply and demand, MHP freezes some of its chicken meat and sells it as frozen unbranded whole chickens and chicken portions primarily domestically to industrial producers that further process chicken or use chicken as an ingredient in their products. From time to time, MHP exports insignificant amounts of frozen chicken meat to customers in Kazakhstan.

Sunflower Oil

In 2007, MHP produced, as a by-product of its fodder production process, approximately 89,300 tonnes of high-quality unrefined edible sunflower oil. MHP began producing sunflower oil in 2004 following its decision to process sunflower seeds to produce vegetable protein for its fodder requirements. Sales of sunflower oil accounted for approximately 11%, 12% and 14% of MHP's revenues from continuing operations in 2005, 2006 and 2007, respectively.

In 2007, all of MHP's sunflower oil was sold through international traders to export markets and generated revenue of UAH 338.5 million (U.S.$67 million).

Convenience Food Products

MHP is the only Ukrainian industrial producer of chicken- and beef-based convenience food products that are pre-cooked. MHP began selling its convenience food products for the mass consumer market under the "Lehko!" brand, as well as unbranded convenience food products, in January 2006. MHP produces a wide assortment of high quality products at affordable prices and is available in supermarkets and at Nasha Ryaba branded franchise outlets. The "Lehko!" range consists of a variety of convenience food products, from raw (marinated) to pre-cooked. There is currently 11 items in the "Lehko!" range including, among other items, chicken nuggets, chicken Kiev, beef minced meat, hamburgers and cutlets. Unbranded convenience food products include cutlets, nuggets and marinated and breaded chicken parts.

Grains

Since 2006, MHP has been producing a variety of grains, including corn (and some sunflower seeds) for use in its chicken operations, and wheat and rape for sale to third parties. In 2007, MHP produced approximately 406,600 tonnes of grains. Sales of grains (after eliminating intersegment sales) accounted for approximately 5.5% and 8.1% of MHP's revenues from continuing operations in 2006 and 2007, respectively.

MHP implements a crop rotation scheme in order to increase productivity and achieve long-term operational efficiency. Each field is cultivated with different crops in a fixed rotation plan, which ends with a fallow period to allow the soil to recover. The use of the crop rotation scheme ensures that the land is cropped without exhausting the soil and the use of chemical fertilisers and pesticides is minimised. As a result the hectarage under cultivation for the various grain types varies from year to year.

MHP currently focuses on the following crops:

- *Corn,* which is a major feed grain grown throughout the world in temperate and warm climates. In 2006/2007 agricultural year, MHP cultivated corn on approximately 36,280 hectares of land. Corn is seeded in spring and the harvest starts in the middle of September. All of MHP's corn production is used in the manufacture of fodder for its chicken and other meat products.
- *Winter wheat* has higher yielding characteristics than spring crops due to its better established root system. In 2006/2007 agricultural year, MHP cultivated wheat on approximately 20,330 hectares of land. Winter wheat is seeded and starts to grow in the autumn, lies dormant during the winter and is usually harvested at the end of July.
- *Sunflowers* have good drought resistance characteristics and therefore have an important role in the overall crop mix. In 2006/2007 agricultural year, MHP cultivated sunflowers on approximately 11,500 hectares of land. Sunflowers are seeded in spring and the harvest starts in September.
- *Winter rape* is primarily used for producing vegetable oil and biodisel and has higher yielding characteristics than spring crops due to its better established root system. In 2006/2007 agricultural year, MHP cultivated rape on approximately 6,045 hectares of land. Winter rape is usually harvested in early or mid-July, which enables MHP to sow winter wheat on the same fields for the next year thus improving the efficiency of crop rotation system.

Other Agricultural Products

Sausages and Cooked Meat

From its Druzhba facility located in the Crimea, MHP produces and sells to the national market various types of pork and beef sausages, including wiener sausages and frankfurters, as well as smoked and semi-smoked sausages and ham. MHP sells these products primarily on a wholesale basis to food service customers and supermarkets. While most of MHP's processed meat products are sold under the "STOV Druzhba Narodiv" brand, MHP is currently working with one of its supermarket customers to establish a joint private label for some of its processed meat products.

Beef Products

In 2004, MHP began selling premium beef products under the "Certified Angus" brand. There are currently 11 Certified Angus products, including raw steaks and meat for roasting and stewing. Beef is sold after it has been refrigerated, vacuum packed and matured. MHP's "Certified Angus" products are principally sold on a wholesale basis to food service customers and supermarkets.

Goose Meat and Foie Gras Products

MHP is the only industrial producer of goose meat and foie gras in Ukraine. Gourmet foie gras, both chilled and frozen, is sold under MHP's "Foie Gras" brand. MHP also produces high quality goose meat, which is sold unbranded through supermarkets and other food stores. MHP also buys and sells insignificant amounts of duck meat.

Potatoes and Fruit

MHP cultivates and sells potatoes, which are sold directly to supermarkets and to wholesale distributors. At its Crimea Fruits facility located in the Crimea region, MHP principally cultivates apples, as well as pears, peaches, grapes, strawberries, plums and sweet cherries.

Overview of Operations

Poultry and Poultry Related Operations

The table below sets forth certain information on MHP's principal facilities for its poultry and poultry-related operations.

Operating Company	Location	Year Joined MHP	Indicative Production Capacity[1] (Annual)	2007 Output	Employees[2]
Breeder Farms					
Starynska	Kyiv region	2001	115.7 million hatching eggs	91.7 million hatching eggs/1,628 tonnes processed meat[3]	862
Shahtarska	Donetsk region	2003	45 million hatching eggs	44.9 million hatching eggs/890 tonnes processed meat[3]	438
Chicken Farms					
Peremoga	Cherkasy region	1999	12 million chickens	12.4 million chickens/26,600 tonnes processed meat	739
Druzhba Nova	Crimea	2001	30.8 million chickens	33.4 million chickens/71,500 tonnes processed meat	1,415
Oril Leader	Dnipropetrovsk region	2004	25 million chickens	26.3 million chickens/55,400 tonnes processed meat	1,349
Myronivka	Cherkasy region	2007[4]	47 million chickens	16.9 million chickens/37,300 tonnes processed meat	1,621
Convenience Food Production					
MMPP[5]	Kyiv region	2006	30,000 tonnes	4,085 tonnes	223
Fodder Production					
MFC	Kyiv region	1998	440,000 tonnes	314,413 tonnes	663[6]
TKZ	Kherson region	2004	220,000 tonnes	187,148 tonnes	223
Katerynopilsky Elevator	Cherkasy region	2005[7]	600,000 tonnes	103,082 tonnes	295[8]
Sunflower Oil Production					
MFC	Kyiv region	2004	134,400 tonnes	89,297 tonnes	114[6]

Notes:

(1) Unless indicated otherwise, production capacity is stated as of 31 March 2008. The actual output of MHP's chicken farms may exceed their production capacity due to variable survival rates and levels of production of hatching eggs. The stated production capacity of MHP chicken farms is based on MHP's 2007 survival rate of 96% and a hatch rate of 80%.

(2) As of 31 March 2008.

(3) Breeder meat production only.

(4) MHP completed the first phase of construction of this facility, and it commenced operations in October 2007. This farm is expected to be fully operational at an annual capacity of 200,000 tonnes in late 2009. See "—New Production Facilities for Chicken Operations" below.

(5) In addition to chicken-based convenience food products, this facility also produces beef- and pork-based convenience food products.

(6) At MHP's MFC facility there are 777 employees who collectively staff the MFC fodder production, sunflower oil production and feed grains storage facilities. See "—Grain Cultivation and Storage" below.

(7) MHP began producing fodder at its Katerynopilsky Elevator facility in May 2007.

(8) At MHP's Katerynopilsky Elevator facility there are 295 employees who collectively staff the fodder production and feed grains storage facilities. See "—Grain Cultivation and Storage" below.

Chicken Operations

MHP's chicken production facilities include four principal chicken farms, two breeder farms (which include facilities for the production of hatching eggs), three fodder mills, and three storage facilities for sunflower seed and grain. In 2007, MHP's chicken farms produced approximately 190,800 tonnes of chicken meat in processed weight. MHP distributes its chicken products through its 11 distribution centres, which enables MHP to efficiently deliver fresh poultry products to its customers.

In line with its strategy of vertical integration MHP is largely self-sufficient in terms of core raw materials. In 2007, MHP produced internally all of the hatching eggs and fodder required for its chicken operations. Based on its 2007 harvest, MHP expects to source internally approximately 60% of the corn used for fodder during 2007–2008 agricultural year. See also "—Raw Materials and Suppliers" below.

The most significant components of MHP's cost of production of chicken meat (calculated for one kilogramme on poultry) are grains, labour costs and the cost of utilities, which generally account for approximately 33%, approximately 16% and approximately 12% of MHP's production costs for chicken meat, respectively.

The table below sets forth certain information regarding MHP's principal equipment used in its chicken production operations.

	Number	Year Commissioned	Supplier
Hatchers	5	2002–2007	Pas Perform (Netherlands)
Feeding equipment	790	2001–2007	Big Dutchman (Germany)
Processing lines	4	2002–2007	MEYN Food Processing Technology (Netherlands)

Production of Chicken Meat

Chicken meat is produced at MHP's facilities in four principal stages: production of hatching eggs, hatching, growout and processing.

Key Performance Indicators

Hatch rate is used to monitor the efficiency of hatcheries and the quality of hatching eggs. Hatch rate is calculated as the percentage of one-day chickens which proceed to growout stage from each lot of hatching eggs placed in an incubator. MHP calculates the hatch rate individually for each of its parent flocks. MHP's 2007 average hatch rate was approximately 77%.

Survival rate is used to monitor overall efficiency of chicken growout facilities. Survival rate is calculated as the percentage of chickens at the start of the growout stage that proceed to the processing stage. MHP calculates the survival rate individually for each unit within its chicken farms. MHP's 2007 average survival rate was 94%.

MHP closely monitors the conversion rates in its chicken growout operations. The conversion rate is the number of kilogrammes of fodder required to produce one kilogramme of increase in live weight. Conversion rates are affected by a number of factors including the method of feeding and type of poultry breed but the most significant factor is the protein content per unit weight of fodder. The protein content of fodder is also closely monitored by MHP and is mainly a function of the different types of fodder available at appropriate prices. As such, depending on availability, the use of different proteins at different prices can be optimised depending on the expected market price for fodder components and market expectations as to chicken weight and price. As a result, MHP may decide that it is more economic to use a cheaper, lower protein fodder which gives a higher conversion rate than a more expensive higher protein fodder which gives a lower conversion rate. It is for this reason that Management believes it is not meaningful to make direct comparisons of conversion rates between different chicken producers. MHP's 2007 average conversion rate was 2.0 for birds with an average weight of 2.5 kilogrammes.

Production of Hatching Eggs

In 2007, all of the hatching eggs supplied for MHP's chicken operations were produced internally at MHP's own breeder farms. MHP acquires all of its breeder flocks of Cobb 500 breeds as one-day old chicks (known as pullets) from a breeding company in Germany that specialises in the production of breeder stock. On average, MHP receives one shipment of pullets per month. The pullets are transported to MHP's breeder farms in specialised vehicles operated by the suppliers of the breeder flocks. At MHP's breeder farms the pullets are grown to the point where they are capable of egg production (at approximately 23 weeks). Parent stock are then transferred to the rearing sites where they produce eggs for approximately 41 weeks, after which they are processed for meat used to make convenience food products.

MHP currently operates the following two breeder farms engaged in growing parent stock and producing hatching eggs for its chicken operations:

- *Starynska.* The Starynska breeder farm is located in the village of Myrne in the Kyiv region. The farm has four facilities for growing young stock, with an aggregate annual capacity to simultaneously grow 540,000 birds and eight rearing sites, with an aggregate capacity to simultaneously house 980,000 heads of parent stock for hatching egg production. In 2007, the farm produced approximately 91.7 million hatching eggs as compared to 49.8 million hatching eggs in 2006. The increase in the output of hatching eggs was primarily due to the recent expansion of the farm to ensure sufficient supply of hatching eggs to the Myronivka chicken farm. See "—New Production Facilities for Chicken Operations" below.
- *Shahtarska.* The Shahtarska breeder farm is located in the village of Sadove in the Donetsk region. The farm has three facilities for growing young stock, with an aggregate annual capacity to simultaneously grow 195,000 birds and six rearing sites, with an aggregate capacity to simultaneously house 360,000 heads of parent stock for hatching egg production. In 2007, the farm produced approximately 44.9 million hatching eggs as compared to 38.6 million hatching eggs in 2006 due to the expansion of this facility.

Hatching

Eggs produced from MHP's breeder flocks are transported to MHP's hatcheries, which are located at its chicken farms. The key production processes at MHP's hatcheries are the following: sorting hatching eggs into incubation eggs and rejected eggs; placing the incubation eggs into the fully automated incubator which maintains the necessary temperature, humidity and air circulation regime; monitoring and maintaining the incubation process for 21 days, after which the chicks are hatched; vaccinating the newly hatched chicks; and transferring chicks to the poultry houses.

MHP's hatcheries have an aggregate weekly capacity (assuming an 80% hatch rate) of approximately 2.3 million chicks. MHP's hatcheries operate as closed facilities, and all eggs brought into MHP's hatcheries have certificates from the state veterinary authorities confirming their quality and safety.

Growout

One-day old chicks from MHP's hatcheries after vaccination are transferred to sterilised barns within the same chicken farm for growout. MHP uses computer systems to create optimal conditions for the growth of its chickens, including with respect to light, temperature and air circulation, as well as the supply of food and water at regular intervals. To ensure stable growth, chickens are fed using a carefully balanced diet which includes all necessary nutritious ingredients such as fat, protein, vitamins and minerals. Other than standard vaccinations, MHP does not use chemicals or steroids in its chicken production process. The composition of fodder is adjusted every ten days and is tailored to the age of the chickens, which enables the chickens to grow optimally and also improves the taste of the meat. The growout period typically lasts from six to seven weeks, by the end of which chickens reach a processing weight of approximately 2.5 kilogrammes.

Processing

Once the chickens reach processing weight, they are transferred to MHP's fully automated processing facilities located within the same chicken farm. Chickens are processed by electrical stunning. They are then bled by puncturing major blood vessels, plucked and gutted. The carcasses are then moved for cooling to a temperature of 4–6°C. The cooled chickens are packaged either as a whole bird or are further cut into portions and packaged. Prior to being delivered to customers, packaged chicken products are kept in cooling containers at a temperature of 2°C. To address mismatches in supply and demand, MHP also has a capability to freeze approximately 50% of its daily output of chicken meat and to simultaneously store up to 2,000 tonnes of frozen chicken products.

MHP currently operates the following four chicken farms for growout of chickens and processing of chicken meat. MHP's four chicken farms currently have an aggregate annual processing capacity of approximately 2.3 million chickens.

- *Druzhba Nova.* The Druzhba Nova chicken farm is located in the village of Petrivka in the Crimea and consists of 23 chicken growing facilities (with an aggregate capacity of 4.4 million chickens growing simultaneously), two hatcheries (with an aggregate capacity of 40 million eggs per year) and an automated processing plant. Druzhba Nova accounted for approximately 37% of MHP's output of chicken meat by volume in 2007.
- *Oril Leader.* The Oril Leader chicken farm is located in village of Yelizavetivka, Dnipropetrovsk region, and consists of 17 chicken growing facilities (with an aggregate capacity of 3.5 million chickens growing simultaneously), a hatchery (with a capacity of 35 million eggs per year) and an automated processing plant. Oril Leader accounted for approximately 29% of MHP's output of chicken meat by volume in 2007.
- *Peremoga.* The Peremoga chicken farm is located near Cherkasy and consists of nine chicken growing facilities (with an aggregate capacity of two million chickens growing simultaneously), a hatchery (with a capacity of 15 million eggs per year) and an automated processing plant. Peremoga accounted for approximately 14% of MHP's output of chicken meat by volume in 2007.
- *Myronivka.* MHP completed the first stage of construction of the Myronivka chicken farm, which started operating at an annual capacity of 100,000 tonnes of processed weight in October 2007. It is located near Kaniv in the Cherkasy region and is one of the largest facilities by production volume in Ukraine's chicken meat sector. Myronivka is fully automated and employs new imported equipment and state-of-the art energy savings technology. This farm currently consists of 13 chicken growing facilities (with an aggregate capacity of 5.8 million chickens growing simultaneously), a hatchery (with a capacity of 96 million eggs per year) and an automated processing plant. Myronivka accounted for approximately 20% of MHP's output of chicken meat by volume in 2007. Management expects Myronivka to be fully operational at an annual capacity of 200,000 tonnes of chicken meat in late 2009 once the second phase of its construction is complete. See also "—New Production Facilities for Chicken Operations" below.

Each of MHP's chicken farms consists of several independent units, each of which, in turn, consists of six to 12 individual barns.

Fodder Production

MHP produces its own mixed fodder at its three fodder mills using agricultural commodities such as corn, sunflower seeds, peas and soybeans. The key operational processes at MHP's fodder mills include purchasing fodder ingredients, weighing and conducting laboratory analysis of fodder ingredients, manufacturing fodder using a steam treatment technology which ensures the quality and safety of fodder, concluding laboratory analysis of fodder and delivering the fodder to MHP's breeder and chicken farms. MHP produces a wide variety of fodder types with various vitamin and protein contents meeting the age requirements and covering the needs of chickens at the breeder farms and chicken farms. All fodder produced by MHP is granulated and is produced using steam treatment, which helps to ensure that the fodder is biologically safe. In addition, in granulated fodder, all ingredients are thoroughly mixed and therefore all necessary components are present in all of MHP's fodder output. A portion of MHP's granulated fodder is crushed to suit the needs of younger chickens. To ensure freshness and quality, after fodder is produced, it is delivered by MHP's own trucks to its chicken and breeder farms.

The fodder conversion rate at a chicken farm is largely dependent on the quality and composition of fodder. Prior to 2004, MHP used only imported soy protein in its fodder. In 2004, MHP began using sunflower protein, produced at its own sunflower processing factory, in partial substitution of imported soy protein. Sunflower protein is made from sunflower seeds, which MHP purchases from Ukrainian suppliers and also produces internally. The use of internally-produced sunflower protein as a substitute for imported soy protein has reduced MHP's fodder production costs. MHP also uses insignificant amounts of animal protein of non-poultry origin in its fodder.

MHP currently operates the following three fodder mills to support its chicken operations, which have an aggregate annual production capacity of approximately 1.26 million tonnes of mixed fodder.

- *MFC.* MFC is a multi-product production complex that includes a fodder mill, a protein mill, five grain elevators and a cereals mill. MFC's facilities are located approximately 100 kilometres from Kyiv. MFC's fodder mill includes two production lines for mixed fodder each with an annual production capacity of 220,000 tonnes. One of the production lines was supplied by Buhler AG (Switzerland) in 2001, and another was supplied by Sprout Matador (Denmark) in 2004. In 2007, MFC produced 314,413 tonnes of fodder. The protein mill provides sunflower protein to be used in mixed fodder. In order to ensure a sufficient supply of mixed fodder to the Myronivka chicken farm, in April 2007 MHP introduced an additional Sprout Matador (Denmark) production line at MFC. MFC has a production capacity of 560 tonnes of sunflower cake and 440 tonnes of sunflower oil per day. The cereals mill is used to peel peas and oats.
- *TKZ.* The TKZ mixed fodder mill is located in the southern part of Ukraine and supplies MHP's Druzhba Nova chicken farm with mixed fodder. This mill has one Sprout Matador production line for mixed fodder installed in 2005, with an annual production capacity of 220,000 tonnes. In 2007, TKZ produced 187,148 tonnes of fodder.
- *Katerynopilsky Elevator.* The Katerynopilsky Elevator facility is located in the Cherkasy region and principally supplies mixed fodder to the Myronivka chicken farm. This facility includes two Sprout Matador fodder production lines installed in 2007, with an aggregate annual capacity of 600,000 tonnes of fodder. In 2007, Katerynopilsky Elevator produced 103,082 tonnes of fodder.

New Production Facilities for Chicken Operations

MHP is currently pursuing its strategy of expansion, with the intention of increasing its chicken output by approximately 159,200 tonnes or 83% from its 2007 levels to 350,000 tonnes in processed weight per year by 2010. The principal element of this programme is the continued development of the Myronivka chicken farm in Kaniv, Cherkasy region, which will become the largest chicken meat production farm in Ukraine and according to the Management's beliefs, one of the largest chicken production farms in Europe. MHP is constructing Myronivka in two phases. MHP has finished the first stage of construction of the farm, which started operating in October 2007 at the design annual capacity of that first phase of 100,000 tonnes of chicken meat. This enabled MHP's chicken meat production volumes to increase by approximately 48,750 tonnes of processed meat in 2007 as compared to 2006. The second stage of construction is expected to involve building 11 further production sites (each with 16 houses) with the capacity to raise an additional 5.8 million chickens simultaneously. It is also expected to have a new hatchery with a capacity of 96 million hatching eggs per year and a modern processing plant with an average weekly processing volume of approximately 10.5 million chickens. Management expects Myronivka to be fully operational at an annual capacity of 200,000 tonnes of chicken meat in late 2009.

As a result of Myronivka's operations coming on stream, Management expects MHP's chicken meat capacity to increase to 242,800 tonnes of processed weight in 2008, to 269,500 tonnes of processed weight in 2009 and to 350,000 tonnes of chicken meat in processed weight in 2010. See "Cautionary Note Regarding Forward-Looking Statements".

In order to ensure a sufficient supply of hatching eggs to the Myronivka chicken farm, and in line with MHP's strategy of vertical integration, MHP plans to build two additional facilities for growing young stock and four additional rearing sites at its Starynska breeding facility by 2009, which is expected to result in MHP having an aggregate capacity of 130 million to 150 million hatching eggs per year.

MHP also plans to further expand its feed grains storage capacity and expects to commence operating new storage facilities at Katerynopilsky Elevator in 2010. These facilities are expected to reduce MHP's costs of grain storage.

Upon completion of construction of Myronivka, MHP is considering commencing construction, in several phases, of a similar chicken farm in the Vinnytsya region.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditures".

Production of Sunflower Oil

Sunflower oil is a by-product of the sunflower protein production operations at MHP's protein mill at MFC. The protein mill has an output capacity of 560 tonnes of sunflower cake and 440 tonnes of sunflower oil per day. All sunflower cake is used internally as protein added to mixed fodder, and the sunflower oil is sold to external customers. MHP grows a very small amount of sunflowers and purchases almost all of its sunflower seed requirements for the operation of its protein mill from Ukrainian suppliers. See "—Products—Poultry and Poultry-Related Products—Sunflower Oil".

In addition, at its boiler house located at MFC, MHP burns sunflower husks to make steam which is used in the production of mixed fodder. This reduces MFC's requirements for natural gas, thereby reducing MHP's overall production costs. MHP also uses sunflower husks for bedding at its chicken production facilities, which enables MHP to reduce its production costs and to improve the biosecurity of its operations.

Convenience Food Production

MHP is the leading producer of innovative convenience food in Ukraine. MHP produces its convenience food products at its MMPP facility, which began operations in January 2006. This facility is one of the largest and most technologically advanced for the production of convenience food products in Ukraine and is able to produce most types of convenience food. The facility is fully-automated and uses equipment sourced from CFS (The Netherlands). MMPP's current daily output is approximately 120 tonnes of convenience food products following the commencement of operations of a second production line for convenience foods in April 2007. In 2007, MMPP produced in aggregate 4,085 tonnes of convenience food products. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Year Ended 31 December 2007 Compared to the Year Ended 31 December 2006—Loss on Impairment of Property, Plant and Equipment".

MHP's convenience food products range from raw (marinated) to pre-cooked and are prepared in various cuts and selected and shaped portions. Meat may be further cooked and/or minced. Seasonings and secondary raw materials are applied to each product type or line, according to set recipes, in order to ensure consistency, colour, texture and flavour. Final products are produced by shaping, casing, cooking and blast-freezing in special machines, which maintains the product's flavour better than slow freezing. Products undergo quality controls and are distributed after having been packaged and labelled.

Grain Cultivation and Storage

MHP's margins from chicken production depend to a significant extent on the availability of, and prices for, feed grains for the production of mixed fodder. Feed grains used by MHP include agricultural commodities such as corn, sunflower seeds, peas and soybeans. Feed grains are subject to volatile price changes caused by weather, size of harvest, global demand, transportation and storage costs and the agricultural policies of the Ukrainian and foreign governments. To reduce its exposure to price changes in the feed grains market, MHP grows a certain amount of its own feed grains, primarily corn. In 2007/2008 agricultural year, MHP produced internally approximately 60% of corn by volume used for production of mixed fodder for its operations. MHP sources the remainder of its requirements from domestic suppliers. Although Ukrainian grain prices generally follow world grain prices, they tend to be lower due to lower transportation costs. See "—Raw Materials and Suppliers".

MHP also sells grain, primarily wheat and rape, domestically to third parties.

The table below sets forth certain information on MHP's principal facilities for its grain cultivation and storage operations.

Operating Company	Location	Year Joined MHP	Area Under Cultivation	2007 Output	Employees[1]
Grain Production[2]					
Zernoproduct	Vinnytsya region	2005	54,500 hectares[1]	262,346 tonnes	2,409
Agrofort	Kyiv region	2006	8,900 hectares[1]	41,833 tonnes	245
Lypivka	Vinnytsya region	2006	5,940 hectares[1]	22,970 tonnes	139
Urozhay	Cherkasy region	2006	39,100 hectares[1]	143,148 tonnes	1,196
Starynska	Kyiv region	2001	1,560 hectares[1]	5,595 tonnes	24
Total			110,000 hectares	475,892 tonnes	
Grain Storage					
MFC	Kyiv region	1998	228,000 cubic metres[1]	—	777[3]
Katerynopilsky Elevator	Cherkasy region	2005	231,400 cubic metres[1]	—	295[4]
Oril Leader	Dnipropetrovsk region	2006[5]	160,000 cubic metres[1]	—	45

Notes:

(1) As of 31 March 2008. MHP is also currently formalising its lease rights to additional land plots to be used for grain growing at these facilities.

(2) In addition, MHP also grows certain grains for consumption by pigs and cattle, potatoes and fruits on approximately 36,000 hectares of land at its Oril Leader, Druzhba, Crimea Fruits and Kyivska facilities.

(3) At MHP's MFC facility there are 777 employees who collectively staff the MFC fodder production and feed grains storage facilities. See "Chicken Operations" above.

(4) At MHP's Katerynopilsky Elevator facility there are 295 employees who collectively staff the fodder production and feed grains storage facilities. See "Chicken Operations" above.

(5) Oril Leader joined the CJSC Myronivska's group in 2004, and the Oril Leader feed grains storage facility joined MHP in 2006.

In aggregate, MHP leases approximately 110,000 hectares of land for grain cultivation. Management believes MHP makes lease payments on average of approximately U.S.$60 per hectare above the regulated average minimum of U.S.$40, which enabled MHP to create its extensive land portfolio and protects MHP from potential upward pressure on its lease costs. MHP's land portfolio was developed, and its farms are managed, by an experienced farm management team.

The following table sets forth information on MHP's grain operations for 2006 and 2007:

	2006		2007	
	Production, tonnes	Cropped hectares[1]	Production, tonnes	Cropped hectares[1]
Corn	36,136	5,709	190,308	36,280
Wheat	39,968	10,468	78,534	20,329
Sunflower	11,642	6,286	23,190	11,504
Rape	4,693	2,015	11,780	6,045
Other[2]	198,969	24,907	172,080	27,228
Total:	**291,408**	**49,385**	**475,892**	**101,386**

Notes:

(1) Actual hectarage under crop and excluding land left fallow as part of crop rotation.

(2) Includes soybean, barley and sugar beet.

MHP stores feed grains at its Katerynopilsky Elevator facility, at MFC and at Oril Leader, which currently have storage capacities of up to 231,400 cubic metres, up to 228,000 cubic metres and up to 160,000 cubic metres, respectively.

In its grain operations MHP uses modern equipment and machinery sourced from the leading domestic and world suppliers. MHP purchases combines from CLAAS (Germany) and CASE (USA), tractors from Minsk Tractor Plant (Belarus), AGCO (USA), Caterpillar (USA) and MERLO (Italy), planters and seeders from Borgault (Canada) and OJSC "Red Star" (Ukraine), tillage machinery from Grégory Besson (France) and other types of equipment from Amazone (Germany) and John Deere (USA).

For the description of MHP's rights to its land plots, see "—Facilities and Properties—Land Plots" below. See also "—Regulatory Compliance" below.

Other Agricultural Operations

MHP's other agricultural operations comprise principally production of sausages, cooked meats, beef, goose meat, foie gras, fruit and potatoes. In 2007, MHP's other agricultural operations generated revenue of UAH 274.2 million (U.S.$54.3 million), or 11.3% of MHP's total revenue from continuing operations. The table below sets forth certain information on MHP's principal facilities for its non-chicken operations.

Facility	Function	Year Joined MHP	Annual Production Capacity[1]	2007 Output	Employees[2]
Snyatynska	Production of goose meat and foie gras	2005[3]	185,000 heads	1,177,089 tonnes[4]/184,773 heads (goose meat)	451
Kyivska[6]	Cattle breeding, potatoes	2006	1,000 heads (breeding cattle)/15,000 tonnes (potatoes)	14,896 tonnes (potatoes)	434
Druzhba[6]	Production of beef meat and sausage	2006	30,000 heads (beef); 34,000 heads (pork); 13,200 tonnes (sausage and cooked meats)	12,206 tonnes[4]/ 28,055 heads (beef); 3,523 tonnes[4]/ 34,129 heads (pork); 7,585 tonnes (sausage and cooked meats)	1,160
Crimea Fruits[5]	Fruit	2006	11,900 hectares	2,110 hectares	1,790

Notes:

(1) As of 31 March 2008.

(2) As of 31 March 2008.

(3) MHP commenced test production of goose meat and liver in October 2005.

(4) In live weight.

(5) These facilities were acquired by MHP as of 31 March 2006.

The following table sets forth information on MHP's principal non-chicken operations for 2006 and 2007.

	2006	2007
Beef, output (heads)[1]	22,400	28,055
Geese, output (heads)	131,900	184,770
Potatoes (planted area, hectares)	337	530
Fruits (planted area, hectares)	1,130	2,110
Pork, output (heads)[1]	29,000	34,129
Sausages and cooked meats, output (tonnes)	4,072	6,636

Note:

(1) MHP uses all of its pork output and most of its beef output for the production of sausages and cooked meats.

Production of Sausages, Beef, Goose Meat and Foie Gras

MHP produces sausages, cooked meat and beef at its Druzhba facility located in the Crimea. Druzhba is an integrated production facility for meat products, milk and fodder, and has been fully operational since the end of 2006. This facility has a cattle rearing complex with capacity of 30,000 heads. The facility also has a pig breeding complex with an annual production capacity of over 34,000 pigs. The facility includes a pedigree farm for pig breeding.

Druzhba also operates a modern meat-processing and sausage producing factory. This facility is fully automated and uses equipment sourced from Norbert Shaller GmbH (Austria). This factory became fully operational in February 2007 and currently has a production capacity of up to 50 tonnes of sausages per day. It processes beef and pork reared at the Druzhba facility. In 2007, MHP produced 7,585 tonnes of sausages and cooked meat at its Druzhba facility and currently sells its sausages and cooked meats to customers throughout Ukraine.

Druzhba leases 15,000 hectares of land, most of which is irrigated. This land is used by MHP to farm pigs and cattle and to grow various fodder crops, including corn, wheat and barley.

In 2004, MHP's Kyivska facility, which currently comprises 7,900 hectares of land, began breeding pedigree livestock. There are currently approximately 1,000 heads of cattle at the farm. At this facility, MHP breeds cattle, including Aberdeen-Angus cattle, which are then transferred to the Druzhba facility for growout. MHP sources most of its Aberdeen-Angus cattle from third parties in the Ukrainian market and breeds internally with approximately 3% of the cattle. At the Kyivska facility, MHP also grows wheat, rye and corn.

Beef and pork convenience food products are produced at MHP's MMPP facility. See "—Poultry and Poultry Related Operations—Convenience Food Production" above.

MHP produces goose meat and gourmet foie gras at its Snyatynska facility located in the town of Snyatyn in the Ivano-Frankivsk region. The farm comprises parent stock rearing and growing facilities, a hatchery, 38 goose houses and a processing plant. At the farm there are currently approximately 11,000 parent stock geese of the Babolna Grey Landes breed, which were initially imported from France. This breed has high hatching capacity and feeds well, enabling the production of goose liver that is high in fat. Test production of goose meat and foie gras began at the farm in the second half of 2005. In 2007, the farm produced approximately 603 tonnes of goose meat and approximately 105 tonnes of foie gras. MHP is currently considering export options for its goose meat and foie gras. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Year Ended 31 December 2007 Compared to the Year Ended 31 December 2006—Loss on Impairment of Property, Plant and Equipment".

Production of Fruit

MHP principally cultivates apples, as well as pears, peaches, grapes, strawberries, plums and sweet cherries at its Crimea Fruits facility located in the Crimea, where the climate is similar to that of Northern Italy. Approximately 2,110 hectares of land at Crimea Fruits facility are currently planted with orchards, with apple trees accounting for approximately 50–60% of the planted area. Depending on the type of the fruit, there is usually a four- to six year gap between planting of the fruit-producing trees and such trees starting producing fruit with a maximum yield.

Production of Potatoes

MHP cultivates seed and commercial potatoes at its Kyivska facility located in the village of Makovysche in the Kyiv region. The facility's current annual potato yield capacity is approximately 15,000 tonnes on 530 hectares. MHP cultivates more than 30 kinds of potatoes, of Ukrainian, German and Dutch varieties at this facility.

Biosecurity

MHP employs a broad range of biosecurity measures in order to minimise the risk of disease infection and transmission at its chicken and other meat production facilities. These measures include keeping all chickens at indoor production facilities, strictly controlling access to facilities, disinfecting employees and vehicles entering production areas and constantly monitoring the health of the livestock. MHP employs a total of approximately 70 veterinary specialists at its facilities.

MHP also follows the practice of multi-site farming instead of maintaining large barns at its breeder farms and chicken and goose rearing facilities. Multi-site farming involves units within each facility being located at least one kilometre away from each other to prevent the spread of disease between units. The individual barns within a unit are located approximately 50 metres away from each other. In addition, birds hatched at the same time are raised together as a group and kept in separate barns from birds of other ages in order to facilitate the thorough cleaning of barns when birds reach slaughter age prior to introduction of a new group of birds.

MHP thoroughly disinfects the barns at its chicken and goose farms before it introduces a new group of birds into the barn, including washing the barn with hot water, cleaning feeding systems, disinfecting the barn with a hot caustic sodium solution, repainting floors and ceilings and conducting a five-day treatment of the barn with formalin vapour. All bedding at MHP's chicken farms is produced internally from the husks produced as a by-product of MHP's fodder production process. The husks are thermally treated and disinfected before they are brought into the barn, and no straw or hay is added.

Each of MHP's chicken and goose production facilities is located at least 1.5 kilometres away from the nearest residential area. All doors, windows and vents at MHP's facilities are netted to ensure that MHP's chickens and geese do not come into contact with wild birds and animals. Each production facility is surrounded by a disinfection barrier comprised of ditches filled with formalin, which neutralises bacteria on automobile tyres. The entrance passageways to MHP's facilities are treated with caustic sodium once every 10 days in order to neutralise bacteria on visitors' footwear. Each of MHP's chicken and goose production facilities has restricted access and has a "shower in/shower out" policy for employees. If it is necessary for a manager or employee to enter a unit other than his or her designated unit, a mandatory 72-hour waiting period is required. Employees at MHP's chicken and goose breeding and production facilities are prohibited from keeping birds at their households. All employees undergo mandatory training prior to beginning their employment and receive regular updates and training on biosecurity measures. MHP's employees' knowledge of biosecurity procedures is monitored on an annual basis.

MHP has developed advanced disease control measures for its facilities. If any infection or disease were to be found at MHP's facilities, immediate measures would be implemented to control its impact and to prevent its spread to other facilities. Such measures would include, in the case of bird flu, culling all birds within the infected unit and imposing quarantine measures in such unit for a period of up to 21 days. In the case of Newcastle Disease, birds within the infected barn would be culled and the birds within the respective unit would be re-vaccinated. Quarantine measures would be imposed in the affected unit for a period of up to 21 days. In the case of discovery of any other type of disease, MHP would typically vaccinate or re-vaccinate all birds within the affected unit.

In addition, MHP attempts to control the risk of disease through the careful selection of breeding stock that it considers to be more resistant to disease. MHP also vaccinates all of its chickens at hatching against Newcastle Disease and bronchitis.

MHP has also implemented strict biosecurity measures at its fodder production facilities, including a restricted access policy, installation of disinfection barriers and regular monitoring of fodder purity by on-site laboratories.

MHP also applies strict biosecurity measures to its waste disposal procedures. Waste from hatching (including egg shells and underdeveloped chickens) is buried in a special pit, certified in accordance with Ukrainian legislation. Waste from MHP's chicken processing facilities (such as bones) is boiled to produce bone flour, which MHP sells as a source of animal protein. Dead chickens from MHP's rearing sites are sent for waste processing to state-operated sanitary plants.

In recent years, MHP has introduced additional biosecurity measures at its facilities, including increasing the amount and strength of its disinfecting washes and solutions, culling wild birds in the immediate vicinity of its poultry facilities and vaccinating all of its employees who have direct contact with chickens. Moreover, prior to processing, each batch of chickens entering the slaughter floor is examined for symptoms of any infection, including bird flu, and analysed in several stages to ensure the absence of bird flu evidence. MHP monitors wild birds in the vicinity of its poultry farms on a weekly basis to enable early identification of any potential sign of bird flu.

MHP maintains a Central Scientific Research Laboratory that monitors the health of MHP's chickens, and each of MHP's facilities has its own veterinary laboratory. MHP also uses the services of independent veterinary laboratories recommended by the World Organisation for Animal Health and the State Committee of Veterinary Medicine of Ukraine. MHP constantly monitors innovations and new developments in the biosecurity field and regularly improves its biosecurity system to implement the newest and most effective measures and practices. MHP's biosecurity measures are regularly reviewed and updated by MHP's Chief Veterinarian to ensure they are providing adequate protection against disease threats, including bird flu and Newcastle Disease.

Management believes that its biosecurity systems are in compliance with the regulations that are applicable to its operations. See also "Certain Regulatory Matters—Biosecurity".

Quality Control

MHP implements a wide range of measures which Management believes enables it to produce high quality products. MHP operates an efficient traceability system which allows it to link every batch of chicken and other products produced at its facilities to their facility of origin enabling MHP to track and monitor all stages of production process, from the production of fodder through hatching, breeding, processing and distribution. In addition, MHP regularly monitors its points of sale to ensure compliance with MHP's hygiene and quality standards. See "—Sales and Distribution" below.

MHP's chicken farms are currently preparing for certification of their hygiene procedures under Hazard Analysis and Critical Control Point ("**HACCP**") methodology, which is an internationally recognised methodology for increasing the safety of food. Druzhba Nova, MHP's second largest chicken farm, was certified under HACCP in 2006, and MHP expects to obtain such certification for Oril Leader and Peremoga in 2009.

To control the quality of its products, MHP has implemented a Quality Management System ("**QMS**") and a Food Safety Management System ("**FSMS**") at its MMPP facility. In February 2008, MMPP's QMS and FSMS were tested under international standards ISO 9001 and ISO 22000, respectively. MHP expects to obtain the ISO certificates for its MMPP facility in the course of 2008. MHP expects to certify its QMSs and FSMSs at Snyatynska and Druzhba in 2009 and at Myronivka in 2010.

Sales and Distribution

MHP's products are sold nationally, although its sales are particularly strong in the eastern and southern regions of Ukraine. MHP distributes its products through its franchisee network and by way of direct sales to supermarkets and other retailers, foodservice businesses and industrial producers and through other distribution channels. MHP does not sell its products directly to the end consumer.

MHP distributes its chicken products itself by way of its own distribution network, which Management believes is a significant competitive strength. MHP's Marketing and Sales Department, which is headquartered in Kyiv, is responsible for the overall management of MHP's sales and distribution network. In addition to its franchisees, MHP currently employs approximately 1,340 people in its sales and distribution network.

MHP operates 11 distribution centres, each located in a major Ukrainian city and plans to further expand its geographical coverage in short- to medium term. Some of MHP's distribution centres are leased, while other are owned. MHP plans to gradually obtain ownership rights to all of its distribution centres. Each distribution centre has its own storage facilities and fleet of trucks which enables MHP to deliver its products to franchisee outlets and end customers in an efficient and timely manner. MHP has 280 trucks, each equipped with modern refrigerating equipment sourced from leading producers, such as Mercedes and Scania.

The table below shows the principal sales channels for MHP's chicken products as a percentage of total revenue from sales of chicken meat in 2005, 2006 and 2007.

	Year ended 31 December		
Sales Channel	**2005**	**2006**	**2007**
		(%)	
Franchisees	68	70	60
Supermarkets and other retailers	25	23	30
Foodservice, industrial and other businesses	7	7	10
Total	**100**	**100**	**100**

All of MHP's customers (including franchisees) purchase "Nasha Ryaba" products from MHP on the basis of supply agreements, typically entered into for the term of up to one year. The volume for products are typically agreed with each customer on a monthly basis, but may be adjusted on the basis of daily orders placed by the customers. See also "—Pricing".

MHP believes that its diversified sales structure helps to broaden its customer base and to achieve better pricing by creating a competitive balance between its principal distribution channels. MHP intends to continue to maintain such balance.

Franchise Sales

MHP's Nasha Ryaba products are sold to end consumers through its branded franchise points of sale. Since January 2006, MHP has also been selling its convenience food products under the "Lehko!" brand through its franchisee network.

In 2007, approximately 60% of MHP's chilled chicken meat sales under the "Nasha Ryaba" brand were made through MHP's branded franchise network. As at 31 March 2008, there were 2,011 branded franchise points of sale in MHP's distribution network, as compared to approximately 1,775 and 1,961 as at 31 December 2005 and 2006, respectively. Franchise sales (as compared with sales to supermarkets and other retailers) give MHP greater control over the distribution of its products and enable MHP to maintain uniform product quality, to generate higher margins, to control exposure to any concentration of customers and to maintain flexibility in marketing, pricing and managing inventory. Another key advantage of MHP's franchisee network is that it provides MHP with a strong cash conversion cycle given the short, cash-based payment period franchisees are required to observe.

The table below shows the geographical distribution of MHP's franchise network as of 31 March 2008.

Location of Servicing Distribution Centre	Number of Branded Retail Outlets	Percentage of Total
Kyiv	121	6
Crimea	421	21
Dnipropetrovsk	236	12
Cherkasy	194	10
Donetsk	267	13
Odessa	180	9
Zaporizhya	124	6
Kharkiv	215	11
Lviv	93	5
Luhansk	64	3
Krivy Rih	96	5
Total	**2,011**	**100**

MHP selects franchisees from among businesses and individuals operating in the relevant geographical area which, in the view of MHP's management, have a solid reputation, sufficient financial resources, good relations with local authorities and the willingness to contribute to MHP's expansion as its franchisee. MHP interviews franchisee candidates and seeks information about prospective franchisees from other third-party information sources. To avoid competition between individual franchisees located in the same town or market, MHP allocates a certain defined area to each franchisee and guarantees that no other "Nasha Ryaba" branded outlets will be located within such area. MHP sells its products to all of its franchisees at uniform prices, and MHP provides its franchisees with recommended prices at which to sell MHP's products to retail customers. See "—Pricing". None of MHP's franchisees accounted for more than 2% of MHP's aggregate sales in 2007.

Depending on the region, MHP's branded points of sale vary in size and location. Due to higher real estate prices, the points of sale in Kyiv are usually located in relatively small stand-alone kiosks. In other regions, the points of sale may be in the form of larger stores or concessions within bigger retail stores. MHP's franchisees generally own the stand-alone points of sale or rent space in retail stores.

Selected franchisees are required to enter into a franchise agreement with a term of one year, in which MHP agrees to grant them rights to use its "Nasha Ryaba" trademark and business processes. According to MHP's standard franchising agreement, all branded points of sale are required to meet certain uniform standards, as set out in MHP's guide on retail sales of "Nasha Ryaba" branded products. MHP's franchisees are required to arrange advertising materials provided by MHP at each point of sale in accordance with rules established by MHP and are prohibited from using any advertising materials which have not been approved by MHP.

MHP aims to review each point of sale to ensure compliance with MHP's standards at least twice a week. In 2007, MHP requested approximately 30% of its franchisees to improve their operating standards following inspections by MHP. In the same period, MHP terminated its relationship with approximately 5% of its franchisees, which failed to remedy the deficiencies in operation of their outlets.

In addition, franchisees are required to maintain particular operating equipment at each point of sale, such as refrigerators and certain types of sale counters. MHP generally sells standard "brand" refrigerators to its franchisees for its products such as "Nasha Ryaba" chicken products to ensure quality and consistency of branding message. Sale and purchase agreements for these refrigerators usually provide for an upfront payment of 30% of the purchase price, with the remainder payable in six equal monthly instalments. For products of less known brands, such as "Lehko!", MHP usually leases the refrigerators to its franchisees at no cost to franchisee. Franchisees make payments to MHP in the amount of UAH 10 (U.S.$2) per year for each leased refrigerator.

Franchisees make nominal licence payments to MHP in the amount of UAH 50 (U.S.$10) per year per each branded point of sale. Before beginning to sell MHP's products, selected franchisees are trained by MHP's regional managers, who are also available throughout the term of the franchising agreement to provide additional advice as may be necessary. Franchisees are required to contact their respective pre-allocated regional managers to place orders for next day delivery of MHP's products. Franchisees also provide MHP with monthly reports on each of the points of sale operated by each franchisee as well as the quantity and price of products sold in a particular month.

Sales to Supermarkets and Other Retailers

MHP is a supplier to many leading Ukrainian food retailers, including Furshet, Velyka Kyshenya and Metro. Except for the Furshet supermarket chain which accounted for approximately 7% of MHP's sales, none of MHP's supermarket and other retailer customers accounted for more than 5% of MHP's sales in 2007. MHP closely coordinates its sales to supermarkets and other retailers through its warehouse management and inventory control system, which operates throughout Ukraine. In 2007, MHP sold approximately 30% of its chicken products to supermarkets and other retailers. MHP sold approximately 40% of its "Certified Angus" beef products and approximately 65% of its foie gras products to supermarkets and other retailers in 2006.

MHP's supermarket customers usually carry out a quality audit of MHP's production facilities to ensure MHP's compliance with their hygiene and other standards prior to entering into a supply contract with MHP.

Sales to Foodservice, Industrial and Other Businesses

MHP is a supplier to various foodservice businesses, including hotels, restaurants and cafes that use chicken and other meat products. It provides a wide range of meat products and by-products, including its "Lehko!" branded convenience food products, to meet the varied needs of its foodservice businesses from fast-food restaurant chains to full-service restaurants. MHP is also a supplier to companies that further process chicken or use chicken as an ingredient in products that they produce. Management believes that the breadth of MHP's product line is a strength in this "industrial" segment of the market. In 2007, MHP sold approximately 10% of its chicken products, approximately 60% of its "Certified Angus" beef products and approximately 70% of its foie gras products to foodservice businesses, most of which were restaurants, as well as to industrial and other businesses.

While demand generally exceeds supply, MHP's ability to sell its chicken products either fresh or frozen gives MHP flexibility in responding to one-day deviations between supply and demand.

Pricing

MHP's pricing policy is aimed at attracting new customers and retaining existing ones. Pricing is determined centrally for all of MHP's products, taking into account market conditions, seasonality and supply levels. In addition, MHP regularly monitors prices charged by its competitors. MHP approves a wholesale price list for all of its products on a monthly basis but is able to adjust its prices more frequently in response to market conditions. MHP operates a discount system for its regular customers, including all franchisees. Discounts are set on a monthly basis, depending on market conditions and the relevant customer's relationship and standing with MHP. Due to the quality of its products and the strength of its brand, MHP tends to price its products, after taking into account discounts, marginally higher than its competitors. MHP does not set retail prices for its products but provides its franchisees with recommended prices at which to sell MHP's products to retail customers.

Management believes that, due to consumer preferences, chilled chicken products are able to command a premium over frozen chicken products. The average prices for a kilogramme of MHP's chilled whole chickens (exclusive of VAT) were UAH 8.69 per kilogramme, UAH 8.33 per kilogramme and UAH 8.38 per kilogramme in 2005, 2006 and 2007, respectively, as compared to UAH 7.5 per kilogramme, UAH 7.1 per kilogramme and UAH 6.8 per kilogramme for MHP's frozen whole chickens during the same periods. The average price for chilled whole chickens was 14.3%, 16.4% and 19.8% higher than the average price for MHP's frozen whole chickens in 2005, 2006 and 2007, respectively. See "Industry Overview—Competition in the Ukrainian Poultry Market".

For a discussion of factors that affect prices for MHP's products and trends related thereto see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting MHP's Results of Operations—Fluctuations in Demand for Chicken Products" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting MHP's Results of Operations—Fluctuations in Market Price for Chicken Products".

Marketing and Advertising

The objective of MHP's marketing and advertising activities is to attract and retain customers, improve brand awareness, engender customer trust in the quality of MHP's products and promote MHP's brands. MHP seeks to make its brands the leaders in each of the markets in which it operates. In 2007 MHP's advertising expenses amounted to approximately 2% of MHP's total revenues from continuing operations. During 2007, MHP promoted its products through various forms of advertising, including advertising materials placed at its branded points of sale, television, outdoor advertisements, newspapers and magazines, concentrating on "Nasha Ryaba" brand.

MHP's advertising activities are aimed at raising brand loyalty and informing customers of the high quality and healthiness of its products as well as supporting and developing the positive image of MHP's products generally. According to research conducted by GfK in 2008, unprompted brand recognition of MHP's "Nasha Ryaba" brand in Ukraine was 92% and prompted brand recognition was 100%. See "—Competitive Strengths—Strong brands".

MHP regularly communicates with its franchisees and retailers distributing the "Nasha Ryaba" branded products to promote brand loyalty and to increase the quality of customer service at its branded points of sale. To develop its image as a socially responsible company, MHP also takes part in charity activities such as supporting young families in big cities, constructing playgrounds for children throughout Ukraine and sponsoring Christmas events under its "Nasha Ryaba" brand.

The main messages of MHP's advertising campaign in respect of its "Lehko!" brand are convenience, high quality and time-saving qualities of these products. As convenience products are relatively new to the Ukrainian market, MHP allocates additional resources within its marketing and advertising budget to educate its customers about the benefits of its "Lehko!" products. MHP's advertising and development strategy for its "Certified Angus" brand includes informing the customers of the unique qualities of MHP's premium beef products, as compared to ordinary beef produced by other companies.

Raw Materials and Suppliers

In addition to internally grown corn and sunflower, MHP sources its feed grains requirements from approximately 60 unaffiliated suppliers selected on the basis of tenders. All of the feed grains purchased by MHP is grown in Ukraine. Fodder content used by MHP include corn, sunflower seeds and peas. One of MHP's principal suppliers of feed grains is Alfred C. Toepfer International (Ukraine) ("**Toepfer**"), with whom MHP enters into a forward contract for the supply of sunflower seeds on an annual basis. Apart from Toepfer, none of MHP's suppliers accounts for more than 5% of feed grains purchased by MHP. MHP has its own feed grains storage facilities, which enables it to purchase feed grains during the harvest season and store it and continuously monitor market prices to purchase at optimal prices.

MHP principally sources other components for production of mixed fodder, such as soy cake, lysine, threonine, methionine, enzymes, vitamins and minerals blends, from international suppliers, including

Alfred C. Toepfer International (Germany), Degussa AG (Germany) and DCM Nutritional Products (Poland). The materials are supplied on the basis of annual contracts or, as the case may be, on a one-off basis. Prices are negotiated based on market conditions either annually or for each individual delivery.

MHP is self-sufficient in its requirements for wheat seeds and purchases corn, sunflower and rape seeds from a number of Ukrainian distributors. Such distributors generally source seeds from the world leading seed producers, including Monsanto SAS, Syngenta Seeds, Pioneer and Lembke. MHP typically enters into agreements for the purchase of seeds on an annual basis, prior to sowing season. MHP is able to increase its order of seeds as necessary. Management believes that MHP's diversified sources of seeds protect it against supply interruptions.

MHP imports its breeder flocks from a breeding company in Germany that specialises in the production of breeder stock. MHP's principal supplier for breeder flocks is Cobb (Germany) Avimex GmbH (Germany) ("**Avimex**"), which has facilities for production of breeder flocks both in Europe and the United States. Avimex has undertaken to supply MHP with breeder flocks from The Netherlands or the U.K. in case of any interruptions in supplies from Germany. MHP has also discussed with its supplier of breeder flocks contingency arrangements for sourcing of breeding flocks from the United States in case of any import or export bans which may be imposed in Ukraine or in the EU in connection with outbreaks of bird flu or other livestock diceases. MHP's contracts with breeder flock suppliers are typically one year in duration, and prices are negotiated annually based on market conditions. See "Risk Factors—Risks Relating to MHP—Outbreaks of bird flu and other livestock diseases could have a material adverse effect on MHP's business".

MHP uses gas, electricity and water provided by local utility companies for its production facilities. MHP primarily uses gas for heating at its chicken farms. MHP currently obtains natural gas from Ukrainian gas trading companies that source gas primarily from Russia and from Ukrgaz-Energo. MHP's contracts for supply of gas provide for supplies of gas sufficient to cover MHP's requirements. In 2005 and 2006, part of the gas used by MHP in its operations was supplied through MHP's own natural gas trading activities which were discontinued in March 2007. The maximum price for natural gas is established by a regulator and is uniform for all Ukrainian enterprises. Natural gas prices are dependent to a large extent on prices charged by Russia for gas supplied to Ukraine. See "Risk Factors—Risks Relating to Ukraine—Ukraine's regional relationships". MHP currently obtains electricity at regulated rates from regional power distribution companies. MHP has not experienced any problems with gas or electricity supply in the last five years.

Facilities and Properties

Land Plots

MHP only has ownership or permanent use rights to a small portion of the land plots on which its buildings and production facilities are located. MHP leases the land plots underlying almost all of its production facilities, administrative buildings and staff facilities from local authorities under lease agreements, the terms of which range from five to 49 years. The land plots for agricultural purposes, such as for growing grain and fruit, as well as plots used for pastures, are leased from local authorities and individuals under lease agreements the terms of which range from one to 50 years.

In Ukraine individual lessors may hold title to agricultural land on the basis of ownership certificates and land allotment certificates. An ownership certificate is a direct evidence of title to a certain land plot, while a land allotment certificate evidences only the right to obtain title to a certain land plot allocated to a holder of a land allotment certificate pursuant to a legal procedure. Nevertheless, Ukrainian law allows individuals holding land plots on the basis of land allotment certificates to lease such land plots to third parties. Out of the 148,500 hectares of land leased by MHP as at 1 April 2008, 44,900 hectares are leased under land allotment lease agreements. Management believes that all land upon which its chicken farms are located is properly registered with the state land registrars under duly executed land lease agreements and that the land which is subject to the land allotment lease agreements should not be voidable. See "Risk Factors—Risks Relating to MHP—MHP's business could be adversely affected if its land allotment lease agreements are invalidated".

MHP has a right to extend each of its current leases and has not experienced any difficulties with extension of the term of its leases in the last five years.

Under existing legislation, MHP also has pre-emptive rights to purchase the land plots it leases and, once the moratorium on sales of agricultural land is lifted, would consider the commercial viability of such purchases on a case-by-case basis. If and when the laws on land ownership in Ukraine change to allow the purchase and sale of agricultural land, which the Company currently expects to occur in 2009, MHP plans to acquire additional land for its operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditures".

Buildings and Facilities

MHP owns all of its administrative buildings and production facilities except for the Tavriysky mixed fodder mill, which is leased from Novokahovsky KHP, an entity unaffiliated with MHP. MHP leases the fodder mill based on a 25-year lease agreement expiring on 8 June 2029 and subleases the fodder mill to MFC on the basis of short-term sublease agreements, which are regularly renewed. The renewal of the sublease is subject to the prior consent of Novokahovsky KHP as the owner of the fodder mill. MHP intends to continue leasing the fodder mill and the production equipment in the future and to renew the relevant lease and sublease agreements.

MHP's Ukrainian corporate headquarters building is located at 7 Vandy Vasilevska Street in Kyiv. MHP owns approximately 700 square metres of office space in the building and additionally leases approximately 770 square metres of office space at the same address. MHP has contracted for the construction of a new corporate headquarters building at 158 Zabolotnogo Street in Kyiv with completion expected by the end of 2008.

Licences and Permits

MHP relies on several licences for its operations. These licences include licences for the production of pedigree resources (incubatory eggs and pedigree birds), which are necessary for MHP's chicken production operations, and licences for the production of pedigree cattle, which are necessary for MHP's beef production operations.

Under the new requirements of the Law of Ukraine "On Safety and Quality of the Food Products", dated 27 September 1997, as amended, (the "**Food Safety Law**"), MHP, as an operator of food production facilities, is required to obtain an operational permit in respect of all of its facilities for production of food products and fodder. Without such permits, which are to be issued by local departments of each of the Ukrainian State Committee of Veterinary Medicine ("**SCVM**") and the State Sanitary and Epidemiological Service of Ukraine ("**SSES**"), MHP is not permitted to produce, process, store or transport its food products and fodder. MHP has already obtained such permits for several of its companies and plans to obtain such permits for its other companies which operate food production facilities as soon as practicable when the register of operators of food production facilities becomes fully operational.

MHP must also obtain approval for all newly introduced technological processes from the Agrarian Ministry. As of the date of this Prospectus, there are no regulations or procedures in place enabling companies to obtain the approval for newly introduced technological processes and, accordingly, such approvals are not currently being issued. MHP plans to obtain all necessary approvals as soon as implementing regulations and procedures become available.

See "Risk Factors—Risks Relating to MHP—MHP's business could be adversely affected if it fails to obtain, maintain or renew necessary licences and permits or fails to comply with the terms of its licences and permits and/or relevant legislation".

Regulatory Compliance

General

MHP has not been subject to any material claims related to safety of its products, compliance with veterinary, sanitary, health and safety, processing control, labeling requirements, use of genetically modified materials, pesticides, agro-chemicals, steroids or antibiotics in the last five years. See "Certain Regulatory Matters".

Environmental Control

Under applicable Ukrainian legislation, poultry and other meat producing facilities are considered to pose increased environmental hazards. As such, they are subject to mandatory state ecological examinations, whereby any pre-project documentation and documentation on the installation of new machinery or the introduction of new technologies are required to be submitted to the state for examination. Management believes that MHP complies with these requirements.

As part of its operations, MHP uses various chemicals and produces solid, liquid and gaseous wastes that could have a negative impact on wildlife and vegetation in adjacent areas if improperly discharged. These and other activities are subject to various laws and regulations concerning environmental protection. In accordance with applicable Ukrainian legislation, MHP makes regular environmental payments to the Ukrainian state budget to compensate for pollution generated by MHP's facilities. These payments are effectively an environmental tariff. MHP's annual payments are based on expected emission levels, and they increase significantly if actual levels are higher than these expected levels. The payment scale was initially established by the environmental authorities pursuant to regulations adopted in 1999, and the payment rates are adjusted each year by the Cabinet of Ministers of Ukraine. In 2007, MHP paid to the state budget UAH 636 thousand (U.S.$126 thousand) in environmental payments.

MHP has not incurred material environmental liabilities, and has not been subject to material environmental investigations, in the past.

The Law of Ukraine "On Waste" dated 5 March 1998 and implementing regulations of the Cabinet of Ministers of Ukraine require companies using packaging in their operations to make regular payments to a state company "Ukrekokomresursy" to fund the recycling of such packaging or to create their own recycling systems. MHP currently does not comply with this requirement for recycling of packaging. However, given that MHP predominantly uses returnable containers for its products and does not produce a significant amount of packaging materials, Management does not believe there are material risks associated with its failure to comply with these requirements.

Use of Genetically Modified Materials

Ukrainian law only prohibits the use of genetically modified materials ("**GMM**") for the productions of baby food products. Import to, or production in, Ukraine of other food products produced with the use of GMM is permitted, provided that a particular GMM has been registered with the state register of GMM. As of the date of this Prospectus, there are no regulations or procedures in place enabling companies to register the GMM, which they use for the production of food products, and, accordingly, such food products are imported to, exported from, produced, used, or consumed in, Ukraine in accordance with the same rules as apply to any other food products.

An attempt has been made to introduce a system of mandatory labelling of food products, which contain GMM. However, as of the date of this Prospectus, this system has not been implemented. MHP does not use GMM in its products or in its fodder.

Use of Steroids, Antibiotics and Other Substances in the Chicken Production Process

Under Ukrainian law, use of some steroids, antibiotics and other substances in the chicken production process is allowed, provided that certain maximum thresholds are not exceeded. It is expected that Ukrainian laws regulating the use of steroids, antibiotics and other substances in the food production process will be harmonised with the relevant EU legislation, which applies similar principles to the use of such substances. Management believes that MHP complies with Ukrainian and EU requirements in relation to use of such substances. MHP does not use steroids in its chicken production process. It uses some antibiotics, but only to the extent permitted by applicable legislation.

Use of Pesticides and Agro-Chemicals

Pesticides and agro-chemicals may be imported to, produced, traded, used and advertised in, Ukraine only subject to their prior registration with the Ministry of Environmental Protection of Ukraine. Such registration is valid for ten years. After the expiry of the registration, the relevant pesticide or agro-chemical must be re-registered. The Ministry of Environmental Protection of Ukraine publishes the list of pesticides and agro-chemicals, which may be used in Ukraine biannually and provides annual updates to such list.

Companies must submit to the state authorities information on the amounts of pesticides and agro-chemicals, which they possess and/or use on an annual basis. Technical equipment for the use of pesticides and agro-chemicals must also be registered. Such equipment must be re-registered every five years. In addition, technical equipment for the use of pesticides must be certified.

Companies, which store or use pesticides or agro-chemicals, must insure their civil liability, which may arise as a result of such activities. However, as mentioned below (See "Business—Insurance"), because generally this type of insurance is unavailable in the Ukrainian market and the implementing regulations are absent, most of the companies engaged in the kind of activities in question do not maintain this type of insurance. Management believes that, to the extent MHP uses pesticides and agro-chemicals in its operations, it complies with the requirements in relation to their use.

Competition Regulation

As the leading poultry company in Ukraine and having recently carried out a number of acquisitions, MHP is subject to Ukrainian competition legislation, including merger control rules. Except as described in "Risk Factors—Risks Relating to MHP—Filings made by MHP or its controlling majority shareholder to the Antimonopoly Committee of Ukraine were inaccurate or incomplete, as a result of which MHP could be subject to fines, which may be material", MHP has not incurred any material liabilities related to competition legislation, and has not been subject to any material investigations by the competition authorities, in the past. See also "Industry Overview—Overview of the Ukrainian Market for Meat Products—Competition in the Ukrainian Poultry Market".

Intellectual Property

MHP holds several trademarks, the most important of which include "Nasha Ryaba", "Certified Angus", "Foie Gras" and "Lehko!". "Nasha Ryaba", "Certified Angus", "Foie Gras", "Lehko!" and "STOV Druzhba Narodiv" are registered with the Ukrainian patent authorities. See "Risk Factors—Risks Relating to MHP—Any failure to protect its brand names and other intellectual property could adversely affect MHP's business."

Information Technology

MHP uses a unified database management system Microsoft 2000 with licensed software provided by a Russian company 1C to support its key functions, including marketing, planning and sales. This system is based on MHP's corporate multi-service network SPRUT, which includes over 100 servers and over 1,000 work stations. System connections are established using fibre-optic lines as well as IP and IP MPLS connections provided by telecommunications operators. MHP regularly backs up its IT systems.

In January 2007, MHP has implemented an integrated information system with 1C 8.0 licenced software which covers all operating subsidiaries entities within the MHP group and allows MHP to implement uniform accounting and reporting processes in compliance with IFRS. The system allows MHP to consolidate financial data from its group companies and transform the statutory financial statements of MHP's Ukrainian subsidiaries into IFRS financial statements. The system has become fully operational in April 2007.

Insurance

MHP insures its principal assets against risk of loss or damage caused by fire, lightning, explosions, arson, natural disasters, water damage, burglary, robbery and mechanical damages. MHP also insures its vehicles against the risk of loss or damage. As required by law, MHP maintains statutory insurance against losses caused by damage to third parties by MHP's employees or at its operational facilities or as a result of operation of MHP's vehicles or accidents in the process of construction of MHP's facilities. MHP does not have full coverage against losses arising from the interruption of its business or damage to some of its property and equipment, including environmental damage. MHP does not have any insurance coverage in respect of any losses it may incur as a result of outbreak of bird flu or any other livestock disease.

MHP is also required by law to insure the risk of loss of its future grain harvest. Although MHP currently does not maintain this type of insurance at every one of its grain growing facilities due to its unavailability, or unavailability at economically viable prices, it intends to maintain it in the future to the extent available.

MHP is required by law to maintain product liability insurance with respect to products of animal origin and the use of pesticides and agro-chemicals. However, MHP does not maintain these forms of insurance because of their general unavailability in the Ukrainian market and the absence of implementing regulations for maintaining these types of insurance. There are no prescribed penalties for non-compliance with these insurance requirements, and Management does not believe there are material risks associated with its failure to comply with these requirements.

See "Risk Factors—Risks Related to MHP—MHP's insurance coverage may be inadequate".

Legal Proceedings

MHP is subject to various legal proceedings and claims, including proceedings involving Ukrainian tax authorities, which arise in the ordinary course of business. In the opinion of Management, the amount of ultimate liability with respect to these actions will not materially affect MHP's financial position or results of operations.

Employees

As of 31 December 2007, MHP had approximately 19,130 employees. The average number of employees in MHP for the years ended 31 December 2005, 2006 and 2007 was 8,750, 16,835 and 18,700, respectively. MHP's facilities operate year-round without significant seasonal fluctuations in labour requirements. Most of MHP's employees belong to trade unions or labour or workers' syndicates and there are collective bargaining agreements amongst most of the MHP companies and their employees. MHP considers its employee relations to be generally satisfactory.

MHP has instituted programmes to improve worksite safety and working conditions, including employee training. MHP regularly inspects its equipment and maintains a labour protection department that is responsible for ensuring compliance with health and safety requirements.

MHP operates a two-tier remuneration policy scheme, whereby overall compensation consists of fixed salary and performance-based bonus. Salaries are paid to MHP's employees according to standards and safeguards stipulated by Ukrainian employment legislation. Performance-related bonuses depend on efficiency and quality of production achieved by each individual employee and such employee's production facility and are paid as a fixed sum on an annual and monthly basis.

MHP has a programme aimed at attracting and retaining qualified young professionals as employees. Key features of the programme include sponsoring specialised agricultural education for the children of its employees, offering summer employment to students from leading Ukrainian agricultural educational institutions and providing accommodation free of charge to its newly employed young professionals.

MHP is subject to the state pension plan. MHP's pension provisions are calculated based on the individual salary of its employees, in accordance with respective laws and regulations of Ukraine. MHP does not operate a private pension plan for its employees and is not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees. MHP's contributions to the State Pension Fund in 2007 amounted to UAH 51.3 million (U.S.$10.2 million).

MHP makes voluntary post-retirement payments to certain of its key employees. The amount of such payments is set on a case-by-case basis for each employee, and these payments do not account for a significant proportion of MHP's cost of sales.

Save as disclosed in "Shareholders and Related Party Transactions" below, MHP's employees do not hold any shares in the capital of the company.

CERTAIN REGULATORY MATTERS

See also "Industry Overview—Overview of the World and Ukrainian Markets for Grain—Regulation of the Ukrainian Grain Market" for the description of certain regulatory matters related to the Ukrainian grain market.

Regulation of Ukrainian Poultry Industry

The Ukrainian poultry industry is subject to governmental regulation and licensing, in particular in the food safety, health and environmental areas.

Food Safety

The Food Safety Law and the Law of Ukraine "On the Protection of Consumers' Rights", dated 12 May 1991, as amended, are the principal laws in Ukraine dealing with food safety. According to the Food Safety Law, entities engaged in producing foodstuffs are prohibited from producing and/or putting into circulation products that are dangerous, unsuitable for consumption or incorrectly labeled. Producers are further required to use only permitted, safe and quality ingredients in the permitted amounts for producing food products. Producers and sellers of food products must ensure that sufficient and reliable information on nutrition value, ingredients, proper conditions for storage and preparation of food products, as well as the health warning associated with such products, are available to consumers. Producers and sellers are allowed to sell only those food products of animal origin for which relevant veterinary documents have been issued confirming their safety.

Under Ukrainian law, a consumer who has sustained damages as a result of buying and consuming a low-quality, dangerous or incorrectly labeled food product may bring a claim for damages against both the producer and the seller of the product.

Veterinary and Sanitary Control and Supervision

The SCVM and its local bodies are authorised to exercise state control and supervision over the production of all unprocessed food products of animal origin. SCVM officials monitor the compliance with applicable sanitary standards of fodder production, meat production, storage and transportation activities. In particular, such officials authorise the commissioning into operation of newly-built or renovated production facilities, approve food products for further circulation and issue veterinary certificates confirming the quality and safety of unprocessed meat products. SCVM officials also inspect meat production facilities and products of animal origin for compliance with applicable sanitary standards and regulations. The SCVM is authorised to determine the frequency of such inspections and generally carries them out on a monthly basis.

In addition, facilities for production of processed meat products and facilities for production, processing and storage of grains and sunflower seeds are monitored by the SSES and by the State Inspectorate on the Control of Quality of Agricultural Products and on the Monitoring the Market for Agricultural Products. Grain storage facilities are also subject to certification by local grain inspectorates.

Biosecurity

All Ukrainian producers of food products of animal origin must comply with the principal legislation related to biosecurity measures. This legislation is the Law of Ukraine "On Veterinary Medicine", the Law of Ukraine "On Ensuring the Sanitary and Epidemiological Welfare of the Population", the Food Safety Law and the Law of Ukraine "On the Withdrawal from Circulation, Processing, Utilisation, Destruction and Further Usage of Low-Quality and Dangerous Products".

The SCVM has enacted more precise regulations based on the foregoing biosecurity legislation applicable to companies operating poultry production facilities.

In light of the recently increased threat of bird flu in the world and following the detection of bird flu in Ukraine, in October 2005 the SCVM enacted the Instruction on Bird Flu Control, which establishes mandatory measures for bird flu prevention to be undertaken by all entities operating poultry production facilities. It also provides for a series of veterinary and sanitary measures to be undertaken in the event of a bird flu outbreak. Among other things, the Instruction on Bird Flu Control provides that all poultry production facilities must operate in a closed regime. In the event of a bird flu outbreak, all infected birds are subject to culling. Moreover, depending on the epizootic situation, clinical course and other factors, the relevant state authorities are authorised to take a decision to cull all bird livestock within a particular unit. In such case, the owners of such livestock are to receive compensation.

In addition, in January 2006 the SCVM adopted the Instruction on Prevention and Liquidation of Newcastle Disease of Birds.

Processing Control

Ukrainian legislation establishes requirements for animals (including chickens) subject to processing and for processing facilities. In particular, only chickens accompanied by documents certifying their safety and health may be processed. Processing of chickens is allowed only at facilities that have been confirmed to be in compliance with all applicable sanitary and veterinary regulations. Chickens being processed are subject to obligatory ante-mortem and post-mortem veterinary controls which are carried out by an SCVM veterinary inspector who checks the chickens and applies specially designed marks to carcasses or to packages with meat products. To distribute their meat products, producers are required to periodically obtain veterinary certificates and other documents confirming that their products were manufactured in compliance with applicable requirements and are suitable for further sale or storage. Such certificates are issued, depending on the type of compliance procedure, on a daily, fortnightly or monthly basis.

Producer's Declaration of Quality

Any producer of food products must issue a producer's declaration in respect of each shipment of its products. The declaration certifies that the relevant products have been produced in conformity with all applicable standards and regulations. Producers are only allowed to issue a producer's declaration if they are able to confirm the accuracy of the declaration based on documentary evidence, which includes, among other things, confirmations of introduction of quality control systems at their facilities, relevant conclusions of veterinary and sanitary examinations, veterinary certificates and operational permits.

Labelling Requirements

All products must have labels in the Ukrainian language containing the product name, producer's details, weight, ingredients (including food supplements and flavourings), nutritive value and sell-by date.

Health and Safety

The production and processing of food products, including meat products, involves the performance of certain hazardous activities, including sanitising and disinfecting production, storage and transportation facilities, working with dangerous substances, gas-hazardous work and work with objects under high pressure, which give rise to a general risk of accidents.

Ukrainian producers are subject to various Ukrainian laws governing workplace safety. Their operations are monitored by the State Committee of Ukraine for Industrial Safety, Labour Protection and Mining Supervision (the "**Labour Protection Committee**"). The Labour Protection Committee has the power to inspect, at any time, the condition of producers' equipment and to monitor dangerous manufacturing processes. The Labour Protection Committee also has wide powers to take remedial measures, including stopping any equipment and processes not in compliance with applicable laws and regulations or deemed to be dangerous to the health and safety of employees. The Labour Protection Committee is authorised to impose fines for violations of applicable labour regulations.

Ukrainian Legislation Related to Land and Other Real Estate

General

Ukraine recognises private ownership of real estate. The Constitution of Ukraine, together with the Civil Code of Ukraine, dated 16 January 2003 (the "**Civil Code**"), the Commercial Code of Ukraine dated 16 January 2003 (the "**Commercial Code**"), the Land Code of Ukraine, dated 25 October 2001 (the "**Land Code**") and other laws, recognise and protect the right to own private property.

Ukrainian legislation specifically permits the use of privately owned property for commercial purposes, including leasing of such property, and permits the retention of revenues, profits and production derived from the commercial use of property. According to the applicable Ukrainian legislation, private ownership is judicially protected.

On 25 October 2001, the Parliament of Ukraine adopted a new Land Code which came into effect on 1 January 2002. The Land Code introduced the general right to own land. Under prior law, only Ukrainian citizens were permitted to own land in Ukraine and land sale transactions were permitted only under very limited circumstances. The Land Code also permitted the mortgage of privately owned land, provided, however, that only banks may hold mortgages of agricultural land.

The Land Code provides for the following basic rights with respect to land: (i) ownership; (ii) permanent use; (iii) lease; and (iv) servitudes (i.e., easements). It also classifies land ownership among private, municipal and state ownership. The right of permanent use is only available to enterprises and organisations which are under state or municipal ownership and to social organisations for the benefit of disabled persons. Accordingly, all individuals and legal entities, who possessed permanent use rights as of 1 January 2002, were required to re-register their right of permanent use as either ownership or lease rights by 1 January 2008. However, this requirement was invalidated by the Constitutional Court of Ukraine.

Land is divided into various categories based upon its designated purpose (e.g., residential, industrial and agricultural). Residential land includes land plots used for residential buildings or buildings designated for public use. Industrial land is used for industrial, mining, transportation and other commercial enterprises. Agricultural land is to be used for farming and other agricultural purposes. Moreover, land in Ukraine is subdivided into the different kinds of the designated use within each category, which is indicated in the relevant documentation for a land plot. Under Ukrainian law, land must be used in accordance with its categorised purpose.

A land site can be purchased or leased only when it is duly allocated, meaning that the boundaries of the land plot are delimited on site. Allocation is also required in the event of a change of categorised purpose of designated use of the land site or change of area of the land site.

Private Ownership of Land in Ukraine

Generally, Ukrainian individuals and legal entities are permitted to acquire ownership rights in private, state and municipal land in Ukraine. Foreign individuals, foreign legal entities and foreign states are allowed to own, use and dispose of certain non-agricultural land in Ukraine, but are explicitly prohibited from actually owning agricultural land. Foreign individuals, foreign legal entities and foreign-owned Ukrainian entities are allowed to lease land in Ukraine (see below).

The Land Code does not explicitly grant the right to own any land in Ukraine to Ukrainian companies with 100% foreign ownership. Although this is sometimes viewed as a technical flaw and such subsidiaries are generally treated in the same way as joint ventures, there is a risk that ownership rights of such subsidiaries to land in Ukraine may be challenged. As a practical matter, if a Ukrainian company which owns land is owned by another Ukrainian company, even if that second company is foreign-owned, then there should not be any issues related to land ownership by the first Ukrainian company. Those Ukrainian legal entities which have been established by Ukrainian individuals or legal entities, or joint ventures may own land in Ukraine, subject to the above restrictions. Joint ventures established by foreign and Ukrainian individuals or legal entities may purchase non-agricultural land owned by the state or by a municipality from the CMU with the approval of the Parliament of Ukraine, or from the relevant municipal council, with the approval of the CMU, respectively.

According to the Land Code, the ownership rights to the land plot must be confirmed by the State Act on the Ownership Rights to the Land Plot (the "**State Act**"), registered with the state authorities. Only upon obtaining such State Act, is a legal entity or an individual considered a legal owner of the land plot and may freely use and dispose of it.

The Land Code contains a number of transitional provisions which postpone or limit the application of certain provisions of the Land Code until a future date (the "**Transitional Provisions**"). One of the most important of these Transitional Provisions states that until the laws "On the Land Market" and "On the State Land Cadastre" are adopted, certain agricultural land (in particular, land plots formally designated for commodity agriculture or individual farming) may not be re-sold, alienated, or otherwise disposed of unless such alienation results from inheritance or withdrawal of land for public purposes. From 1 January 2007, the change of the designation of such land is prohibited. The Land Code does not contain any similar restrictions with respect to non-agricultural land.

Leasing of Land in Ukraine

All Ukrainian and foreign individuals and legal entities, as well as foreign states may lease land in Ukraine. The new Land Code establishes the maximum term of land leases of 50 years. It also allows subleasing arrangements, subject to the lessor's consent. Land lease relations are regulated in detail by the Law of Ukraine "On the Lease of Land", dated 6 October 1998 (the "**Land Lease Law**").

According to the Land Lease Law, land lease agreements must be executed in writing and must contain the following essential provisions:

- the subject matter of the lease (i.e., the property's location and size);
- the term of the agreement;
- the amount of the rent and the terms and means of payment, indexation of the rent, procedure for changing its amount, and liability for the failure to pay;
- the terms of use and designated purpose of the leased land plot;
- the terms of maintenance of the leased property;
- the terms for transfer of the land plot by the lessor to the lessee;
- the terms for return of the land plot by the lessee to the lessor;
- a description of all existing restrictions and encumbrances of the land plot;
- provisions allocating the risk of damage or loss of the land plot; and
- liability of the parties.

The absence in a land lease agreement of one of the mentioned conditions can result in the refusal to perform the state registration of the agreement and its invalidation.

All land lease agreements must comply with the model land lease agreement approved by the Regulation of the Cabinet of Ministers of Ukraine "On Adoption of the Model Land Lease Agreement" dated 3 March 2004, No. 220, and must be registered with the state land authorities.

Furthermore, according to the Commercial Code, agreements on lease of land plots for commercial purposes are subject to mandatory notarisation. In accordance with the Civil Code, the lack of notarisation leads to the invalidity of the relevant agreements, unless such agreements are declared valid by a court. However, since the special legislation on land relations, i.e., the Land Code and the Land Lease Law, do not require such notarisation, it may be concluded that the failure to notarise the land lease agreement, *per se*, should not lead to its invalidation. It should also be mentioned that, according to Article 4 of the Commercial Code, land relations are not governed by the Commercial Code. Therefore, the risk of the invalidation of a land lease agreement due to the failure to notarise is more theoretical than practical.

Only upon the state registration a land lease agreement is deemed to be effective and a tenant has lease rights to the land plot. Any amendments to the land lease agreement also require the state registration.

The lease agreement shall have the following integral parts:

- plan or scheme of land plot being leased;
- cadastral plan of a land plot indicating restrictions (encumbrances) of a land plot use and established land servitudes;
- certificate of determination of land plot boundaries afield;
- delivery-acceptance certificate on the transfer of the land plot; and
- lease allocation project (when and if required under Ukrainian law).

The original lease term may be extended as many times as the parties desire, provided that they re-execute the lease agreement upon each extension and register the re-executed agreement with the land authorities. Under Ukrainian law, the lessee has a pre-emptive right to extend the lease, provided it has duly fulfilled all of its obligations under the original lease and upon all other conditions being equal, including paying the price equal to the highest bid if the lease right to the land plot is auctioned. However, the Ukrainian courts have held that a lessee has no right to extend the lease in the event that the lessor decides to no longer lease the subject property.

The ownership of leased land may not automatically pass to the lessee under the terms of a lease agreement. However, under the Land Lease Law, the lessee has a pre-emption right in the event that the lessor seeks to sell the leased property. In order to exercise such right, the lessee must pay the price at which the land is offered for sale, or, if a property is auctioned by the lessor, the lessee's offered price must be equal to the highest bid.

Under the Land Lease Law, the parties to a lease are generally free to determine the amount and timing of the land rent under the lease. However, the rent relating to land held in state or municipal ownership must be paid in cash and may not be lower than the land tax for the same land plot with agricultural designated use and triple amount of the land tax for the same land plot of non-agricultural designated use, as calculated in accordance with the Law of Ukraine "On the Land Tax", dated 3 July 1992, as amended (the "**Land Tax Law**"). In addition, for such properties, the annual land rent may not exceed 12% of the normative state valuation of the particular land plot. However, the amount of land rent may be higher in case the lease rights to the land plot are sold through auction.

Under Ukrainian law, the amount of land rent may be revised by the mutual consent of the parties to the lease. Also, the lease agreements for state and municipal lands generally provide that the actual amount of the land rent fluctuates annually based on the updated normative state valuation ascribed to the land according to the coefficient determined and published in the beginning of each year by the State Agency on Land Resources. As of 2008, such coefficient is 1.028.

Acquisition of Land into Ownership and Lease

On 28 December 2007, the Ukrainian Parliament adopted the Law of Ukraine "On State Budget of Ukraine for 2008 and Amendments to Certain Ukrainian Legislation" (the "**Budget Law**").

Effective as of 1 January 2008, the Budget Law introduced a number of amendments to the Land Code relating to the procedure of the land acquisition, and authority of the state authorities in exercising right of ownership to the state-owned lands.

In particular, the Budget Law provides that the sale of agricultural lands is reserved to the State Agency for Land Resources of Ukraine. Also according to the Budget Law:

(i) sale of all land plots in state and municipal ownership must be carried out through land auctions, unless these land plots are sold to the owners of real estate situated on them; and

(ii) the right to lease land plots of state and municipal ownership shall only be granted through land auctions, unless the land plots are leased to the owners of real estate situated on them.

At the moment, the procedure for the conduct of land auctions is not clear. While the CMU adopted the implementing regulation, this decision was suspended by the President of Ukraine pending the hearing at the Constitutional Court of Ukraine. Meanwhile, land auctions in most regions around Ukraine have been suspended. The land auction requirement does not apply to the acquisition or lease of private lands.

The detailed procedures for the acquisition of land or lease rights to land with real estate on it are often determined by local authorities. As a general rule, the sale of the land plot or transfer of the land plot for lease must be approved by the local municipal authority or local state administration. According to such decision, the parties should execute the notarised sale and purchase agreement or the lease agreement of the land plot.

Leasing of Real Estate Other Than Land (Buildings and Structures)

The Civil Code contains general provisions governing the leasing of movable and immovable property. In particular, according to the Civil Code, the lease of a building (or other capital structure) or part thereof must be concluded in writing and must be notarised and registered with the State Register of Deeds if entered into for a period of three years or longer.

State Registration of Rights to Immovable Property and Certain Transactions

Sale and purchase agreements, gift agreements or other types of agreements which address ownership rights to real estate must be notarised and registered with the State Register of Transactions. In addition to registration of the agreement with the State Register of Transactions, the property rights must also be registered: in relation to a building, with the local Bureau of Technical Inventory and in relation to a land plot, with the local Department for Land Resources.

Information concerning encumbrances on real estate is contained in the following State Registers:

- the Uniform Register of Prohibitions on the Alienation of Real Estate;
- the State Register of Mortgages;
- the Register of Encumbrances of Movable Property (in respect of tax liens); and
- the Land Cadastre.

In the near future, the State Register of Rights to Immovable Property and Their Limitations is expected to be established. It will contain consolidated information on all property rights to real estate as well as the limitations of such rights and, as such, replace those respective registers currently in existence.

In case of any dispute over particular real estate object, registered rights to that real estate object should prevail over non-registered rights. Furthermore, the real estate owner may enter into an agreement in respect of real estate only after the ownership title is duly registered. Thus, the real estate, title to which is not duly registered, may not be legally sold.

Liabilities of Owners

Owners of land plots and buildings must comply with various environmental, public health, fire, residential, urban planning and other requirements of Ukrainian law. The owner of a building generally bears all liabilities that may arise in connection with the building. Owners and leaseholders are required to use the land in accordance with its intended use, not to cause harm to the environment, assume the liability and financial costs relating to compliance with the various land use standards and not to allow the pollution of, littering on, or degradation of, the land.

Land and Real Estate Taxation

Owners of land and those with permanent rights to use land must pay a land tax and lessees must pay the land rent as set forth in the lease agreement. Currently, the general land tax for the land plots located within city limits, subject to certain exceptions established by the Land Tax Law, is 1% per year of normative (state) valuation of the land, which is updated periodically. The general land tax for agricultural land is established at the rate of 0.03% and 0.1% per year of normative (state) valuation of the land, depending on the type of land. Tax is paid on a monthly basis at one-twelfth of the annual tax amount.

The appraisal of the land is carried out by authorised licensing organisations in accordance with the methodology adopted by the CMU. This methodology accounts for various factors, including, but not limited to, the location of the land and the purpose for which the land is to be used. The valuation of a particular land plot is carried out at least once every five years with respect to agricultural land and at least once every seven years with respect to non-agricultural land.

With each new valuation, the original valuation is to be adjusted pursuant to a formula adopted by the CMU. The market value of land is not uniform across Ukraine and may vary greatly from place to place depending on the factors affecting the valuation. Furthermore, the valuation of land, which is the basis for the computation of the land tax, fluctuates from year to year.

DIRECTORS, CORPORATE GOVERNANCE AND MANAGEMENT

Directors

The Company's directors (together, the "**Board of Directors**") are:

Name	Year of Birth	Position
Charles E. Adriaenssen	1956	Non-Executive Chairman
Yuriy A. Kosyuk	1968	Chief Executive Officer
Victoriya B. Kapelyushna	1970	Director, Chief Financial Officer
Artur Futyma	1969	Executive Director
Yevhen H. Shatokhin	1976	Executive Director
Dr John C. Rich	1952	Non-Executive Director
John Grant	1945	Non-Executive Director

Each member of the Board of Directors, except Mr Futyma, was elected on 30 May 2006. Mr Futyma was elected on 12 September 2007, following the resignation of Mr Malashenko. The term of office of each member of the Board of Directors will expire at the Company's 2009 annual general meeting of shareholders.

Charles E. Adriaenssen is the non-executive Chairman of the Board of Directors. From 2004 through 2008, Mr Adriaenssen served as a non-executive director of EPS SA, a holding company for the Belgian brewing company, Inbev. He was a member of the Board of Directors of Interbrew N.V. from April 2000 to August 2004. Since June 2006, Mr Adriaenssen has been a member of the Board of Directors and a member of the Corporate Governance, Nomination and Remuneration Committee of Eurochem, a company engaged in the production of fertilisers. He is the Founder and Chairman of the Board of CA & Partners SA, consulting and management training company and is the Chairman of the Board of Outhere SA, an independent European publisher of classical music. Mr Adriaenssen is the Chairman of Bastille Investments, a private investment company, since 2005 and is a member of the Board of Directors of Rayvax Holdings SA since 1999. From 1982 to 1995 Mr Adriaenssen served in various diplomatic positions with the Belgian Foreign Services. Mr Adriaenssen received a Bachelor of Arts degree in philosophy from the University of Vienna and holds a law diploma from the University of Antwerp.

Yuriy Kosyuk is the Chief Executive Officer of the Company. He has served in similar roles with MHP since founding MHP in 1998 and is the CEO of JSC MHP. Mr Kosyuk previously worked as the President of Business Centre for Food Industry ("**BCFI**") from November 1995 to October 1999, a company which he founded in 1995 which was active in the domestic and export trade in grain and other agricultural products. Mr Kosyuk graduated from the Kyiv Food Industry Institute in 1992 as a processing engineer of meat and milk production.

Victoriya B. Kapelyushna is the Chief Financial Officer of the Company. She has served in similar roles since April 1996 when she joined BCFI as the Deputy Chief Accountant and assumed the role of Chief Accountant in March 1997. Ms Kapelyushna joined MHP in 1998. Ms Kapelyushna is also the financial director of JSC MHP. Ms Kapelyushna graduated from the Kyiv Institute of Food Industry with diplomas in meat processing engineering and in financial auditing in 1992 and 1998, respectively.

Artur Futyma is an Executive Director of the Company and also serves as the Deputy of the CEO on development at JSC MHP where he is responsible for managing new projects. He has served as a director of JSC MHP's agricultural department between November 2001 and November 2007. Mr Futyma has been working at MHP since 1 December 1998 and prior to that worked at BCFI since 1996. He graduated from Kyiv Institute of Food Industry with a diploma in food machinery engineering in 1992.

Yevhen H. Shatokhin is an Executive Director of the Company and also serves as the Deputy Chairman and Head of Sales of JSC MHP since 2007. He served as the General Director of Druzhba between 2003 and 2007. Mr Shatokhin graduated from the National University Kyiv-Mohyla Academy with a diploma in history and political science in 1998. He graduated from Kharkiv State Veterinary Academy with a diploma in mechanical engineering in 2006.

Dr John C. Rich is a non-executive director. Dr Rich is currently the Managing Director of Australian Agricultural Nutrition and Consulting Pty Ltd ("**AAN**"), an agricultural consulting company and is also a specialist agribusiness consultant for the IFC. He has previously served in various positions with companies and institutions operating in the world agricultural industry, including Executive Director of Austasia Pty Ltd, an agribusiness company with operations in Australia and South East Asia, from 1990 to 2003.

From 1995 through 2002, Dr Rich worked as director of AN-OSI Pty, a private nutritional consultancy company specialising in supply chain management of feedlot beef, poultry and dairy operations in Asia and Europe. Dr Rich received Bachelor of Science and Bachelor of Veterinary Science degrees with honours from the University of Sydney and is a member of the Australian College of Veterinary Scientists and the Royal College of Veterinary Surgeons and has completed a number of post graduate courses in the agricultural and food industry.

John Grant is a non-executive director and also serves as the Chairman of the Audit committee of the Company. Mr Grant has been the Chairman of the Boards of Torotrak plc and Hasgo Group Limited since 2005 and 2000 respectively. He has served as a non-executive director of The Royal Automobile Club Limited and Melrose plc since 2004 and 2006, respectively. Mr Grant previously served as the Chairman of the Board of Peter Stubs Limited from 2000 to 2005, the Chairman of the Board of the Royal Automobile Club Motor Sports Association Limited from 2002 to 2005 and as a non-executive director of National Grid plc from 1995 to 2006, Torotrak plc from 1998 to 2005 and Corac Group plc from 2000 to 2006. Mr Grant also served as the Finance Director of Lucas Industries plc and Lucas Varity plc from 1992 to 1996 and previously as the Director of Corporate Strategy of Ford Motor Company. Mr Grant received a Bachelor of Science degree in economics from the Queen's University of Belfast and he also holds a Master of Business Administration degree from the Cranfield School of Management.

The business address for all of the members of the Board of Directors is 8-10, rue Mathias Hardt, L-1717 Luxembourg, Grand-Duchy of Luxembourg.

Senior Management of MHP

Members of MHP's senior management, other than the Company's executive directors, are:

Anna Dragomiretskaya has served as a member of the board of JSC MHP from July 2002 through December 2007. She is responsible for corporate and legal issues at MHP. She has been working at MHP since 13 November 1998. Ms Dragomiretskaya worked at the BCFI as a lawyer from September 1997 until November 1998. Prior to that, Anna worked as a lawyer with the law firm of Ukryurservice from December 1996 until September 1997. She graduated from Kyiv National Taras Shevchenko University with a diploma in law in 1996.

Dina Ivleva has served as a head of chicken production of MHP since 30 November 1998 and prior to that worked at BCFI since 1997. She is also responsible for training head technologists for MHP's chicken farms. Ms Ivleva has over 30 years of experience in the poultry industry and, prior to joining BCFI served at the Ukrainian Ministry of Agriculture as head of its poultry technology department. Ms Ivleva graduated from Moscow State Agricultural University with a diploma in poultry production in 1968.

Borys Skyba has served as MHP's chief veterinarian since September 2004 and he is responsible for livestock health issues at all MHP group companies. Mr Skyba has worked in the agricultural industry since 1999. He worked as veterinarian at one of the research farms of the Ukrainian Academy of Agricultural Science from 1999 till 2001. He also worked as chief veterinarian of two Ukrainian agricultural companies. Mr Skyba graduated from Kharkiv Veterinary Institute in 1999.

Maxim E. Pisarev has been the Deputy Chairman of the board of JSC MHP on production processes since November 2007. Prior to joining MHP, he worked at JSC "Poultry Farm Dniprovsky" where he served as the chairman of the supervisory board between July 2002 and February 2007 and then as first deputy of the CEO between February 2007 and October 2007. Mr Pisarev served as the Director of Attis LLC, where he was involved in securities dealings from October 1997 to June 2002. He graduated from Zaporizhya State University with a diploma in accounting and audit in 1997.

Corporate Governance

The Company is in full compliance with Luxembourg's voluntary corporate governance regime. The Luxembourg Stock Exchange has published non-binding principles of corporate governance contained in "Ten principles of corporate governance of the Luxembourg stock exchange" approved by the Luxembourg Stock Exchange in April 2006.

The recommended principles are the following:

Principle 1—Corporate governance framework

The company will adopt a clear and transparent corporate governance framework for which it will provide adequate disclosure.

Principle 2—Duties of the board

The board will be responsible for the management of the company. It will act in the best interests of the company and will protect the general interests of the shareholders by ensuring the sustainable development of the company. It will function in a well-informed manner as a collective body.

Principle 3—Composition of the board and the special committees

The composition of the board will be balanced so as to enable it to take well-informed decisions. It will ensure that any special committees necessary for it to properly fulfil its duties are set up.

Principle 4—Appointment of directors and executive managers

The company will establish a formal procedure for the appointment of directors and executive managers.

Principle 5—Conflicts of interest

The directors will take decisions in the best interests of the company and will refrain from taking part in any deliberation or decision that creates a conflict between their personal interests and those of the company or any subsidiary controlled by the company.

Principle 6—Evaluation of the performance of the board

The board will regularly evaluate its performance and its relationship with the executive management.

Principle 7—Management structure

The board will set up an effective structure of executive management. It will clearly define the duties of executive management and delegate to it the necessary powers for the proper discharge of these duties.

Principle 8—Remuneration policy

The company will secure the services of good quality directors and executive managers by means of a suitable remuneration policy that is compatible with the long-term interests of the company.

Principle 9—Financial reporting, internal control and risk management

The board will establish strict rules, designed to protect the company's interests, in the areas of financial reporting, internal control and risk management.

Principle 10—Shareholders

The company will respect the rights of its shareholders and ensure they receive equitable treatment.

The company will establish a policy of active communication with the shareholders.

Board of Directors

Members of the Board of Directors are elected by a majority vote of shareholders at the annual general meeting. Directors may be elected for a term not exceeding six years, and may be re-elected an unlimited number of times. The Board of Directors currently consists of seven members elected for three years, three of whom are considered to be independent pursuant to criteria adopted by the Board of Directors on 7 June 2006. See "Description of Share Capital and Corporate Structure—Board of Directors". All members of the Board of Directors serve on the Board of Directors pursuant to a resolution of the Company's general meeting of shareholders'. In addition, each of the members of the Board of Directors has signed a letter of appointment with the Company, which apply for so long as each member remains a director. The letters of appointment do not provide for any benefits upon termination of the directorship. In addition, the letters of appointment in respect of each of Mr Adriaenssen, Dr Rich and Mr Grant provide for payment of compensation and reimbursement of certain expenses by the Company. Ms Kapelyushna, Mr Futyma and Mr Shatokhin do not receive compensation from the Company for their services as directors, and their expenses in connection with such services are to be reimbursed by JSC MHP or its consolidated subsidiaries, as the case may be.

The terms and conditions for the appointment of Mr Kosyuk as the Company's CEO (the "**Terms**") were agreed between Mr Kosyuk and the Company and signed on 21 June 2006. The Terms are for the duration of Mr Kosyuk's office and do not provide for any benefits upon termination of his directorship. However, Mr Kosyuk may only resign from his position as Chief Executive Officer subject to a prior three-months' notice. The Terms contain confidentiality obligations applicable to Mr Kosyuk for a period of five years after termination of his office. The amount of remuneration and benefits paid by the Company to the persons responsible for the day-to-day management of the Company is reported by the Board of Directors to the annual general meeting of shareholders.

The amount of remuneration and benefits paid to all members of the Board of Directors, including the Chief Executive Officer, regardless of whether such remuneration or benefits is paid by the Company or by any other entity within the MHP group of companies, is established by the Nominations and Remuneration Committee. In addition, the amount of remuneration paid to all members of the Board of Directors by the Company is approved by the Company's general meeting of shareholders.

On 7 June 2006, the Board of Directors adopted a number of resolutions that establish the general parameters of the Company's procedures for the management and conduct of its business. The Company will procure that these procedures are applied consistently in all companies of the MHP group. These include:

Authorisation for the Chief Executive Officer, in the context of daily management of the Company, to enter into any transaction on behalf of the Company up to a value of €10 million and for such purpose to execute relevant documents or to delegate powers as appropriate. See "Description of Share Capital and Corporate Structure—Board of Directors—Officers" for a description of the powers of the Chief Executive Officer under the Articles.

So long as the Board of Directors is able to conclude that it has "Independent Directors" (having regard to Section A.3.1 of the United Kingdom's 2003 Combined Code on Corporate Governance, as the same may be amended from time to time, or any successor provision), it is the intention of the Board of Directors that any "transaction with a related party" by the Company or any of its consolidated subsidiaries with a value of more than €10 million shall require the affirmative vote of a majority of such Independent Directors. For these purposes, a "transaction with a related party" is defined by reference to Chapter 11 of the UKLA Listing Rules, as amended, which currently defines such a transaction as (i) a transaction (other than a transaction of a revenue nature in the ordinary course of business) between a company, or any of its subsidiary undertakings, and a related party; (ii) any arrangements pursuant to which a company, or any of its subsidiary undertakings, and a related party each invests in, or provides finance to, another undertaking or asset; or (iii) a transaction (other than a transaction of a revenue nature in the ordinary course of business) between a company, or any of its subsidiary undertakings and any other person the purpose and effect of which is to benefit a related party. For the avoidance of doubt, any transaction between members of the group comprising the Company and its consolidated subsidiaries or any transaction between any member of such group and any other person who would be a related party only because of an interest held in that person through one or more members of such group is not considered a "transaction with a related party" pursuant to the resolution of the Board of Directors.

The Board of Directors has instructed consolidated subsidiaries of the Company that approval of the Board of Directors shall be required for any consolidated subsidiary of the Company to make any acquisition or disposal of assets or businesses valued at more than €10 million other than in the ordinary course of business; to undertake any borrowings from, loans to or guarantees or the granting of security in respect of the financial obligations of or obligations owed to any third party, valued at more than €10 million; and for any purchase or issuance of shares in any of the Company's consolidated subsidiaries. The Board of Directors resolved that the approval of the Board of Directors shall not be required for any transactions between members of the Company's consolidated group.

The Board of Directors has also established criteria by which to assess whether a director is an independent director with consideration of the character and judgment of each member of the Board of Directors and whether there are relationships or circumstances which are likely to affect, or could appear to affect, any member's judgment. If the Board of Directors determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, the Board of Directors has resolved to state the basis for its conclusion, including if the director has been an employee of the Company's consolidated group within the last five years; has, or has had within the last three years, a material business relationship with the Company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Company; has received or receives additional remuneration from the Company apart from a director's fee, participates in the Company's share option or a performance-related pay scheme, or is a member of the Company's pension scheme; has close family ties with any of the Company's advisers, directors or senior employees; holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; represents a significant shareholder; or has served on the board for more than nine years from the date of such director's first election.

At its meeting held on 7 April 2008, the Board of Directors has determined, in accordance with the foregoing procedures, that each of Messrs Adriaenssen, Grant and Rich is an independent director.

The Board of Directors may alter the foregoing procedures by passing an ordinary resolution, and the Company would expect to issue an explanatory press release if these procedures are altered in any material respect.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee consists of Mr Adriaenssen (the Chairman), Mr Grant and Dr Rich. The Nominations and Remuneration Committee is authorised to carry out its functions as well as any other functions as may, from time to time, be delegated to it by the Board of Directors. These responsibilities include consideration of the award of stock options to any member of the Board of Directors and all matters relating to the remuneration and benefits paid to all members of the Board of Directors, including the Chief Executive Officer, regardless of whether such remuneration or benefits is paid by the Company or by any other entity within the MHP group of companies. The Nominations and Remuneration Committee is also responsible for, among other things, reviewing the composition of the Company's Board of Directors and making recommendations to the Board of Directors with regard to any changes. See "Description of Share Capital and Corporate Structure—Board of Directors".

Decisions of the Nominations and Remuneration Committee are taken by a majority vote and, in the event of the equality of votes, the Chairman of the Nominations and Remuneration Committee has a casting vote.

Audit Committee

The Audit Committee consists of Mr Grant (the Chairman), Ms Kapelyushna and Dr Rich. The Audit Committee is authorised to carry out its functions as may, from time to time, be delegated to it by the Board of Directors relating to such matters as the oversight of audit functions, financial reporting and internal control principles and the appointment, compensation, retention and oversight of the Company's independent auditors. See "Description of Share Capital and Corporate Structure—Board of Directors".

Decisions of the Audit Committee are taken by a majority vote and, in the event of the equality of votes, the Chairman of the Audit Committee has a casting vote.

Relationship Agreement

The Company entered into an agreement with WTI, the Company's controlling majority shareholder, and Mr Kosyuk, WTI's sole beneficial shareholder (the "**Relationship Agreement**") on 9 May 2008. The Relationship Agreement provides that each of WTI and Mr Kosyuk (together, the "**Majority Shareholders**") will, for as long as they continue to hold, directly or indirectly, at least 30% of the shares carrying voting rights in the Company, at all times:

(a) refrain from exercising their voting rights, directly or indirectly, to elect any director of the Company if the election of such a person would have the result that the number of the members of the Board of Directors who are not independent of the Majority Shareholders will exceed the number of the members of the Board of Directors who are independent of the Majority Shareholders by more than one person unless such election is approved at a general meeting of the Company's shareholders;

(b) subject to any duty of confidentiality owed to third parties, promptly provide to the Company any information in their possession or control which the Company reasonably requests in order to assess and meet its obligations under the Listing Rules and the laws of Luxembourg;

(c) keep confidential and not use for their own benefit any confidential information relating to the Company or the MHP group to which they have been given access by reason of their interest in the share capital of the Company or any role as director of the Company;

(d) exercise any of their voting rights so as to procure, insofar as they are able to do so by the exercise of voting rights attaching to the Shares, that:

   (i) the Company and its subsidiaries are capable at all times of carrying on its business independently of the Majority Shareholders;

   (ii) all transactions, agreements or arrangements entered into between a Majority Shareholder or any of their affiliates and the Company (or any subsidiary of the Company) are, and will be made, on an arm's length basis and on normal commercial terms (and that any transactions, agreements or arrangements (or series thereof) with a value of more than U.S.$5 million are approved by the Independent Directors); and

   (iii) no variations are made to the Company's articles of association that would be contrary to the Company's independence from the Majority Shareholders.

In addition, each Majority Shareholder has agreed that it shall not, from the date of the Relationship Agreement and till the date on which the Majority Shareholders (together with related parties) cease to hold, directly or indirectly, at least 50% of the shares carrying voting rights in the Company (the "**Restricted Period**"):

(a) carry on, set up, be employed, engaged or interested in an agricultural or food production business in Ukraine which is or is about to be in competition with any business of the Company or any of its subsidiaries provided that, in the case of Mr Kosyuk, his involvement in such a business is not considered by a majority of the independent directors to restrict, affect or otherwise interfere with the performance of his duties and obligations to the Company;

(b) directly or indirectly engage in any activity which a majority of the independent directors reasonably consider may be, or become, harmful to the interests of the Company or any of its subsidiaries, or, in the case of Mr Kosyuk, which might reasonably be considered to interfere with the performance of his duties and obligations under his employment agreement.

The Restricted Period shall be extended to the date falling three months after the date on which the Majority Shareholders (together with related parties) cease to hold, directly or indirectly, at least 30% of the shares covering voting rights in the Company provided that the approval of the Antimonopoly Committee of Ukraine (or a decision of the Antimonopoly Committee of Ukraine that no such approval is necessary) is obtained.

Each Majority Shareholder has further agreed that if he/it becomes aware of any potential investment opportunity in the agricultural industry in Ukraine, then he/it will disclose such opportunity to the Board of Directors immediately in writing. The Company may then investigate such investment opportunity, and each Majority Shareholder has agreed:

(a) not to make or pursue such investment opportunity;

(b) not to prevent or hinder any decision to be taken by the Board of Directors on whether or not to proceed with such investment opportunity; and

(c) to fully co-operate with and assist the Company in any investigations it undertakes into such investment opportunity.

If the Company decides not to proceed with such investment opportunity, the Majority Shareholders have agreed not to pursue that investment opportunity without the written consent of a majority of the Independent Directors.

The Majority Shareholders have also undertaken that they will not sell, transfer, dispose of or otherwise deal with any right or interest in the Shares for so long as the Relationship Agreement is in effect except where:

(a) such sale, transfer, disposal or dealing would not result in the transferee (together with its affiliates) holding directly or indirectly 25% or more of the Shares; or

(b) the relevant Majority Shareholder first procures that the transferee executes a deed of adherence undertaking to be bound by the terms of the Relationship Agreement.

Additionally, each Majority Shareholder has acknowledged that information provided to them directly or through the Company may be unpublished, price sensitive information, and has undertaken to comply with any applicable laws, rules and regulations in relation to their dealings in the GDRs or Shares.

Remuneration of Directors and Management

The aggregate amount of remuneration paid by MHP to the Company's directors (including Mr Kosyuk) during the year ended 31 December 2007 was approximately UAH 12.2 million (U.S.$2.4 million) in salary and bonuses. In addition, during the year ended 31 December 2007, Mr Kosyuk received the free use of assets (including short-term and long-term interest-free loans and use of certain buildings and vehicles) from MHP with a value of approximately UAH 15.2 million (U.S.$3.0 million).

The aggregate amount of remuneration paid by MHP to its management, including the senior management of its subsidiaries (and including the Company's executive and non-executive directors and including Mr Kosyuk), as a group during the year ended 31 December 2007 was approximately UAH 19.5 million (U.S.$3.9 million) in salary and bonuses.

The letters of appointment with the members of the Board of Directors and with other members of MHP's senior management do not provide for any pension or other benefits upon termination of respective contracts.

Litigation Statement about Directors and Officers

As of the date of this Prospectus, no member of the Board of Directors or of MHP's senior management for at least the previous five years:

has any convictions in relation to fraudulent offences;

has held an executive function in the form of a senior manager or a member of the administrative management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; or

has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has 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.

Share Options

As of the date of this Prospectus, neither the Company nor JSC MHP has a share option plan and no share options have been granted to members of the Board of Directors, members of MHP's senior management or employees. MHP is currently considering various compensation structures and may consider establishing such a plan and granting share options in the future.

Conflicts of Interests

Mr Kosyuk has direct and indirect interests in companies with which MHP has engaged in transactions, including those in the ordinary course of business. As a result, potential conflicts of interests between his duties to the Company and private interests may arise or may have arisen. See "Shareholders and Related Party Transactions".

In addition, a non-executive member of the Board of Directors, Dr Rich, is currently the Managing Director of AAN. In March 2006, prior to Mr Rich's appointment to the Board of Directors, AAN provided to MHP certain consultancy services in relation to biosecurity measures implemented at MHP's facilities. As a result, potential conflicts of interests between Dr Rich's duties to the Company and private interests may arise or may have arisen. See "Shareholders and Related Party Transactions".

Except as discussed immediately above, there is no actual or potential conflict of interests between the duties of any of the members of the Board of Directors to the Company and their respective private interests.

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Shareholders

The table below sets forth certain information regarding ownership of the Shares (i) as of the date of this Prospectus and (ii) as of the Closing Date, as adjusted to give effect to the issue or sale (as the case may be) of the Shares in the form of GDRs by the Company and the Selling Shareholder in the Offering. All information given in this section assumes that Over-allotment option is exercised in full.

	Shares Owned Before the Offering		Shared Owned After the Offering	
Shareholder	Number	%	Number	%
WTI Trading Limited	100,019,999	100	86,044,999(1)	77.68
Orr Group Limited	1	0	1	0
Other shareholders	—	—	24,725,000	22.32
Total	**100,020,000**	**100**	**110,770,000**	**100**

Note:

(1) This number may be reduced by 2,498,465 Shares (2.26%) if the options referred to below are exercised.

Mr Kosyuk, the Company's Chief Executive Officer, directly owns 100% of the shares in WTI, which in turn directly owns 100% minus one share of the Company. The one remaining share is held by Orr Group Limited, a nominee company for WTI. After the Offering, WTI will own 77.68% of the shares in the Company. WTI has its registered office at 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus.

On 1 February 2007, WTI acquired from IFC 6.3% of the Company's shares, as a result of which IFC ceased to be a shareholder in the Company. The purchase price for such shares was U.S.$50.0 million based on the terms of an agreement entered into between IFC, Mr Kosyuk and WTI dated 15 June 2006.

On 28 December 2006, WTI entered into a loan agreement, as amended from time to time, (the "**WTI Loan Agreement**") with Morgan Stanley Bank International Limited ("**MSBI**") for the provision of a loan facility in an aggregate amount of U.S.$80.0 million to, among other things, finance the acquisition by WTI of the Company's shares previously held by IFC. On 28 December 2006, WTI and MSBI entered into a pledge agreement, as amended from time to time, (the "**WTI Pledge Agreement**") whereby WTI has pledged 49% of its shares in the Company to secure its obligations under the WTI Loan Agreement. The WTI Loan Agreement provides that WTI is obliged to ensure that, following the closing of the Offering, the aggregate value of those of WTI's shares in the Company pledged in favour of MSBI is equal to three times the outstanding amounts under the WTI Loan Agreement on the date which is the next trading day after the end of the 20-day period following the closing of the Offering. All amounts payable from WTI to MSBI in respect of tranche B of the WTI Loan Agreement, as amended and restated with effect from 25 April 2008, (comprising a loan of U.S.$7.75 million plus accrued and capitalised interest) become due for repayment on 1 February 2009. All remaining amounts payable from WTI to MSBI under the WTI Loan Agreement become due for repayment on 1 March 2012. As of the date of this Prospectus, the aggregate amount outstanding under the WTI Loan Agreement (including capitalised interest) is U.S.$94,513,213.94.

In connection with the WTI Loan Agreement on 7 March 2007, WTI and Morgan Stanley & Co. International plc, formerly Morgan Stanley & Co. International Limited ("**MSI**") entered into an option agreement (the "**WTI First Call Option Agreement**") pursuant to which WTI granted the right to MSI to acquire such number of Shares from WTI as represents 0.1% of the Company's issued share capital at the time the option is triggered. The option is exercisable by MSI, inter alia, on an initial public offering by the Company. On 24 April 2008, WTI and MSI entered into an option agreement (the "**WTI Second Call Option Agreement**") pursuant to which WTI granted the right to MSI to acquire such number of Shares from WTI as represents 0.35% of the Company's issued share capital at the time the option is triggered. The option is exercisable by MSI, inter alia, on an initial public offering by the Company.

MSI has not indicated to WTI and Mr Kosyuk whether or not it intends to exercise the options under the call option agreements in respect of some or all of the 0.45% of the Company's issued share capital at the time of this Offering or subsequently. These Shares (to be represented by GDRs) would, if transferred by WTI following such exercise, be in addition to the GDRs being offered by the Company and WTI in the Offering.

On 7 March 2007, WTI entered into a second loan agreement (the "**U.S.$30m Loan Agreement**") with MBSI as agent and three companies in the Spinnaker group (the "**Lenders**") for the provision of a loan facility in an aggregate amount of U.S.$30.0 million. On 7 March 2007, WTI entered into a second pledge agreement whereby WTI pledged a further 18.375% of its shares in the Company to secure its obligations under the U.S.$30m Loan Agreement. All amounts payable from WTI to the Lenders under the U.S.$30m Loan Agreement will become due for repayment on closing of the Offering. The terms of the U.S.$30m Loan Agreement provide that the Lenders may elect to be repaid all or part of the amount payable to them on that date by the issue or transfer of GDRs. Under the U.S.$30m Loan Agreement, the Lenders must advise WTI of such an election at least one business day prior to the date of pricing in respect of the Offering. The price attributed to the GDRs for the purpose of repaying amounts payable under the U.S.$30m Loan Agreement will be the price at which such GDRs are offered to the public on the date of the Offering. Any issue or transfer of GDRs as repayment of amounts under the U.S.$30m Loan Agreement will take place on the date GDRs are issued in respect of the Offering, or in any event within 10 business days of such date.

The Lenders have not yet indicated to either WTI or Mr Kosyuk what they intend to do with regard to their option to take Shares/GDRs in repayment of the U.S.$30m Loan Agreement. If they were to exercise such option they would be entitled to receive approximately 2,000,000 GDRs (at the Offer Price) representing 1.81% of the issued share capital of the Company following the Offering. These GDRs would be in addition to the GDRs being offered by the Company and WTI in the Offering.

MSBI is an affiliate of MSI, which is one of the Managers in the Offering.

Mr Kosyuk controls the Company and will continue to control the Company following the Offering. Except for the Relationship Agreement described in "Directors, Corporate Governance and Management—Relationship Agreement" above, there are no arrangements in place which could result in a change of control. There are no arrangements between the shareholders or beneficial owners or any other party in relation to the control of the Company.

Save as disclosed above, there are no other persons who could, directly or indirectly, exercise control over the Company.

Save as disclosed in this section "Shareholders and Related Party Transactions", none of the members of the Board of Directors had or has any interests in any transactions which are or which were unusual in their nature or conditions or significant to MHP's business and which were effected by MHP during the current financial year or during the years ended 31 December 2005, 2006 and 2007 or during any previous financial year and which remain in any respect outstanding or unperformed.

None of the Company's shareholders has voting rights different from any other holders of the Company's shares.

Related Party Transactions

In the ordinary course of its business, MHP has engaged, and continues to engage, in transactions with related parties. Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions or if such parties are under common control. Other than the transactions with entities under common control described herein, MHP did not engage in any transactions with members of the Board of Directors during the period under review. See Note 7 to the Audited Consolidated Financial Statements.

MHP seeks to conduct all transactions with entities under common control or otherwise related to it on market terms and in accordance with relevant Ukrainian legislation. The terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction. However, there can be no assurance that any or all of these transactions have been or will be conducted on market terms.

The Board of Directors has adopted certain procedures relating to the approval of transactions with related parties, including requiring the approval of a majority of independent directors for any transactions exceeding €10 million in value. See "Directors, Corporate Governance and Management—Corporate Governance" for a discussion of these procedures.

Significant transactions with related parties during the year ended 31 December 2005, 2006 and 2007 are set out below. MHP has had no significant related party transactions from 31 December 2007 to the date of this Prospectus other than continuations of the trading relationships described under "—Past and Ongoing Transactions with Other Related Parties".

Past Transactions with Companies Which Are Now Part of MHP

In December 2005, MHP acquired Snyatynska, Zernoproduct and Katerynopilsky Elevator, and in March 2006 MHP acquired Kyivska, Druzhba and Crimea Fruits, each of which was previously controlled by Mr Kosyuk. Starting from the dates of their acquisition by MHP, each of the foregoing entities is consolidated in MHP and therefore is no longer a related party of MHP.

Transactions with Snyatynska

During 2005, MHP purchased goose meat and foie gras for resale from Snyatynska. Total purchases from Snyatynska in the year ended 31 December 2005 amounted to UAH 1.1 million (U.S.$0.2 million). In the same year, MHP sold to Snyatynska fodder and ingredients for the production of fodder for an aggregate amount of approximately UAH 2.6 million (U.S.$0.5 million). MHP had not engaged in any material transactions with Snyatynska prior to 2005.

Transactions with Zernoproduct

In 2005, MHP purchased feed grains for its fodder production facilities from Zernoproduct. Total purchases from Zernoproduct in the year ended 31 December 2005 amounted to UAH 6.9 million (U.S.$1.4 million). In the same year, MHP also leased agricultural machinery to Zernoproduct for an aggregate amount of approximately UAH 0.4 million (U.S.$0.1 million). MHP had not engaged in any material transactions with Zernoproduct prior to 2005.

Transactions with Katerynopilsky Elevator

Katerynopilsky Elevator sold feed grains and provided feed grains storage facilities for MHP in 2005. Total purchases from Katerynopilsky Elevator amounted to approximately UAH 2.4 million (U.S.$0.5 million) in 2005. MHP had not engaged in transactions with Katerynopilsky Elevator prior to 2005.

Transactions with Kyivska

In the years ended 31 December 2005 and 2006, MHP purchased potatoes for resale, as well as feed grains for production of fodder, from Kyivska. Total purchases from Kyivska amounted to UAH 1.2 million (U.S.$0.2 million) in 2005 and UAH 0.5 million (U.S.$0.1 million) in 2006. During the same period, MHP sold fodder and related products to Kyivska for an aggregate amount of UAH 5.7 million (U.S.$1.1 million) and UAH 0.4 million (U.S.$0.1 million) in 2005 and 2006, respectively. In addition, in 2005, MHP sold agricultural machinery to Kyivska for an aggregate amount of UAH 3.7 million (U.S.$0.7 million).

During 2005, MHP also provided to Kyivska UAH 15.0 million (U.S.$3.0 million) in the form of interest-free long-term financial assistance to finance purchases of agricultural machinery by Kyivska.

Transactions with Druzhba

In the years ended 31 December 2005 and 2006, MHP purchased from Druzhba beef and pork for resale. Total purchases from Druzhba amounted to UAH 16.5 million (U.S.$3.3 million) and UAH 7.2 million (U.S.$1.4 million) in 2005 and 2006 respectively. During the same period, MHP sold to Druzhba fodder and feed grains, as well as chicken meat for further processing. Total sales to Druzhba amounted to UAH 23.0 million (U.S.$4.6 million) and UAH 1.9 million (U.S.$0.4 million) in 2005 and 2006, respectively. In 2005, MHP sold equipment to Druzhba for an aggregate amount of UAH 4.7 million (U.S.$0.9 million).

In addition, during 2005, MHP provided Druzhba with UAH 100.8 million (U.S.$20.0 million) in the form of interest-free long-term financial assistance to finance Druzhba's capital expenditures in connection with the reconstruction of its facilities.

In the years ended 31 December 2005 and 2006, MHP also leased to Druzhba agricultural machinery and vehicles under operating leases. Total payments from Druzhba to MHP in connection with such leases amounted to UAH 1.3 million (U.S.$0.3 million) and UAH 0.2 million (U.S.$0.04 million) in 2005 and 2006, respectively.

Transactions with Crimea Fruits

In 2005, MHP purchased fruits for resale from Crimea Fruits for an aggregate amount of UAH 0.7 million (U.S.$0.1 million). During the same period, MHP sold to Crimea Fruits grain for an aggregate amount of UAH 0.2 million (U.S.$0.04 million).

In addition, during 2005, MHP provided to Crimea Fruits UAH 12.3 million (U.S.$2.4 million) as interest-free long-term financial assistance to finance Crimea Fruits' expenditures in connection with the reconstruction of its production facilities, as well as to finance purchases of equipment.

Past and Ongoing Transactions with Other Related Parties

Transactions with Mr Kosyuk

As of 31 December 2007, Mr Kosyuk (the Company's Chief Executive Officer) and Mrs Kosyuk (Director of MHP's Food Technology, Quality and Safety Department) had aggregate interest-free short- and long-term loans outstanding from MHP with a carrying value of UAH 1.0 million (U.S.$0.2 million), as compared to UAH 4.5 million (U.S.$0.9 million) and UAH 4.4 million (U.S.$0.9 million) in long-term loans as of 31 December 2005 and 2006, respectively. In addition, as a part of their compensation Mr Kosyuk and Mrs Kosyuk receive certain in kind benefits. See notes to the Audited Consolidated Financial Statements.

In June 2007, MHP sold to Mr Kosyuk a building and adjacent land plot with net book value of UAH 17.5 million (U.S.$3.5 million), which was used by Mr Kosyuk as a benefit in kind, for a cash consideration of UAH 20.2 million (U.S.$4.0 million).

In April 2007, MHP sold its participatory shareholding in ZZG to Mr Kosyuk for a cash consideration of UAH 24.2 million (U.S.$4.8 million).

Loans and Benefits

In August 2005 and in March 2006, MHP entered into agreements for supply of equipment with Allied Tech LLC, a company controlled by Mr Kosyuk. MHP transferred the funds under these agreements to Allied Tech LLC in an aggregate amount of UAH 17.6 million (U.S.$3.5 million). Since no equipment was delivered, the relevant agreements were terminated, and Allied Tech LLC repaid the relevant amounts to MHP in full.

The Audited Consolidated Financial Statements reflected these transactions as interest-free short-term financial assistance loans from MHP to Allied Tech LLC. There are no amounts outstanding under this arrangement as at 31 December 2007.

In January and February 2006, MHP provided interest-free short-term financial assistance to Allied Tech Commerce LLP, a company controlled by Mr Kosyuk in an aggregate amount of UAH 14.1 million (U.S.$2.8 million) and amount was repaid in May 2006. There are no amounts outstanding under this arrangement as at 31 December 2007.

Acquisitions

In the years ended 31 December 2005, 2006 and 2007, MHP acquired from members of Mr Kosyuk's family or from entities controlled by Mr Kosyuk, shares and/or interests in the following entities:

- *Snyatynska.* In December 2005, MHP acquired 85% of the shares of Snyatynska together with its 90%-owned subsidiary Zernoproduct and its 100%-owned subsidiary Katerynopilsky Elevator for approximately UAH 9.4 million (U.S.$1.9 million) from companies controlled by Mr Kosyuk.
- *Druzhba and Kyivska.* In March 2006, Mrs Kosyuk sold 52% of the participatory interests in Kyivska to JSC MHP for approximately UAH 0.5 million (U.S.$0.1 million) and Kyivska transferred control over 60.5% of the participatory interests in Druzhba to JSC MHP for UAH 1.0 million (U.S.$0.2 million).
- *JSC MHP.* On 6 June 2006, Raftan acquired 35.5% of the shares in JSC MHP from LLC Merkaba for EUR 100,000 and 52.4% of the shares in JSC MHP from Allied Tech LLP for EUR 160,000.

- *Crimea Fruits.* At the time of acquisition of Druzhba by JSC MHP, Druzhba owned 99.9% of the shares in Crimea Fruits, which also became part of MHP. On 6 June 2006, Druzhba sold 17.9% of the shares in Crimea Fruits to Mr Lysyi, the General Director of Crimea Fruits for approximately UAH 0.1 million (U.S.$0.02 million). On 14 June 2006, Druzhba transferred 82% of the shares in Crimea Fruits to JSC MHP for approximately UAH 0.8 million (U.S.$0.2 million).
- *Eledem.* On 16 June 2006, MHP S.A. acquired 100% of the shares in Eledem from WTI for approximately EUR 0.001 million, an aggregate nominal value of such shares.

Commercial Transactions

JSC Realizatsiyna Basa. In the years ended 31 December 2005, 2006 and 2007, MHP purchased feed grains and leased storage premises from JSC Realizatsiyna Basa ("**Realbasa**"), which is controlled by Mr Kosyuk through THR. Total purchases from Realbasa amounted to UAH 0.4 million (U.S.$0.1 million) and UAH 0.1 million (U.S.$0.02 million) in 2005 and 2006, respectively. In addition, in the years ended 31 December 2005 and 2006 MHP sold sunflower oil, fodder and related products to Realbasa. Total sales to Realbasa amounted to UAH 3.2 million (U.S.$0.6 million) in 2005.

JSC Agrofirma Berezanska Ptahofabryka. In the years ended 31 December 2005, 2006 and 2007, MHP purchased eggs from JSC Agrofirma Berezanska Ptahofabryka ("**Berezanska**"), which is controlled by Mr Kosyuk. Berezanska is a chicken farm producing table eggs. Total purchases from Berezanska amounted to UAH 1.4 million (U.S.$0.3 million), UAH 0.2 million (U.S.$0.04 million) and UAH 1.8 million (U.S.$0.4 million) in 2005, 2006 and 2007, respectively. In addition, in the years ended 31 December 2005, 2006 and 2007 MHP sold fodder and related products to Berezanska. Total sales to Berezanska amounted to UAH 23.2 million (U.S.$4.6 million), UAH 29.0 million (U.S.$5.7 million) and UAH 42.6 million (U.S.$8.4 million) in 2005, 2006 and 2007, respectively. In 2007, MHP also sold to Berezanska certain equipment and vehicles for UAH 17.5 million (U.S.$3.5 million).

In addition, MHP leases to Berezanska the poultry breeding equipment and vehicles under operating leases. Total payments from Berezanska to MHP in connection with such leases amounted to UAH 0.6 million (U.S.$0.1 million), UAH 0.8 million (U.S.$0.2 million) and UAH 0.3 million (U.S.$0.1 million) in 2005, 2006 and 2007, respectively.

LLC Trade House Roda. In 2005, MHP sold certain commodities to LLC Trade House Roda ("**THR**"), which was controlled by Mr Kosyuk and engaged in production of kitchen furniture, for an aggregate amount of UAH 4.4 million (U.S.$0.9 million). In addition, in the same period MHP paid UAH 6.8 million (U.S.$1.3 million) to THR in connection with the acquisition by MFC of 0.7% share in JSC MHP.

In April 2007, Mr Yuriy Kosyuk sold his shareholding in THR. Accordingly, starting from May 2007 THR and Realbasa ceased to be related parties to MHP.

ULL. In November 2006, MHP made a prepayment for production equipment amounting to UAH 7.6 million (U.S.$1.5 million) to ULL Beteiligungs und Management GmbH ("**ULL**"). In January 2007, the initial agreement was canceled and ULL returned the full amount of the prepayment.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

Set out below is a summary of material information concerning the share capital of the Company, including a description of certain rights of the holders thereof, and related material provisions of the current Articles. This information is not exhaustive and reference should be made to the Articles and to the laws of Luxembourg.

General

MHP S.A. was incorporated for an unlimited duration under the laws of Luxembourg on 30 May 2006 as a *société anonyme*. Copies of its constitutional documents were filed with the Trade and Companies' Register in Luxembourg on 13 June 2006 and was published in the "*Mémorial C, Recueil des Sociétés et Associations*" No. 1497 on 4 August 2006 on page 71821. The registered office of the Company is at 8-10, rue Mathias Hardt, L-1717 Luxembourg, Grand-Duchy of Luxembourg. The Company's telephone number is +352 48 0002-1. The Company is registered with the Trade and Companies' Register in Luxembourg under number R.C.S. Luxembourg B 116 838.

The Articles are drafted in both the English and French languages. However, the English version is deemed to prevail where there are any inconsistencies between the two versions. Resolutions of the Board of Directors may be in English. Any resolution of the Board of Directors or of the shareholders resolving to increase the issued capital of the Company (and, in case of the shareholders resolving to amend the Articles in any other way) will be in both English and one of French or German.

Objects

The Company generally may engage in any business or activity which, in the judgment of the Board of Directors, is profitable or enhances the value of the Company's undertakings in any of its properties or assets and which is consistent with the objects as set forth in Article 4 of the Articles.

This Article 4 is set out in full below:

"The purpose of the Company is the holding of participations, in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind, entering into leases, including financial leases, dealing in commodities that are not securities, acquisition of assets generally, selling assets generally, giving security, giving and receiving indemnities and security.

The Company may participate in the establishment and development of any financial, industrial or commercial enterprises, including trusts and unincorporated associations, and may render any assistance by way of loans, guarantees, security or otherwise to subsidiaries, affiliated companies or parent companies. The Company may borrow in any form and proceed to the issuance of bonds, preferred equity certificates, debentures, notes, commercial paper, guarantees and entering into of credit agreements, note purchase agreements, underwriting agreements, indentures, trust agreements or any other type of financing instrument or document or any hedge, swap or derivative related thereto.

In general, the Company may carry on any business or activity whatsoever, which it may consider expedient with a view to rendering profitable or enhancing directly or indirectly the value of the Company's undertaking in any of its properties or assets.

In general, it may take any controlling and supervisory measures and carry out any operation which it may deem useful in the accomplishment and development of its purpose".

Share Capital

The shares underlying the GDRs have been issued under the laws of Luxembourg. At its incorporation on 30 May 2006, the Company had a share capital of forty thousand Euro (€40,000), constituting twenty thousand (20,000) shares, each with a nominal value of two Euro (€2.00) per share. The Company has an authorised share capital of three hundred and forty million Euro (€340,000,000) represented by one hundred and seventy million (170,000,000) shares with a nominal value of two Euro (€2.00) each. At the date of this Prospectus, the Company's issued share capital amounts to two hundred million and forty thousand Euro (€200,040,000), consisting of one hundred million and twenty thousand (100,020,000) shares with a nominal value of two Euro (€2.00) per share. All of the Company's shares are fully paid up. No preferred shares are authorised or outstanding. The Company does not have any treasury shares.

On 8 May 2008, the Board of Directors resolved, in connection with the Offering, to issue a further 10,750,000 shares.

The Board of Directors is authorised to issue further shares with or without an issue premium so as to bring the total capital of the Company up to the total authorised share capital, in whole or in part, from time to time as it is in its discretion may determine, and to accept subscriptions for such shares within a period of five years as from the publication of the notarial deed of 30 May 2006 granting such power to it. The notarial deed was published in the Luxembourg Official Gazette (*Mémorial C—Recueil des Sociétés et Associations*) No. 1497, on 4 August 2006 on page 71821. The period or extent of this authority may be extended by resolution of the shareholders in general meeting from time to time, in the manner required for amendment of the Articles. The Board of Directors is authorised to determine the conditions attaching to any subscription for the new shares from time to time. The Board of Directors is also authorised to issue such shares without the shareholders having any preferential subscription rights.

The share capital of the Company may be increased or reduced by resolution of the shareholders in general meeting acting in accordance with the conditions prescribed for the amendment of the Articles.

Within the above limitations, the Board of Directors is also authorised to issue options giving each holder of such options the right to subscribe for one or more shares having a nominal value of two Euro (€2.00) each without reserving to the existing shareholders a preferential right of subscription. The Board of Directors is authorised to issue said options, in whole or in part, from time to time, with or without an issue premium, within the limit of the authorised capital. The Board of Directors is authorised to determine the conditions under which the options will be granted. The Board of Directors may subject the exercise of the options to such conditions as it in its discretion may determine, including restrictions as to disposal of the shares issued upon exercise of the option by an optionholder. The Board of Directors may determine the subscription price subject to article 26-5(1) of the Luxembourg Companies' Act, and the price to be paid in consideration of the option, if any.

Preferential Subscription Rights

In May 2008, the Company amended the Articles to the effect that, for the five years following such amendment and following the issuance of the New Shares, the Board of Directors may not issue any further new shares without granting to the holders of Shares (and thereby GDRs) the preferential right to subscribe for shares (apart from shares issued in share-for-share acquisitions, shares issued for cash within a 5% limit in each given year or shares issued to employees of the Company or a member of the MHP group, other than Mr Kosyuk, under an approved share scheme) in cash in proportion to his/her shareholding. If the shareholders do not fully exercise their preferential subscription rights, the corporate body authorised to issue shares in the Company will be free to decide, with regard to the remaining rights, to whom the shares in the Company will be issued and at what price.

Preferential subscription rights may not be limited or excluded for an unlimited period of time by either the Articles or a resolution of the shareholders adopted with the same majority as is required for the amendment of the Articles. However, within the scope of the authorised share capital, the Board of Directors may, from time to time, waive the preferential subscription rights if it has been explicitly granted the option by the general meeting of shareholders within the scope of such authorised share capital.

Furthermore, the general meeting of shareholders may, from time to time, waive the preferential subscription rights by a resolution adopted with the same quorum and majority requirements as for the amendment of the Articles. The convening notice for such general meeting of shareholders must indicate the waiving of the preferential subscription rights and a report of the Board of Directors must explain the rationale for such waiving.

In the Relationship Agreement, WTI and Mr Kosyuk have agreed not to exercise their voting rights to dissapply the preferential subscription rights.

Form and Transfer of Shares

The shares of the Company may, in accordance with Article 6 of the Articles, be in registered or bearer form at the option of the shareholder. Ownership of registered shares is established by an entry into a register of the registered shares, which shall be maintained at the registered office of the Company.

The shares are not divisible. There are no provisions in the Articles limiting the transferability of the shares and the shares are, therefore, freely transferable.

In accordance with Luxembourg law, registered shares are transferred by a declaration of transfer into the register of registered shares. Bearer shares are transferred by delivery of the share certificate, which will not be printed from an engraved steel plate.

Repurchase by the Company of its Own Shares

According to the Luxembourg Companies' Act, the Company may acquire its own shares subject to the following conditions:

authorisation given by the general meeting of shareholders which shall determine the terms and conditions of the proposed acquisition, such authorisation being valid for a maximum period of 18 months;

the nominal value of the shares acquired, including shares previously acquired by the Company and held by it in its portfolio as well as shares acquired by a person acting in its own name but on behalf of the Company may not exceed 10% of the subscribed capital of the Company;

the acquisition must not have the effect of reducing the net assets below the aggregate of the subscribed capital and the reserves which may not be distributed under law or the Articles; and

only fully paid-up shares may be included in the transaction.

General Meeting of Shareholders

The general meetings of shareholders shall be held in the place specified in the convening notice. According to Article 14 of the Articles, the annual general meeting of shareholders is to be held on 15 June in each year (or where such day is a legal holiday or a bank holiday in Luxembourg on the next following bank business day) at 12.00 (noon). The first annual general meeting of shareholders was held on 25 June 2007.

The annual general meeting of shareholders shall hear the reports of the Board of Directors and of the independent auditor(s) and shall discuss the balance sheet and the profit and loss account. After adoption of the annual accounts the annual general meeting shall vote specifically as to whether discharge is given to the directors and independent auditor(s). Such discharge shall be valid only if the balance sheet contains no omission or false information concealing the true situation of the Company and, with regard to any acts carried out which fall outside the scope of the Articles, if they have been specifically indicated in the convening notice.

The Board of Directors may convene general meetings. They shall be obliged to convene a general meeting to be held within one month where shareholders representing one-fifth of the corporate capital request it.

Convening notices for every general meeting of shareholders should contain the agenda and should take the form of announcements published twice, with a minimum interval of eight days, and at least eight days before the meeting, in the *"Mémorial C, Recueil des Sociétés et Associations"* and in a Luxembourg newspaper. Notice by mail should be sent a minimum of eight days before the meeting to registered shareholders. Where all the shares are in registered form, the convening notice may be issued only by registered letter.

Shareholders are entitled to vote in person or by proxy.

Voting Rights

Each share confers the right to cast one vote at the general meeting of shareholders. There are no restrictions, either under the Luxembourg Companies' Act or in the Articles, on the right of non-residents of Luxembourg or foreign owners to hold or vote the shares, other than those also imposed on residents. Depending on their subject matter, resolutions are passed by a simple or qualified majority.

Financial Statements and Independent Auditor

According to Article 16 of the Articles, the financial year of the Company coincides with the calendar year. In accordance with the Luxembourg Companies' Act, the Company is obliged to publish its accounts on an annual basis following the requisite holding of the annual meeting of shareholders.

The Company will be supervised by one or several independent auditor(s) chosen amongst the members of the Luxembourg *Institut des réviseurs d'entreprises*. The independent auditor(s) are appointed by the general meeting of shareholders which will fix their number and their term of office. The Company has one independent auditor, Deloitte S.A., with registered office at 560, rue de Neudorf, L-2220 Luxembourg, registered with the Trade and Companies' Register in Luxembourg under number B 67.895. The mandate of the independent auditor will expire at the annual general meeting called to approve the accounts for the accounting year 2007, to be held on 15 June 2008.

Each year at least 5% of the net profits shall be allocated to a special reserve; this allocation ceases to be compulsory when the reserve has reached an amount equal to one-tenth of the corporate capital, but again becomes compulsory if the reserve falls below this amount. The balance of the net profit is at the discretion of the general meeting of shareholders. The Board of Directors may, subject to certain legal restrictions, authorise the payment of interim dividends. See "—Dividends".

Amendment of Articles

An extraordinary general meeting of shareholders may amend the Articles. This meeting may only validly deliberate where at least half of the corporate capital is present or represented and the agenda indicates the proposed amendments to the Articles and where applicable, the text of those which concern the objects or the form of the Company. If the deliberation quorum is not met, a second meeting may be convened in the manner foreseen by Luxembourg law and may deliberate validly regardless of the proportion of the capital present or represented. Resolutions, in order to be adopted, must be approved by two-thirds of the votes of the shareholders present or represented. However the nationality of the Company may only be changed or the commitments of its shareholders only be increased with the unanimous consent of all shareholders present or represented.

Liquidation

A resolution to liquidate the Company may only occur pursuant to a resolution adopted by the general meeting of shareholders in accordance with the conditions set forth for amendment of the Articles. If the Company is dissolved, the liquidation will be carried out by one or more liquidators, who may be either physical or legal persons, appointed by the general meeting of shareholders. The general meeting of shareholders will also specify the powers and remuneration of the liquidators. After all of the debts and liabilities of the Company have been paid and any future debts and liabilities provided for, the balance is payable to shareholders in proportion to their shareholdings.

Board of Directors

Pursuant to the Articles, the Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in compliance with the corporate objects of the Company. All powers not expressly reserved by Luxembourg law or by the Articles to the general meeting of shareholders fall within the remit of the Board of Directors. The Board of Directors may, subject to certain legal restrictions, authorise the payment of interim dividends. See "—Dividends".

The Board of Directors shall consist of at least three members, as may be determined by the general meeting of shareholders. On 30 May 2006, the general meeting of shareholders set the number of members of the Board of Directors at seven. The members of the Board of Directors are elected by the general meeting of shareholders, and the general meeting of shareholders may revoke their mandate at any time. The Board of Directors may be appointed for a period not exceeding six years. In the event of a vacancy on the Board of Directors the remaining directors may fill the vacancy on a provisional basis, with the next general meeting of shareholders to make a permanent appointment.

The number, remuneration and the term of the directors is determined by the general meeting of shareholders.

Pursuant to the Article 11 of the Articles, the Company will be bound in any circumstances by (i) the signature of the Chief Executive Officer (as defined below) in case of delegation of powers or proxies given by the Board of Directors pursuant to Articles 12, or (ii) the joint signatures of two directors.

Directors may participate in a meeting of the Board of Directors by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and speak to each other, and such participation in a meeting will constitute presence in person at the meeting, provided that all actions approved by the directors at any such meeting must be reduced to writing in the form of resolutions.

Resolutions signed by all members of the Board of Directors will be as valid and effectual as if passed at a meeting duly convened and held. Such signatures may appear on a single document or multiple copies of an identical resolution and may be evidenced by letter, telefax or similar communication.

Committees

The Board of Directors may designate a Nominations and Remuneration Committee, an Audit Committee and one or more other committees. Each committee designated by the Board of Directors consists of such number of directors as from time to time may be fixed by the Board of Directors, and may also include individuals who are not directors. The Board of Directors may also designate one or more directors as alternate members of any such committee, who may replace any absent or disqualified member or members at any meeting of such committee. Thereafter, members (and alternate members, if any) of each such committee may be designated by the Board of Directors. Any such committee may be abolished or re-designated from time to time by the Board of Directors. Each member (and each alternate member) of any such committee shall hold office until his or her successor shall have been designated or until his or her earlier death, resignation or removal.

The Board of Directors has established a Nominations and Remuneration Committee which shall perform such duties as may be assigned to it from time to time by the Board of Directors. These duties include a consultative role in all matters relating to the award and exercise of stock options by any member of the Board of Directors and all matters relating to the remuneration of the management and employees of the Company, as well as reviewing the composition of the Board of Directors and making recommendations to the Board of Directors with regard to any changes. The Nominations and Remuneration Committee shall keep itself informed as to market levels of compensation and, based on its evaluations, recommends compensation levels and systems to the Board of Directors.

The Board of Directors has established an Audit Committee which shall perform such duties as may be assigned to it from time to time by the Board of Directors in its terms of reference relating to such matters as the oversight of audit functions, financial reporting and internal control principles. The Audit Committee shall have a consultative role in relation to the appointment, compensation, retention and oversight of the Company's independent auditors.

The Board of Directors has resolved that decisions of the Nominations and Remuneration Committee and of the Audit Committee shall be taken by a majority vote and that, in the event of an equality of votes, the Chairman of the relevant committee shall have a casting vote.

Any other committee formed by the Board of Directors, except as otherwise provided in the Articles, shall have and may exercise such powers of the Board of Directors as may be provided by resolution or resolutions of the Board of Directors.

The Board of Directors may from time to time request the members of the Nominations and Remuneration Committee, the Audit Committee or any other committee to consider certain matters and report on their findings to the Board of Directors.

Any committee formed by the Board of Directors shall not have the power or authority: (a) to approve or adopt any action or matter expressly required by the applicable laws of Luxembourg or the Articles to be submitted to the shareholders for approval; or (b) adopt, amend or repeal any provision of the Articles.

Each committee may fix its own rules of procedure and may meet at such place (within or outside Luxembourg), at such time and upon such notice, if any, as it shall determine from time to time. Each committee may keep minutes of its proceedings and shall report such proceedings to the Board of Directors at the meeting of the Board of Directors next following any such proceedings. Except as may be otherwise provided in the resolution creating such committee, at all meetings of any committee the presence of members (or alternate members) constituting a majority of the total membership of such committee shall constitute a quorum for the transaction of business. The act of the majority of the members present at any meeting at which a quorum is present shall be the act of such committee. Any action required or permitted to be taken at any meeting of any such committee may be taken without a meeting, if all members of such committee shall consent to such action in writing and such writing or writings are filed with the minutes of the proceedings of the committee. The members of any such committee shall act only as a committee, and the individual members of such committee shall have no power as such.

Members of any committee designated by the Board of Directors may participate in a meeting of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. In the event of the absence or disqualification of a member of any committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Any member (and any alternate member) of any committee may resign at any time by delivering written notice of resignation, signed by such member, to the chairman of the Board of Directors. Unless otherwise specified therein such resignation shall take effect upon delivery. Any member (and any alternate member) of any committee may be removed from his or her position as a member (or alternate member, as the case may be) of such committee at any time, either for or without cause, by resolution adopted by the Board of Directors.

If any vacancy occurs in any committee, by reason of disqualification, death, resignation, removal or otherwise, the remaining members (and any alternate members) shall continue to act, and any such vacancy may be filled by the Board of Directors.

Officers

The Board of Directors may give special powers relating to the daily management of all or part of the business of the Company to one or more proxyholders (*fondés de pouvoir*). Any such proxyholder shall not be required to be a director or a shareholder. The Board of Directors shall determine the scope of the powers, the conditions for withdrawal and the remuneration attached to these delegations of authority including the authority to sub-delegate. In particular the Board of Directors may designate an "*administrateur délégué/délégué à la gestion journalière*" to whom the day-to-day management of the Company shall be entrusted and who is called the "Chief Executive Officer". Pursuant to the Articles, the granting of the daily management to a member of the Board of Directors is subject to the prior authorisation of a general meeting of the shareholders. The amount of the remuneration and benefits paid by the Company to the persons responsible for the day-to-day management of the Company is reported by the Board of Directors to the annual general meeting of shareholders. The Chief Executive Officer is the primary operating officer of the Company and is responsible for the day-to-day general management of the Company's management. He shall see that all order and resolutions of the Board of Directors of the Company and of any committee established by the Board of Directors are carried into effect and shall perform all those duties incidental to the office of Chief Executive Officer as may be from time to time, prescribed by the Board of Directors. The Board of Directors designated Mr Kosyuk as the Chief Executive Officer of the Company on 7 June 2006.

The Board of Directors has all powers to create new positions as it may from time to time deem appropriate.

Dividends

The payment of dividends is subject to compliance with the Luxembourg Companies' Act and the Articles. Dividends may only be paid out of profits or retained earnings as shown in the adopted standalone annual statutory financial statements. The profits must first be used to set up and maintain the legal reserve required by Article 72 of the Luxembourg Companies' Act and must then be set off against certain financial losses. Thereafter, the general meeting of shareholders may determine to withhold profits as further reserves. In so far as any profits have not been allocated to reserves, they form part of the freely distributable reserves, which the general meeting of shareholders may elect to pay out in the form of a dividend.

No distribution can be made when, at the close of the preceding financial year, the net assets are, or after such distribution would fall, below the sum of the subscribed capital plus unavailable (i.e., non-distributable) reserves such as the legal reserve.

The Luxembourg Companies' Act provides that an interim dividend may be paid provided that the articles of association authorise the board of directors to do so, which the Articles do. In addition, the Luxembourg Companies' Act provides that any such payment shall be subject to the following conditions:

1. Interim accounts must be drawn up and show that sufficient funds are for distribution.
2. The amount to be distributed may not exceed the profits made since the end of the last financial year for which the annual accounts have been approved, plus any profits carried forward and sums withdrawn from reserves available for this purpose, less losses carried forward and any sums to be allocated to a reserve pursuant to the law or the articles of association.
3. The decision of the board of directors to pay an interim dividend may not be taken more that two months after the date of the relevant interim accounts, and no decision with respect to the payment of an interim dividend may be made less than six months after the end of the preceding financial year or before the approval of the annual accounts relating to such financial year. If a first interim dividend has been paid, the decision to pay a second interim dividend may not be made until at least three months after the date of the decision to pay the first interim dividend.
4. The statutory or independent auditor must verify that the amount of interim dividend does not exceed the amount of distributable profits and submit a report to this effect to the board of directors.

Should interim dividend payments exceed the total amount of the annual dividend subsequently decided by the general meeting, such dividends shall, to the extent of any overpayment, be considered as an advance on the next dividend payment.

When a dividend is declared a shareholder has a right to be paid that particular dividend either on the date fixed for the payment of the dividend or, if no date is fixed, immediately after its declaration.

Article 2277 of the Luxembourg Civil Code provides that claims that arise on a yearly or more frequent basis, which are generally considered to include dividends, are prescribed for a period of five years. As a result, five years following the date fixed for the payment of dividends, or, if no date has been fixed, five years after the dividends have been declared, any amounts not claimed revert to the Company.

Potential Mandatory Offer Rules

The directive of the European Parliament and of the Council of the European Union (the "**Council**") on takeover bids (the "**Take-Over Directive**") was adopted by the Council on 30 March 2004 and became effective on 20 May 2004 and has been implemented into the laws of Luxembourg by the law of 19 May 2006 implementing the Directive 2004/25/EC of the European Parliament and of the Council relating to public takeover bids (the "**Take-Over Law**").

The Take-Over Law applies to all companies governed by the laws of a Member State or of a member state of the European Economic Area of which all or some securities are admitted to trading on a regulated market in one or more Member States. The term "securities" refers to shares and global depository receipts.

As far as the competent authority is concerned, the Take-Over Law states that if the offeree company's securities are not admitted to trading on a regulated market in the Member State in which the company has its registered office, the competent authority to supervise the bid shall be the authority of the Member State on the regulated market of which the company's securities are admitted to trading, i.e. in the present case the competent financial authority in the U.K.

Matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the content of the offer document and the disclosure of the bid should be dealt with in accordance with the rules of the Member State of the competent authority, i.e. the competent financial authority in the U.K. However, pursuant to the Take-Over Directive and the legislation implementing this directive in the U.K. and Luxembourg, jurisdiction in respect of a takeover of the Company may either be shared between the U.K. Panel on Takeovers and Mergers and the Luxembourg authorities or rest solely with the Luxembourg authorities. It is not exactly clear how the shared jurisdiction provisions will operate in practice. In either case, it should be noted that the Company will not, therefore, be subject to full and exclusive jurisdiction of the U.K. Panel on Takeovers and Mergers and the full provisions of the City Code as it would had it been incorporated in the U.K. As a result, a bid for, or creeping acquisition of control over, the Company may be presently unregulated. See "Risk Factors—Risks Relating to the GDRs and the Trading Market—Holders of the GDRs may not be able to benefit from certain U.K. anti-takeover provisions".

In matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights which confers control (the Take-Over Law has fixed this percentage at 33⅓% of the voting rights, securities providing voting rights only under specific circumstances are not to be considered) and any derogation from the obligation to launch a bid (a preamble to the Take-Over Directive provides that the obligation to make a public offer should not apply to controlling holdings in existence on the date on which national legislation implementing the Take-Over Directive comes into force; the Take-Over Law implicitly confirms this approach) as well as the conditions under which the board of the offeree company may undertake any action which might result in the frustration of the bid, the applicable rules and the competent authority shall be those of the Member State where the offeree company has its registered office, i.e. the CSSF which is the competent financial authority in Luxembourg.

No general principle of squeeze-out is set out under Luxembourg law. However, under the Public Takeover Law if any natural or legal person holds a total of at least 95% of a company's share capital carrying voting rights and 95% of such company's voting rights as a result of a public bid regarding the shares of a target company, such person may acquire the remaining shares in the target company by exercising a squeeze-out against the holders of the remaining shares. The price shall take the same form as the consideration offered in the bid or shall be in cash. Cash shall be offered at least as an alternative. Following a voluntary bid, the consideration offered in the bid shall be presumed to be fair where, through acceptance of the bid, the bidder has acquired securities representing not less than 90% of the capital carrying voting rights comprised in the bid. Following a mandatory bid, the consideration offered in the bid is presumed to be fair. The CSSF shall ensure that a fair price is guaranteed. The squeeze-out must be exercised by the bidder no later than three months after the end of the period of acceptance of the bid.

According to the Public Takeover Law, if any natural or legal person, alone or together with persons acting in concert with it, hold(s) a total of at least 90% of a company's share capital carrying voting rights and 90% of such company's voting rights as a result of a public bid regarding the shares of a target company, any shareholder may exercise a sell-out with respect to his/her shares. Such right must be exercised no later than three months after the end of the period of acceptance of the bid. The price shall be determined in the same manner as the one described above in respect of the squeeze-out procedure.

Choice of home Member State for purposes of EU Transparency Directive

The Company has chosen Luxembourg as its home Member State for the purposes of the EU Transparency Directive (Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004) ("**TOD**"). As a result, the Company will be subject to financial and other reporting obligations under the Luxembourg law of 11 January 2008 relating to transparency requirements for issuers of transferable securities ("**Transparency Law**"), which implements TOD in Luxembourg.

Because the GDRs will be admitted to trading on a regulated market operating in the United Kingdom, the Company will also be subject to certain of the Disclosure Rules and Transparency Rules ("**DTRs**") made by the FSA under Part VI of FSMA, in particular DTR 2 (disclosure and control of inside information by issuers) and possibly DTR 3 (transactions by persons discharging managerial responsibilities and their connected persons). However, because the U.K. is not the Company's home Member State for the purposes of TOD and, in relation to DTR5 (vote holder and issuer notification rules), the shares underlying the GDRs are not admitted to trading on a regulated market, the Company will not be subject to DTR 4 (periodic financial reporting) or DTR 5 (vote holder and issuer notification rules), but will instead be subject to the corresponding requirements of the Transparency Law.

Significant Ownership of Shares

(1) Holders of Shares and GDRs will be subject to reporting obligations under the Luxembourg law of 11 January 2008 relating to transparency requirements for issuers of transferable securities ("**Transparency Law**").

Pursuant to the Transparency Law any shareholder who acquires or disposes of shares, including certificates representing shares, of an issuer whose shares, including certificates representing shares, are admitted to trading on a regulated market for which Luxembourg is the home Member State (the "**Target Company**") and to which voting rights are attached, must notify the issuer of the proportion of voting rights of the issuer held by the shareholder as a result of the acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% and 66⅔%.

The voting rights are calculated on the basis of all the shares, including certificates representing shares, to which voting rights are attached even if the exercise thereof is suspended. Moreover this information must also be given in respect of all the shares, including certificates representing shares, which are in the same class and to which voting rights are attached.

(2) Shareholders must notify the issuer of the proportion of voting rights, where that proportion reaches, exceeds or falls below the thresholds provided for in paragraph (1), as a result of events changing the breakdown of voting rights, and on the basis of the information disclosed pursuant to Article 14 of the Transparency Law.

The notification to the issuer must be effected as soon as possible, but in any event within four trading days, the first of which shall be the day after the date on which the shareholder, or the natural person or legal entity referred to in Article 9 of the Transparency Law:

(a) learns of the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect; or

(b) is informed about the event mentioned under paragraph (2).

The Exchange Supervisory Authority have set forth the content, the form and the language of the information to be published.

Upon receipt of the notification, but no later than three trading days thereafter, the issuer shall make public all the information contained in the notification..

(3) A violation of the Transparency Law exposes the relevant persons to an administrative fine of €125 to €125,000 and/or criminal fine of €250 to €125,000. Furthermore, the voting rights attached to the shares of the Target Company owned by any person who has failed duly to notify the Target Company and the CSSF in one of the above circumstances pursuant to the Transparency Law are suspended as long as sufficient information regarding the acquisition or disposal of the shares in the Target Company is not duly notified and published in accordance with the Transparency Law. In addition, upon request of the Target Company, a shareholder of the Target Company or a third party having an interest, the court of the district in which the Target Company has its registered address may nullify a resolution adopted by the general meeting of the shareholders of the Target Company, if it determines that such resolution has only been adopted through the exercise of the suspended voting rights.

(4) In addition, pursuant to the Transparency Law, the Target Company is subject to current continuous and *ad hoc* information obligations in relation (i) to its annual accounts and (ii) the disclosure of inside information (e.g. any events that may substantially affect the price or the value of the shares).

Provisions on Insider Dealing and Market Manipulation

Luxembourg

The Luxembourg law dated 9 May 2006 relating to market abuses (the "**Market Abuse Act**") creates two main offences, namely insider dealing and market manipulation. The prohibitions and obligations of the Market Abuse Act will only apply to actions carried out in Luxembourg as the GDRs will be admitted to trading on a regulated market operating in the United Kingdom.

Pursuant to the Market Abuse Act, inside information means information of a precise nature, which has not been made public, which relates, directly or indirectly, to financial instruments (including the GDRs) or their issuers and which, if it were made public, would be likely to have a significant impact on the price of those financial instruments ("**Inside Information**").

Any person who has acquired Inside Information by virtue of (i) being a member of the administration, management or supervisory body of the issuer, (ii) holding capital in the issuer, (iii) having access to Inside Information in the course of their employment, profession or duties or (iv) criminal activities, is potentially subject to the prohibition mentioned below.

Article 8 of the Market Abuse Act prohibits any person who possesses or has access to Inside Information from:

- using that information to buy or sell or trying to buy or sell (for their own account or the account of someone else), either directly or indirectly, financial instruments to which the Inside Information relates; and
- communicating that information to another person unless it is in the normal course of their employment, profession or duty; or
- recommending another to buy or sell on the basis of the Inside Information (together "**Insider Dealing**").

The CSSF co-operates with other Member States' regulatory authorities to eliminate instances of cross-border market abuse, for example by providing them with the requested assistance and/or information. The CSSF may, amongst other things, organise on-site investigations and suspend trading of financial instruments on the regulated market.

The Market Abuse Act imposes on persons who have committed Insider Dealing or a market manipulation imprisonment for between three months and two years and a fine of a sum between €125 and €1,500 000. Recipients of Inside Information risk a shorter imprisonment of between eight days and one year and a fine from €125 to €150,000.

United Kingdom

Because the GDRs will be admitted to trading on a regulated market operating in the United Kingdom, the civil prohibition on market abuse contained in Part VIII of FSMA (which works in tandem with criminal sanctions against insider dealing and market manipulation) will apply (irrespective of whether the behaviour constituting market abuse occurs in the United Kingdom).

Under Part VIII of FSMA, the FSA is empowered to decide that certain conduct constitutes market abuse. It can then impose unlimited fines and/or other penalties. FSMA provides for the FSA to publish a Code of Market Conduct, the purpose of which is to assist in establishing what type of conduct would be permitted and what type would be prohibited as market abuse for the purposes of FSMA.

The core of the Code of Market Conduct is concerned with descriptions of the seven categories of market abuse:

(1) dealing or attempted dealing by an insider on the basis of inside information;

(2) disclosure by an insider of inside information to another person, other than in the proper performance of his employment, profession or duties;

(3) other behaviour that is not acceptable to a "regular user" of the market and is based on relevant information that is not generally available to the market;

(4) effecting transactions (other than for legitimate reasons and in conformity with certain accepted market practices) that give a false or misleading impression as to the supply, demand or price of the securities or secure the price at an abnormal or artificial level;

(5) effecting transactions which employ fictitious devices, deceptions or contrivances;

(6) disseminating information which is known or could reasonably be expected to be likely to give a false or misleading impression regarding a security; and

(7) other behaviour likely to give a regular user of the market a false or misleading impression as to supply, demand, price or value, or that would be regarded by the regular user as likely to distort the market and which in each case would be considered unacceptable behaviour by a regular user.

Broadly speaking, market abuse may be described as:

(a) behaviour (which includes action or inaction) in relation to any qualifying investments admitted to trading on a prescribed market or in respect of which a request has been made for admission; and

(b) which falls within at least one of the seven categories set out above.

In relation to the "misuse of information" and "misleading behaviour or market distortion" categories of market abuse, the behaviour must also be likely to be regarded by a regular user of the market in question as a failure on the part of the person concerned to observe the standard of behaviour reasonably expected of a person in their position.

FSMA provides that there are certain "safe harbours" from market abuse for behaviour which conforms with a rule which specifies that it will act in such a manner. In particular, behaviour conforming to certain of the Listing Rules and Disclosure Rules made by the FSA under Part VI of FSMA will not amount to market abuse.

The FSA may institute proceedings not only for direct engagement in market abuse but also for acts or omissions which require or encourage another to engage in behaviour which would constitute market abuse if engaged in by the person who encouraged the other.

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS

The following terms and conditions (subject to completion and amendment and excepting sentences in italics) will apply to the Global Depositary Receipts, and will be endorsed on each Global Depositary Receipt certificate:

The Global Depositary Receipts ("**GDRs**") represented by this certificate are each issued in respect of one ordinary share of par value EUR 2.00 (the "**Shares**") in MHP S.A. (the "**Company**") pursuant to and subject to an agreement dated on or about 14 May 2008, and made between the Company and The Bank of New York in its capacity as depositary (the "**Depositary**") for the "Regulation S Facility" and for the "Rule 144A Facility" (such agreement, as amended from time to time, being hereinafter referred to as the "**Deposit Agreement**"). Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed BNY (Nominees) Limited as custodian (the "**Custodian**") to receive and hold on its behalf any relevant documentation respecting certain Shares (the "**Deposited Shares**") and all rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "**Deposited Property**"). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to their holdings of GDRs. In these terms and conditions of the GDRs (the "**Conditions**"), references to the "Depositary" are to The Bank of New York and/or any other depositary which may from time to time be appointed under the Deposit Agreement, and references to the "Custodian" are to BNY (Nominees) Limited or any other custodian from time to time appointed under the Deposit Agreement and references to the "Main Office" mean, in relation to the relevant Custodian, its head office in the city of London or such other location of the head office of the Custodian in England as may be designated by the Custodian with the approval of the Depositary (if outside the city of London) or the head office of any other custodian from time to time appointed under the Deposit Agreement.

The Offering comprises (assuming the Over-allotment Option is exercised in full) 24,725,000 GDRs representing 24,725,000 Shares to be issued or sold (as the case may be) by the Company and the Selling Shareholder with an offer price of U.S.$15.00 per GDR. It is expected that Listing of the GDRs will take place on or about 14 May 2008 subject only to the issue of the Master GDRs. Prior to listing, it is expected that conditional dealings will be permitted by the London Stock Exchange in accordance with its rules. It is expected that unconditional dealings in the GDRs will commence on or about 15 May 2008. Transactions will normally be effected for settlement in U.S. dollars and for delivery on the third working day after the day of the transaction. The admission of the GDRs to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Market for Listed Securities is conditional upon the issuance of the GDRs by the Depositary.

The GDRs will upon issue be represented by interests in a Regulation S Master GDR, evidencing Regulation S GDRs, and by interests in a Rule 144A Master GDR, evidencing Rule 144A GDRs (as each such term is defined in the Deposit Agreement). The GDRs are exchangeable in the circumstances set out in "Summary of Provisions Relating to the GDRs while in Master Form" for a certificate in definitive registered form in respect of GDRs representing all or part of the interest of the holder in the master GDR.

References in these Conditions to the "Holder" of any GDR shall mean the person or persons registered on the books of the Depositary maintained for such purpose (the "**Register**") as holder. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Main Office of the Custodian. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement, have the meanings ascribed to them in the Deposit Agreement. **Holders of GDRs are not party to the Deposit Agreement which specifically disallows application of the Contracts (Rights of Third Parties) Act 1999 and thus, under English Law, have no contractual rights against, or obligations to, the Company or Depositary. However, the Deed Poll executed by the Company in favour of the Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and was the "Depositary" in respect of that number of Deposited Shares to which the GDRs of which he is the Holder relate. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement on behalf of any Holder of a GDR or any other person.**

1. Withdrawal of Deposited Property and Further Issues of GDRs

1.1 Any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence of the entitlement of the Holder to the relative GDR as the Depositary may reasonably require, at the specified office of the Depositary or any Agent accompanied by:

(i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Main Office of the Custodian, or (at the request, risk and expense of the Holder, and only if permitted by applicable law from time to time) at the specified office located in New York, London or Luxembourg of the Depositary or any Agent, or to the order in writing of, the person or persons designated in such order;

(ii) the payment of such fees, taxes, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement;

(iii) the surrender (if appropriate) of GDR certificates in definitive registered form properly endorsed in blank or accompanied by proper instruments of transfer satisfactory to the Depositary to which the Deposited Property being withdrawn is attributable; and

(iv) the delivery to the Depositary of a duly executed and completed certificate substantially in the form set out in Schedule 4, Part B, to the Deposit Agreement (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.8), if Deposited Property is to be withdrawn or delivered in respect of surrendered Rule 144A GDRs.

1.2 Upon production of such documentation and the making of such payment as aforesaid for withdrawal of the Deposited Property in accordance with Condition 1.1, the Depositary will direct the Custodian, by tested telex, facsimile or SWIFT message, within a reasonable time after receiving such direction from such Holder, to deliver at its Main Office to, or to the order in writing of, the person or persons designated in the accompanying order:

(i) a certificate (if any) for, or other appropriate instrument of title (if any) to or evidence of a book-entry transfer in respect of the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and

(ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof; provided however, that the Depositary may make delivery at its specified office in New York of any Deposited Property which is in the form of cash;

PROVIDED THAT the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

(a) will direct the Custodian to deliver the certificates for, or other instruments of title to, or book-entry transfer in respect of, the relevant Deposited Shares and any document relative thereto and any other documents referred to in sub-paragraphs 1.2(i) and (ii) of this Condition (together with any other property forming part of the Deposited Property which may be held by the Custodian or its agent and is attributable to such Deposited Shares); and/or

(b) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof);

in each case to the specified office located in New York or London of the Depositary (if permitted by applicable law from time to time) or at the specified office in Luxembourg of any Agent as designated by the surrendering Holder in the order accompanying such GDR.

1.3 Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

1.4 The Depositary may, in accordance with the terms of the Deposit Agreement and upon delivery of a duly executed order (in a form reasonably approved by the Depositary) and a duly executed certificate substantially in the form of (a) Schedule 3 of the Deposit Agreement (*which is described in the following paragraph*) (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.8) by or on behalf of any investor who is to become the beneficial owner of the Regulation S GDRs or (b) Schedule 4, Part A of the Deposit Agreement (*which is described in the second following paragraph*) (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.8) by or on behalf of any investor who is to become the beneficial owner of Rule 144A GDRs, from time to time execute and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment on the Shares represented by such further GDRs) and, subject to the terms of the Deposit Agreement, the Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

*The certificate to be provided in the form of Schedule 3 of the Deposit Agreement certifies, among other things that the person providing such certificate is located outside the United States and will comply with the restrictions on transfer set forth under "Transfer Restrictions", "Selling Restrictions and Settlement". The certificate to be provided in the form of Schedule 4, Part A, of the Deposit Agreement certifies, among other things, that the person providing such certificate is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") ("**QIB**")) or is acting for the account of another person and such person is a QIB and, in either case, will comply with the restrictions on transfer set forth under "Transfer Restrictions, Selling Restrictions and Settlement".*

1.5 Any further GDRs issued pursuant to Condition 1.4 which (i) represent Shares which have rights (whether dividend rights or otherwise) which are different from the rights attaching to the Shares represented by the outstanding GDRs, or (ii) are otherwise not fungible (or are to be treated as not fungible) with the outstanding GDRs will be represented by a separate temporary Master Regulation S GDR and/or temporary Master Rule 144A GDR. Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by the Master Regulation S GDR and/or the Master Rule 144A GDR (by increasing the total number of GDRs evidenced by the relevant Master Regulation S GDR and the Master Rule 144A GDR by the number of such further GDRs, as applicable).

1.6 The Depositary may issue GDRs against rights to receive Shares from the Company (or any agent of the Company recording Share ownership). No such issue of GDRs will be deemed a "Pre-Release" as defined in Condition 1.7.

1.7 Unless requested in writing by the Company to cease doing so, and notwithstanding the provisions of Condition 1.4, the Depositary may execute and deliver GDRs, or issue interests in a Master Regulation S GDR or a Master Rule 144A GDR, as the case may be, prior to the receipt of Shares (a "Pre-Release"). The Depositary may, pursuant to Condition 1.1, deliver Shares upon the receipt and cancellation of GDRs, which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such GDR has been Pre-Released. The Depositary may receive GDRs in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom GDRs or Deposited Property are to be delivered (the "**Pre-Releasee**") that such person, or its customer, (i) owns or represents the owner of the corresponding Deposited Property or GDRs to be remitted (as the case may be), (ii) assigns all beneficial right, title and interest in such Deposited Property or GDRs (as the case may be) to the Depositary in its capacity as such and for the benefit of the Holders, (iii) will not take any action with respect to such GDRs or Deposited Property (as the case may be) that is inconsistent with the transfer of beneficial ownership (including without the consent of the Depositary, disposing of such GDRs or Deposited Property, as the case may be), other than in satisfaction of such Pre-Release, (b) at all times fully collateralised with cash or such other collateral as the Depositary determines in good faith will provide substantially similar liquidity and security, (c) terminable by the Depositary on not more than five (5) business days' notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of GDRs which are outstanding at any time as a result of Pre-Release will not normally represent more than 30%, of the total number of GDRs then outstanding; provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate and may, with the prior written consent of the Company, change such limits for the purpose of general application. The Depositary will also set dollar limits with respect to such transactions hereunder with any particular Pre-Releasee hereunder on a case by case basis as the Depositary deems appropriate. The collateral referred to in sub-paragraph (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee's obligations in connection herewith, including the Pre-Releasee's obligation to deliver Shares and/or other securities or GDRs upon termination of a transaction anticipated hereunder (and shall not, for the avoidance of doubt, constitute Deposited Property hereunder).

The Depositary may retain for its own account any compensation received by it in connection with the foregoing, including without limitation, earnings on the collateral.

The person to whom a Pre-Release of Rule 144A GDRs or Rule 144A Shares is to be made pursuant to this Condition 1.7 shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 4 Part A of the Deposit Agreement (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.8). The person to whom any Pre-Release of Regulation S GDRs or Regulation S Shares is to be made pursuant to this paragraph shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 3 of the Deposit Agreement (or as amended by the Depositary in accordance with Clause 3.10 of the Deposit Agreement and Condition 1.8).

1.8 The Depositary may make such amendments to the certificates contained in the Deposit Agreement in Schedule 3 and in Schedule 4 Parts A and B as it may determine are required in order for the Depository to perform its duties under the Deposit Agreement, or to comply with any applicable law or with the rules and regulations of any securities exchange, market or automated quotation system upon which the GDRs may be listed or traded, or to comply with the rules or requirements of any book entry system by which the GDRs may be transferred, or to confirm compliance with any special limitations or restrictions to which any particular GDRs are subject.

2. Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The Depositary shall be entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Shares) generally or in respect of particular Shares. In particular, to the extent that it is in its opinion practicable for it to do so, the Depositary will refuse to accept Shares for deposit, to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Company in writing that the Deposited Shares or GDRs or any depositary receipts representing Shares are listed on a U.S. Securities Exchange or quoted in a U.S. automated inter dealer quotation system unless accompanied by evidence satisfactory to the Depositary that any such Shares are eligible for resale pursuant to Rule 144A. Further, the Depositary may suspend the withdrawal of Deposited Property during any period when the Register, or the register of shareholders of the Company is closed or, generally or in one or more localities, suspend the withdrawal of Deposited Property or deposit of Shares if deemed necessary or desirable or advisable by the Depositary in good faith at any time or from time to time, in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the Deposit Agreement or for any other reason. The Depositary shall (unless otherwise notified by the Company) restrict the withdrawal of Deposited Shares where the Company notifies the Depositary in writing that such withdrawal would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Company's constitutive documents or would otherwise violate any applicable laws.

3. Transfer and Ownership

The GDRs are in registered form, each representing one Share. Title to the GDRs passes by registration in the Register and accordingly, transfer of title to a GDR is effective only upon such registration. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in violation of any applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated by the Depositary and the Company as its beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the Holder.

Interests in Rule 144A GDRs represented by the Master Rule 144A GDR may be transferred to a person whose interest in such Rule 144A GDRs is subsequently represented by the Master Regulation S GDR only upon receipt by the Depositary of written certifications (in the forms provided in the Deposit Agreement) from the transferor and the transferee to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**Securities Act**").

4. Cash Distributions

Whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Depositary shall, as soon as practicable, convert the same into United States dollars in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the earliest date, determined by the Depositary, for transmission of such payment to Holders and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11, PROVIDED THAT:

(a) in the event that the Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and

(b) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the Depositary, and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16.1 (iv).

5. Distributions of Shares

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend or free distribution of Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares corresponding to the GDRs held by them respectively, additional GDRs corresponding to an aggregate number of Shares received pursuant to such distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs corresponding to the Master GDRs, or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) sell such Shares so received and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

6. Distributions other than in Cash or Shares

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares corresponding to the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall deal with the securities or property so received, or any part thereof, in such way as the Depositary may determine to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and shall (in the case of a sale), distribute the resulting net proceeds as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

7. Rights Issues

If and whenever the Company announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders, in accordance with Condition 23, of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, specifying details of how the Depositary proposes to distribute the rights or the proceeds of any sale thereof. The Depositary will deal with such rights in the manner described below:

(i) if, and to the extent that the Depositary shall at its discretion, deem it to be lawful and reasonably practicable, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in Euro or other relevant currency together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Shares, securities or other assets so subscribed or acquired to the Holders entitled thereto by an increase in the numbers of GDRs corresponding to the Master GDRs or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; or

(ii) if, and to the extent that the Depositary shall at its discretion, deem it to be lawful and reasonably practicable, the Depositary will distribute such rights to the Holders entitled thereto in such manner as the Depositary may at its discretion determine; or

(iii) if, and to the extent that the Depositary deems any such arrangement and distribution as is referred to in paragraphs (i) and (ii) above to all or any Holders not to be lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary (a) will, PROVIDED THAT Holders have not taken up rights through the Depositary as provided in (i) above, sell such rights (either by public or private sale and otherwise at its discretion subject to all applicable laws and regulations) or (b) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold and, in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

(iv) (a) Notwithstanding the foregoing, in the event that the Depositary offers rights pursuant to Condition 7(i) (the "**Primary GDR Rights Offering**"), if authorised by the Company to do so, the Depositary may, in its discretion, make arrangements whereby in addition to instructions given by a Holder to the Depositary to exercise rights on its behalf pursuant to Condition 7(i), such Holder is permitted to instruct the Depositary to subscribe on its behalf for additional rights which are not attributable to the Deposited Shares represented by such Holder's GDRs ("**Additional GDR Rights**") if at the date and time specified by the Depositary for the conclusion of the Primary GDR Rights Offering (the "**Instruction Date**") instructions to exercise rights have not been received by the Depositary from the Holders in respect of all their initial entitlements. Any Holder's instructions to subscribe for such Additional GDR Rights ("**Additional GDR Rights Requests**") shall specify the maximum number of Additional GDR Rights that such Holder is prepared to accept (the "**Maximum Additional Subscription**") and must be received by the Depositary by the Instruction Date. If by the Instruction Date any rights offered in the Primary GDR Rights Offering have not been subscribed by the Holders initially entitled thereto ("**Unsubscribed Rights**"), subject to Condition 7(iv)(c) and receipt of the relevant subscription price in Euro or other relevant currency, together with such fees, taxes, duties, charges, costs and expenses as it may deem necessary, the Depositary shall make arrangements for the allocation and distribution of Additional GDR Rights in accordance with Condition 7(iv)(b).

(b) Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR Rights Request but the Depositary shall not be bound to arrange for a Holder to receive the Maximum Additional Subscription so specified but may make arrangements whereby the Unsubscribed Rights are allocated *pro rata* on the basis of the extent of the Maximum Additional Subscription specified in each Holder's Additional GDR Rights Request.

(c) In order to proceed in the manner contemplated in this Condition 7(iv), the Depositary shall be entitled to receive such opinions from Luxembourg counsel and U.S. counsel as in its discretion it deems necessary which opinions shall be in a form and provided by counsel satisfactory to the Depositary and at the expense of the Company and may be requested in addition to any other opinions and/or certifications which the Depositary shall be entitled to receive under the Deposit Agreement and these Conditions. For the avoidance of doubt, save as provided in these Conditions and the Deposit Agreement, the Depositary shall have no liability to the Company or any Holder in respect of its actions or omissions to act under this Condition 7(iv) and, in particular, the Depositary will not be regarded as being negligent, acting in bad faith, or in wilful default if it elects not to make the arrangements referred to in Condition 7(iv)(a).

The Company has agreed in the Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and if requested use all reasonable endeavours (subject to the next paragraph) to facilitate, any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Conditions 4, 5, 6, 7 or 10 (including the obtaining of legal opinions from counsel reasonably satisfactory to the Depositary concerning such matters as the Depositary may reasonably specify).

If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Condition 4, 5, 6, 7 or 10 or the securities to which such rights relate in order for the Company to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities corresponding to such rights, the Depositary will not offer such rights or distribute such securities or other property to the Holders or sell such securities unless and until the Company procures the receipt by the Depositary of an opinion from counsel reasonably satisfactory to the Depositary that a registration statement is in effect or that the offering and sale of such rights or securities to such Holders or owners of GDRs are exempt from registration under the provisions of such law. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in paragraphs (i), (ii), (iii) and (iv) above, the Depositary shall permit the rights to lapse. The Depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Holders or owners of GDRs in general or to any Holder or owner of a GDR or Holders or owners of GDRs in particular.

8. Conversion of Foreign Currency

Whenever the Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgment of the Depositary be converted on a reasonable basis into United States dollars and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable itself convert or cause to be converted by another bank or other financial institution, by sale or in any other manner that it may reasonably determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary shall make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may deem desirable. If at any time the Depositary shall determine that in its judgment any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may at its discretion make such conversion and distribution in United States dollars to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance for the account of, the Holders entitled thereto, and notify the Holders accordingly.

9. Distribution of any Payments

9.1 Any distribution of cash under Condition 4, 5, 6, 7 or 10 will be made by the Depositary to Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable) and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in United States dollars by cheque drawn upon a bank in New York City or, in the case of the Master GDRs, according to usual practice between the Depositary and Clearstream, Luxembourg or Euroclear or DTC, as the case may be. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law or regulation in respect of such GDR or the relative Deposited Property.

9.2 Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the entitled Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable), subject to any laws or regulations applicable thereto. If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company when the Depositary shall retain the same) return the same to the Company for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

10. Capital Reorganisation

Upon any change in the nominal or par value, sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital, or upon any reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders and at its discretion may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6 and 9 with respect thereto, or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change.

11. Withholding Taxes and Applicable Laws

11.1 Payments to Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of Luxembourg and other withholding taxes, if any, at the applicable rates.

11.2 If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in Luxembourg in order for the Depositary to receive from the Company Shares or other securities to be deposited under these Conditions, or in order for Shares, other securities or other property to be distributed under Condition 4, 5, 6 or 10, or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company has agreed to apply for such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such laws. In this connection, the Company has undertaken in the Deposit Agreement, to the extent reasonably practicable, to take such action as may be required in obtaining or filing the same. The Depositary shall not be obliged to distribute GDRs representing such Shares, Shares, other securities or other property deposited under these Conditions or make any offer of any such rights or sell any securities corresponding to any such rights with respect to which such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent, registration or permit, or to file any such report. The Depositary may at its discretion where assistance is reasonably requested by the Company, assist the Company, at the Company's expense, to obtain any authorisation, consent, registration or permit, or to file any report to a governmental or administrative authority, required to be obtained or filed by the Company pursuant to this Condition, provided that the Depositary shall in no circumstances take any action pursuant to this Condition which is in conflict with market practice or is in a capacity other than its capacity as Depositary.

12. Voting Rights

12.1 Holders will have the right to instruct the Depositary with regard to the exercise of voting rights with respect to the Deposited Shares in accordance with this Condition 12. The Company has agreed to notify the Depositary of any resolution to be proposed at a General Meeting of the Company and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 12.

The Company has agreed with the Depositary that it will promptly provide to the Depositary sufficient copies, as the Depositary may reasonably request, of notices of meetings of the shareholders of the Company and the agenda therefor as well as written requests containing voting instructions by which each Holder may give instructions to the Depositary to vote for or against each and any resolution specified in the agenda for the meeting, which the Depositary shall send to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be the same as the corresponding record date set by the Company or as near as practicable thereto) as soon as practicable after receipt of the same by the Depositary in accordance with Condition 23. The Company has also agreed to provide to the Depositary appropriate proxy forms to enable the Depositary to appoint, or procure the appointment of, a representative to attend the relevant meeting and vote on behalf of the registered owner of the Deposited Shares.

12.2 In order for each voting instruction to be valid, the voting instructions form must be completed and duly signed by the respective Holder (or in the case of instructions received from the clearing systems should be received by authenticated SWIFT message) in accordance with the written request containing voting instructions and returned to the Depositary by such record date as the Depositary may specify.

12.3 The Depositary will exercise or cause to be exercised the voting rights in respect of the Deposited Shares so that a portion of the Deposited Shares will be voted for and a portion of the Deposited Shares will be voted against any resolution specified in the agenda for the relevant meeting in accordance with the voting instructions it has received.

12.4 If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permitted by Luxembourg law to exercise the voting rights in respect of the Deposited Shares differently (so that a portion of the Deposited Shares may be voted for a resolution and a portion of the Deposited Shares may be voted against a resolution) the Depositary shall, if the opinion referred to in Condition 12.7 below confirms it to be permissible under Luxembourg law, calculate from the voting instructions that it has received from all Holders (x) the aggregate number of votes in favour of a particular resolution and (y) the aggregate number of votes opposed to such resolution and cast or cause to be cast in favour of or opposed to such resolution the number of votes representing the net positive difference between such aggregate number of votes in favour of such resolution and such aggregate number of votes opposed to such resolution.

12.5 The Depositary will only endeavour to vote or cause to be voted the votes attaching to Shares in respect of which voting instructions have been received and in accordance with such instructions, except that if no voting instructions are received by the Depositary (either because no voting instructions are returned to the Depositary or because the voting instructions are incomplete, illegible or unclear) from a Holder with respect to any or all of the Deposited Shares represented by such Holder's GDRs on or before the record date specified by the Depositary, such Holder shall be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to such Deposited Shares, and the Depositary shall give a discretionary proxy to a person designated by the Company to vote such Deposited Shares, PROVIDED THAT no such instruction shall be deemed given, and no such discretionary proxy shall be given, with respect to any matter as to which the Company informs the Depositary (and the Company has agreed to provide such information in writing as soon as practicable) that (i) the Company does not wish such proxy to be given, or (ii) such matter materially and adversely affects the rights of holders of Shares.

12.6 If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permissible under Luxembourg law or the Depositary determines that it is not reasonably practicable to vote or cause to be voted such Deposited Shares in accordance with Conditions 12.3, 12.4 or 12.5 the Depositary shall not vote or cause to be voted such Deposited Shares.

12.7 Where the Depositary is to vote in respect of each and any resolution in the manner described in Conditions 12.3, 12.4 or 12.5 above the Depositary shall notify the Chairman of the Company and appoint a person designated by him as a representative of the Depositary to attend such meeting and vote the Deposited Shares in the manner required by this Condition. The Depositary shall be entitled to request the Company to provide to the Depositary, and where such request has been made shall not be required to take any action required by this Condition 12 unless it shall have received, an opinion from the Company's legal counsel (such counsel being reasonably acceptable to the Depositary) at the expense of the Company to the effect that such voting arrangement is valid and binding on Holders under Luxembourg law and the statutes of the Company and that the Depositary is permitted to exercise votes in accordance with the provisions of this Condition 12 but that in doing so the Depositary will not be deemed to be exercising voting discretion.

12.8 By continuing to hold GDRs, all Holders shall be deemed to have agreed to the provisions of this Condition as it may be amended from time to time in order to comply with applicable Luxembourg law.

12.9 The Depositary shall not, and the Depositary shall ensure that the Custodian and its nominees do not, vote or attempt to exercise the right to vote that attaches to the Deposited Shares, other than in accordance with instructions given in accordance with this Condition.

13. Recovery of Taxes, Duties and Other Charges, and Fees and Expenses due to the Depositary

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR (the "**Charges**") shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. The Depositary may sell (whether by way of public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) for the account of the Holder an appropriate number of Deposited Shares or amount of other Deposited Property and will discharge out of the proceeds of such sale any Charges, and any fees or expenses due to the Depositary from the Holder pursuant to Condition 16, and subsequently pay any surplus to the Holder. Any request by the Depositary for the payment of Charges shall be made by giving notice pursuant to Condition 23.

14. Liability

14.1 In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions, and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or owners of GDRs or any other person.

14.2 Neither the Depositary, the Custodian, the Company, any Agent, nor any of their agents, officers, directors or employees shall incur any liability to any other of them or to any Holder or owner of GDRs or any other person with an interest in any GDRs if, by reason of any provision of any present or future law or regulation of Luxembourg or any other country or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control, or in the case of the Depositary, the Custodian, the Agent or any of their agents, officers, directors or employees by reason of any provision, present or future, of the constitutive documents of the Company, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; nor shall any of them incur any liability to any Holder or owner of GDRs or any other person with an interest in any GDRs by reason of any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

14.3 Neither the Depositary nor any Agent shall be liable (except for its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) to the Company or any Holder or owner of GDRs or any other person, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or for its failure to perform any obligations under the Deposit Agreement or these Conditions.

14.4 The Depositary and its agents may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates, or in relation to the Deposited Property (including without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to Holders or any other person for any profit arising therefrom.

14.5 The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 or 21 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures but shall have no liability (in the absence of its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable.

14.6 The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of its obligations under or in connection with the Deposit Agreement or these Conditions.

14.7 The Depositary shall have no responsibility whatsoever to the Company, any Holders or any owner of GDRs, or any other person as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

14.8 In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for the Holders or the owners of GDRs or any other person.

14.9 Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.

14.10 The Depositary may, in relation to the Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Company, the Depositary or otherwise and (subject to Condition 14.13 below) shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfer thereof.

14.11 Any such advice, opinion, certificate or information (as discussed in Condition 14.10 above) may be sent or obtained by letter, telex, facsimile transmission, telegram or cable and the Depositary (subject to Condition 14.13 below) shall not be liable for acting on any advice, opinion, certificate or information purported to be conveyed by any such letter, telex or facsimile transmission although (without the Depositary's knowledge) the same shall contain some error or shall not be authentic.

14.12 The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company by a director of the Company or by a person duly authorised by a director of the Company or such other certificate from persons specified in Condition 14.10 above which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.

14.13 The Depositary shall have no obligation under the Deposit Agreement except to perform its obligations as are specifically set out therein without wilful default, negligence or bad faith.

14.14 The Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interests of the Holders think fit, provided that no objection from the Company to any such delegation as aforesaid may be made to a person whose financial statements are consolidated with those of the Depositary's ultimate holding company. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Company in making such delegation. The Company shall not in any circumstances and the Depositary shall not (provided that it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the Depositary shall, if practicable and if so requested by the Company, pursue (at the Company's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Company. Any delegation under this Condition which includes the power to sub-delegate shall provide that the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Company and the Depositary.

14.15 The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money.

14.16 The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute, and the Depositary shall not (in the case of deposit with itself, in the absence of its own negligence, wilful default, or bad faith or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.

14.17 Notwithstanding anything to the contrary contained in the Deposit Agreement or these Conditions, the Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with its performance or non-performance or the exercise or attempted exercise of, or the failure to exercise any of, its powers or discretions under the Deposit Agreement except to the extent that such loss or damage arises from the wilful default, negligence or bad faith of the Depositary or that of its agents, officers, directors or employees. Without prejudice to the generality of the foregoing, in no circumstances shall the Depositary have any liability for any act or omission of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Shares or otherwise.

14.18 No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and security against such risk of liability is not assured to it.

14.19 For the avoidance of doubt, the Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable Luxembourg law as the same may be amended from time to time. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issuance of GDRs if notified by the Company, or the Depositary becomes aware of the fact, that such transfer or issuance would result in a violation of the limitations set forth above.

14.20 No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement.

15. Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of the destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the Holder) at the specified office of any Agent.

16. Depositary's Fees, Costs and Expenses

16.1 The Depositary shall be entitled to charge the following remuneration and receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the Holders in respect of its services under the Deposit Agreement:

(i) for the issue of GDRs (other than upon the issue of GDRs pursuant to the Offering) or the cancellation of GDRs upon the withdrawal of Deposited Property: U.S.$5.00 or less per 100 GDRs (or portion thereof) issued or cancelled;

(ii) for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;

(iii) for issuing GDR certificates in definitive registered form (other than pursuant to (ii) above): the greater of U.S.$1.50 per GDR certificate (plus printing costs) or such other sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work plus costs (including but not limited to printing costs) and expenses involved;

(iv) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of U.S.$0.02 or less per GDR for each such dividend or distribution;

(v) in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution: U.S.$5.00 or less per 100 outstanding GDRs (or portion thereof) for each such issue of rights, dividend or distribution;

(vi) for transferring interests from and between the Regulation S Master GDR and the Rule 144A Master GDR: a fee of U.S.$0.05 or less per GDR;

(vii) a fee of U.S.$0.02 or less per GDR (or portion thereof) per annum for depositary services, which shall be payable as provided in paragraph (viii) below; and

(viii) any other charge payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents, in connection with the servicing of Deposited Shares or other Deposited Property (which charge shall be assessed against Holders as of the date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such Holders for such charge or deducting such charge from one or more cash dividends or other cash distributions,

together with all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the Depositary, any Agent or the Custodian, or any of their agents, in connection with any of the above.

16.2 The Depositary is entitled to receive from the Company the fees, taxes, duties, charges, costs and expenses as specified in a separate agreement between the Company and the Depositary.

17. Agents

17.1 The Depositary shall be entitled to appoint one or more agents (the "**Agents**") for the purpose, inter alia, of making distributions to the Holders.

17.2 Notice of appointment or removal of any Agent or of any change in the specified office of the Depositary or any Agent will be duly given by the Depositary to the Holders.

18. Listing

The Company has undertaken in the Deposit Agreement to use all reasonable endeavours to maintain, so long as any GDR is outstanding, a listing for the GDRs on the official list maintained by the Financial Services Authority (the "**Official List**") and admission to trading on the market for listed securities of the London Stock Exchange.

For that purpose the Company will pay all fees and sign and deliver all undertakings required by the Financial Services Authority and the London Stock Exchange in connection with such listings. In the event that the listing on the Official List and admission to trading on the market for listed securities of the London Stock Exchange is not maintained, the Company has undertaken in the Deposit Agreement to use all reasonable endeavours with the reasonable assistance of the Depositary (provided at the Company's expense) to obtain and maintain a listing of the GDRs on any other internationally recognised EU-regulated stock exchange (as defined in Directive 2004/39/EC, the Markets in Financial Instruments Directive) in Europe.

19. The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian PROVIDED THAT the Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the Custodian. The Custodian shall be responsible solely to the Depositary, PROVIDED THAT, if and so long as the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Company. The Custodian may resign or be removed by the Depositary by giving prior notice, except that if a replacement Custodian is appointed which is a branch or affiliate of the Depositary, the Custodian's resignation or discharge may take effect immediately on the appointment of such replacement Custodian. Upon the removal of or receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian (approved (i) by the Company, such approval not to be unreasonably withheld or delayed, and (ii) by the relevant authority in Luxembourg, if any), which shall, upon acceptance of such appointment and the expiry of any applicable notice period become the Custodian. Whenever the Depositary in its discretion determines that it is in the best interests of the Holders to do so, it may, after prior consultation with the Company, terminate the appointment of the Custodian and, in the event of any such termination, the Depositary shall promptly appoint a successor Custodian (approved (i) by the Company, such approval not to be unreasonably withheld or delayed, and (ii) by the relevant authority in Luxembourg, if any), which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement on the effective date of such termination. The Depositary shall notify Holders of such change immediately upon such change taking effect in accordance with Condition 23. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as therein specified; PROVIDED THAT, in the case of such temporary deposit in another place, the Company shall have consented to such deposit, and such consent of the Company shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the expense of the Company if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are of a reasonable amount.

20. Resignation and Termination of Appointment of the Depositary

20.1 The Company may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 90 days' prior notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving at least 90 days' prior notice in writing to the Company and the Custodian. Within 30 days after the giving of either such notice, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23 and to the Financial Services Authority and the London Stock Exchange.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in such notice; PROVIDED THAT no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depositary under the Deposit Agreement and the acceptance of such appointment to act in accordance with the terms thereof and of these Conditions, by the successor depositary. The Company has undertaken in the Deposit Agreement to use all reasonable endeavours to procure the appointment of a successor depositary with effect from the date of termination specified in such notice as soon as reasonably practicable following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23 and to the Financial Services Authority and the London Stock Exchange.

20.2 Upon the termination of appointment or resignation of the Depositary and against payment of all fees and expenses due to the Depositary from the Company under the Deposit Agreement, the Depositary shall deliver to its successor as depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all property and cash held by it under the Deposit Agreement. The Deposit Agreement provides that, upon the date when such termination of appointment or resignation takes effect, the Custodian shall be deemed to be the Custodian thereunder for such successor depositary, and the Depositary shall thereafter have no obligation under the Deposit Agreement or the Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

21. Termination of Deposit Agreement

21.1 Either the Company or the Depositary but, in the case of the Depositary, only if the Company has failed to appoint a replacement Depositary within 90 days of the date on which the Depositary has given notice pursuant to Condition 20 that it wishes to resign, may terminate the Deposit Agreement by giving 90 days' prior notice to the other and to the Custodian. Within 30 days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 23.

21.2 During the period beginning on the date of the giving of such notice by the Depositary to the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property relative to each GDR held by it, subject to the provisions of Condition 1.1 and upon compliance with Condition 1, payment by the Holder of the charge specified in Condition 16.1(i) and Clause 10.1.1(a) of the Deposit Agreement for such delivery and surrender, and payment by the Holder of any sums payable by the Depositary and/or any other expenses incurred by the Depositary (together with all amounts which the Depositary is obliged to pay to the Custodian) in connection with such delivery and surrender and otherwise in accordance with the Deposit Agreement.

21.3 If any GDRs remain outstanding after the date of termination, the Depositary shall as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action, except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, *pro rata* to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are the Holders. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions, except its obligation to account to Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

22. Amendment of Deposit Agreement and Conditions

All and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 22) may at any time and from time to time be amended by agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary, and any amendment (except as aforesaid) which shall increase or impose fees payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders until the expiration of three months after such notice shall have been given.

During such period of three months, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 1, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, and payment by the Holder of the charge specified in Condition 16.1(i) for such delivery and surrender and otherwise in accordance with the Deposit Agreement and these Conditions. Each Holder at the time when such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 1, the Deposited Property attributable to the relevant GDR.

For the purposes of this Condition 22, an amendment shall not be regarded as being materially prejudicial to the interests of Holders if its principal effect is to permit the creation of GDRs in respect of additional Shares to be held by the Depositary which are or will become fully consolidated as a single series with the other Deposited Shares PROVIDED THAT temporary GDRs will represent such Shares until they are so consolidated.

23. Notices

23.1 Any and all notices to be given to any Holder shall be duly given if personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by telex or facsimile transmission confirmed by letter sent by mail or air courier, addressed to such Holder at the address, or telex or facsimile number, of such Holder as it appears on the transfer books for GDRs of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request.

23.2 Delivery of a notice sent by mail or air courier shall be effective three days (in the case of domestic mail or air courier) or seven days (in the case of overseas mail) after despatch, and any notice sent by telex transmission, as provided in this Condition, shall be effective when the sender receives the answerback from the addressee at the end of the telex and any notice sent by facsimile transmission, as provided in this Condition, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The Depositary or the Company may, however, act upon any telex or facsimile transmission received by it from the other or from any Holder, notwithstanding that such telex or facsimile transmission shall not subsequently be confirmed as aforesaid.

24. Reports and Information on the Company

24.1 The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to furnish the Depositary with six copies in the English language (and to make available to the Depositary, the Custodian and each Agent as many further copies as they may reasonably require to satisfy requests from Holders) of:

(i) in respect of the financial year ending on 31 December 2007 and in respect of each financial year thereafter, the consolidated balance sheets as at the end of such financial year and the consolidated statements of income for such financial year in respect of the Company, prepared in conformity with generally accepted accounting principles in Luxembourg and reported upon by independent public accountants selected by the Company, as soon as practicable (and in any event within 180 days) after the end of such year;

(ii) if the Company publishes semi-annual financial statements for holders of Shares, such semi-annual financial statements of the Company, as soon as practicable, after the same are published; and

(iii) if the Company publishes quarterly financial statements for holders of Shares, such quarterly financial statements, as soon as practicable, after the same are published.

24.2 The Depositary shall upon receipt thereof give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.

24.3 For so long as any of the GDRs remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act if at any time the Company is neither subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, the Company has agreed in the Deposit Agreement to supply to the Depositary such information, in the English language and in such quantities as the Depositary may from time to time reasonably request, as is required to be delivered to any Holder or beneficial owner of GDRs or to any holder of Shares or a prospective purchaser designated by such Holder, beneficial owner or holder pursuant to a Deed Poll executed by the Company in favour of such persons and the information delivery requirements of Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A thereunder in connection with resales of GDRs or Shares or interests therein in reliance on Rule 144A under the Securities Act and otherwise to comply with the requirements of Rule 144A(d)(4) under the Securities Act. Subject to receipt, the Depositary will deliver such information, during any period in which the Company informs the Depositary it is subject to the information delivery requirements of Rule 144(A)(d)(4), to any such holder, beneficial owner or prospective purchaser but in no event shall the Depositary have any liability for the contents of any such information.

25. Copies of Company Notices

The Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary in English on or before the day when the Company first gives notice, by mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, such number of copies of such notice and any other material (which contains information having a material bearing on the interests of the Holders) furnished to such holders by the Company (or such number of English translations of the originals if the originals were prepared in a language other than English) in connection therewith as the Depositary may reasonably request. If such notice is not furnished to the Depositary in English, either by the Company or the Custodian, the Depositary shall, at the Company's expense, arrange for an English translation thereof (which may be in such summarised form as the Depositary may deem adequate to provide sufficient information) to be prepared. Except as provided below, the Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to Condition 9.1, and shall make the same available to Holders in such manner as it may determine.

26. Moneys held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any Holder or any other person for any interest thereon, except as otherwise agreed and shall not be obliged to segregate such moneys from other moneys belonging to the Depositary.

27. Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

28. Governing Law

28.1 The Deposit Agreement and the GDRs are governed by and shall be construed in accordance with English law except that the certifications set forth in Schedule 3 and Schedule 4 to the Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York. The rights and obligations attaching to the Deposited Shares will be governed by Luxembourg law. The Company has submitted in respect of the Deposit Agreement and the Deed Poll to the jurisdiction of the English courts and the courts of the State of New York and any United States Federal court sitting in the Borough of Manhattan, New York City. The Company has also agreed in the Deposit Agreement, and the Deed Poll to allow, respectively, the Depositary and the Holders to elect that Disputes are resolved by arbitration.

28.2 The Company has irrevocably appointed Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom as its agent in England to receive service of process in any Proceedings in England based on the Deed Poll and appointed CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, NY 10011, United States as its agent in New York to receive service of process in any Proceedings in New York. If for any reason the Company does not have such an agent in England or New York as the case may be, it will promptly appoint a substitute process agent and notify the Holders and the Depositary of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

28.3 The courts of England are to have jurisdiction to settle any disputes (each a "**Dispute**") which may arise out of or in connection with the GDRs and accordingly any legal action or proceedings arising out of or in connection with the GDRs ("**Proceedings**") may be brought in such courts. Without prejudice to the foregoing, the Depositary further irrevocably agrees that any Proceedings may be brought in any New York State or United States Federal court sitting in the Borough of Manhattan, New York City. The Depositary irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

28.4 These submissions are made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdictions (whether concurrently or not).

28.5 In the event that the Depositary is made a party to, or is otherwise required to participate in, any litigation, arbitration, or Proceeding (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Company, or which contains allegations to such effect, upon notice from the Depositary, the Company has agreed to fully cooperate with the Depositary in connection with such litigation, arbitration or Proceeding.

28.6 The Depositary irrevocably appoints The Bank of New York, London Branch, (Attention: The Manager) of 48^{th} Floor, One Canada Square, London E14 5AL, United Kingdom as its agent in England to receive service of process in any Proceedings in England based on any of the GDRs. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO GDRS WHILE IN MASTER FORM

The GDRs will initially be evidenced by (i) a single Master Regulation S GDR in registered form and (ii) a single Master Rule 144A GDR in registered form. The Master Regulation S GDR will be deposited with The Bank of New York, London Branch as common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of The Bank of New York Depository (Nominees) Limited. The Master Rule 144A GDR will be registered in the name of Cede & Co., as nominee for DTC, and will be held by The Bank of New York in New York as Custodian for DTC. The Master Regulation S GDR and the Master Rule 144A GDR (collectively the "**Master GDRs**") contain provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Terms and Conditions of the Global Depositary Receipts set out in this Prospectus. The following is a summary of certain of those provisions. Unless otherwise defined herein, the terms defined in the Conditions shall have the same meaning herein.

The Master GDRs will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in (i), (ii), (iii) or (iv) below in whole but not in part. The Depositary will irrevocably undertake in the Master GDRs to deliver certificates evidencing GDRs in definitive registered form in exchange for the relevant Master GDR to the Holders within 60 days in the event that:

(i) Euroclear or Clearstream, Luxembourg, in the case of the Master Regulation S GDR, or DTC (or any successor to DTC), in the case of the Master Rule 144A GDR advises the Company in writing that it is unwilling or unable to continue as depositary and a successor depositary is not appointed within 90 calendar days; or

(ii) Euroclear or Clearstream, Luxembourg, in the case of the Master Regulation S GDR, or DTC, in the case of the Master Rule 144A GDR, is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the Depositary is available within 45 days; or

(iii) in the case of Master Rule 144A GDR, DTC or any successor ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended; or

(iv) the Depositary has determined that, on the occasion of the next payment in respect of the GDRs, the Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the GDRs represented by a master GDR which would not be required were the GDRs represented by certificates in definitive registered form, provided that the Depositary shall have no obligation to so determine or to attempt to so determine.

Any exchange shall be at the expense (including printing costs) of the relevant GDR holder.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through DTC, Euroclear or Clearstream, Luxembourg.

Upon any exchange of a Master GDR for certificates in definitive registered form, or any exchange of interests between the Master Rule 144A GDR and the Master Regulation S GDR pursuant to Condition 3, or any distribution of GDRs pursuant to Conditions 5, 7 or 10 or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 1, the relevant details shall be entered by the Depositary on the register maintained by the Depositary whereupon the number of GDRs represented by the Master GDR shall be reduced or increased (as the case may be) for all purposes by the amount so exchanged and entered on the register, provided always that, if the number of GDRs represented by a Master GDR is reduced to zero, such Master GDR shall continue in existence until the obligations of the Company under the Deposit Agreement and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) will, in the case of GDRs represented by the Master Regulation S GDR, be made by the Depositary through Euroclear and Clearstream, Luxembourg and, in the case of GDRs represented by the Master Rule 144A GDR, will be made by the Depositary through DTC, on behalf of persons entitled thereto upon receipt of funds therefore from the Company. A free distribution or rights issue of Shares to the Depositary on behalf of the Holders will result in the record maintained by the Depositary being marked up to reflect the enlarged number of GDRs represented by the relevant Master GDR.

Holders will have voting rights as set out in the Terms and Conditions of the GDRs.

Surrender of GDRs

Any requirement in the Terms and Conditions of the GDRs relating to the surrender of a Regulation S GDR to the Depositary shall be satisfied by the production by Euroclear or Clearstream, Luxembourg, and relating to the surrender of a Rule 144A GDR to the Depositary shall be satisfied by the production by DTC, on behalf of a person entitled to an interest therein, of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream, Luxembourg, in the case of the Master Regulation S GDR, or by DTC in the case of the Master Rule 144A GDR. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For as long as the Master Regulation S GDR is registered in the name of the nominee for the common depositary for Euroclear and Clearstream, Luxembourg and the Master Rule 144A GDR is registered in the name of DTC (or its nominee), notices to Holders may be given by the Depositary by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg with respect to the Master Regulation S GDR and to DTC with respect to the Master Rule 144A GDR for communication to persons entitled thereto in substitution for delivery of notices in accordance with Condition 23.

The Master GDRs shall be governed by and construed in accordance with English law.

INFORMATION RELATING TO THE DEPOSITARY

The Depositary is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The Depositary was constituted in 1784 in the State of New York. It is a wholly owned subsidiary of The Bank of New York Mellon Corporation, a New York bank holding company. The principal office of the Depositary is located at One Wall Street, New York, New York 10286, United States. Its principal administrative offices are located at 101 Barclay Street, 22 floor West, New York, New York 10286, United States. A copy of the Depositary's Articles of Association, as amended, together with copies of The Bank of New York Mellon Corporation's most recent financial statements and annual report are available for inspection at the Corporate Trust Office of the Depositary located at 101 Barclay Street, New York, NY 10286, United States and at The Bank of New York, One Canada Square, London E14 5AL, United Kingdom. The Depositary is validly incorporated.

TAXATION

The following summary of material U.S. federal income, United Kingdom and Luxembourg tax consequences of ownership of GDRs is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of GDRs. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of GDRs. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of GDRs, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

United States Federal Income Tax Considerations

The following is a description of certain material U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of the GDRs. This description addresses only the U.S. federal income tax considerations of holders that are initial purchasers of the GDRs pursuant to the international offering and that will hold such GDRs as capital assets. This description does not purport to address all material tax consequences of the ownership of the GDRs and does not address aspects of U.S. federal income taxation that may be applicable to investors that are subject to special tax rules, including:

- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- dealers or traders in securities, commodities or currencies;
- tax-exempt entities;
- individual retirement accounts and other tax deferred accounts;
- persons that received GDRs as compensation for the performance of services;
- persons that will hold the GDRs as part of a "hedging", "conversion", or constructive sale transaction or as a position in a "straddle" for U.S. federal income tax purposes;
- certain U.S. expatriates;
- certain "dual resident" corporations;
- persons that have a "functional currency" other than the U.S. dollar;
- holders that own or are deemed to own 10% or more, by voting power or value, of the equity interest of the Company; or
- that are resident or ordinarily resident in or have a permanent establishment in Luxembourg.

Further, this description does not address the alternative minimum tax or the U.S. federal gift and estate tax consequences of the acquisition, holding or disposition of the GDRs.

This description is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, as well as the income tax treaty between the United States and Luxembourg (the "**Luxembourg-U.S. Treaty**"), in each case as in effect on the date of this Prospectus, all of which are subject to change (or to changes in interpretation), possibly with retroactive effect.

U.S. Holders

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of a GDR that is:

- an individual citizen or resident of the United States;
- a partnership or corporation (or other entity treated as a partnership or corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States or any state thereof, including the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and (ii) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. Certain trusts in existence on August 20, 1996, and treated as a U.S. person prior to such date, may also elect to be treated as U.S. Holders.

A "**Non-U.S. Holder**" is a beneficial owner of GDRs that is not a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds GDRs, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax adviser as to the U.S. federal income tax consequences of acquiring, holding, retirement or other disposition of the GDRs.

For U.S. federal income tax purposes, U.S. Holders of GDRs will be treated as the owners of the Shares represented by those GDRs, and exchanges of Shares for GDRs, or GDRs for Shares will not give rise to U.S. federal income tax consequences provided the Depositary has not taken actions inconsistent with the U.S. holder's ownership of the underlying shares.

Prospective purchasers of the GDRs are urged to consult their own tax advisers concerning the U.S. federal, state, local and foreign tax consequences of the purchase, holding and disposition of the GDRs.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE GDRS; AND (C) EACH INVESTOR SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISER ABOUT THE TAX CONSEQUENCES BASED ON ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE GDRS UNDER THE LAWS OF LUXEMBOURG, UKRAINE, THE UNITED KINGDOM, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTIONS WHERE THE INVESTOR MAY BE SUBJECT TO TAXATION.

Distributions

U.S. Holders

Subject to the discussion below under "—Passive Foreign Investment Company Considerations," U.S. Holders of GDRs will include in gross income as foreign-source dividend income, when actually or constructively received by the U.S. Holder or the Depositary, the gross amount of any cash or the fair market value of any property distributed by the Company (before reduction for any Luxembourg withholding taxes, if any) in respect of GDRs to the extent such distribution is paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The Company does not intend to compute (or to provide U.S. Holders with information necessary to compute) earnings and profits under U.S. federal income tax principles. Accordingly, U.S. Holders generally will be required to treat all distributions as taxable dividends.

Dividends will not be eligible for the dividends received deduction allowed to U.S. corporate shareholders in respect of dividends received from other U.S. corporations. If the Company qualified for the benefits of the Luxembourg-U.S. Treaty and was not a PFIC (as defined below) in the year of distribution or in the preceding year, dividends received by individual U.S. Holders and certain other non-corporate U.S. Holders in their tax years beginning before 2011 that satisfied certain eligibility criteria (including holding period) generally would be characterised as qualified dividend income taxable at reduced rates generally applicable to long-term capital gains. However, the Company currently does not (and likely will not in the future) qualify for the benefits of the Luxembourg-U.S. Treaty. Accordingly, individual U.S. Holders and certain other non-corporate U.S. Holders will likely not be entitled to qualified dividend treatment on any dividends paid by the Company.

If the Company pays a dividend in a currency other than the U.S. dollar, any such dividend will be included in the gross income of the U.S. Holder in an amount equal to the U.S. dollar value of the currency on the date of receipt, determined at the spot rate on the date such dividend distribution is includible in the income of the U.S. Holder, regardless of whether the payment is in fact converted into

U.S. dollars at that time. U.S. Holders will have a tax basis in the currency received equal to its U.S. dollar value on the date of receipt. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss from U.S. sources.

Dividends will be treated as foreign source income for U.S. foreign tax credit purposes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends will generally constitute "passive category income," or, in the case of certain U.S. Holders, "general category income." Currency exchange gain or loss will generally be income to a U.S. Holder from sources within the United States for foreign tax credit limitation purposes.

U.S. Holders that are not exempt from Luxembourg withholding tax but are eligible to claim benefits under the Luxembourg-U.S. Treaty may claim a reduced rate of Luxembourg withholding tax of 15% and, as discussed below (see "—Luxembourg Tax Considerations"), should be able to claim a refund of Luxembourg withholding tax in excess of that rate. Subject to generally applicable limitations on foreign tax credit claims, a U.S. Holder may claim a deduction or a foreign tax credit for Luxembourg tax withheld at a rate not in excess of that provided in the Luxembourg-U.S. Treaty. Each U.S. Holder should consult its own tax adviser regarding its eligibility for benefits under the Luxembourg-U.S. Treaty and regarding the availability of the foreign tax credit under their particular circumstances.

Non-U.S. Holders

Except for the possible imposition of U.S. backup withholding tax (see "—Backup Withholding and Information Reporting"), dividends paid to a Non-U.S. Holder in respect of GDRs will not be subject to U.S. federal income tax unless such dividends are effectively connected with the conduct of a trade or business within the United States by such Non-U.S. Holder (and are attributable to a permanent establishment maintained in the United States by such Non-U.S. Holder if an applicable income tax treaty so requires as a condition for such Non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of income from GDRs), in which case the Non-U.S. Holder generally will be subject to tax in respect of such dividends in the same manner as a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a U.S. branch profits tax equal to 30% of its effectively connected earnings and profits for the taxable year, as adjusted for certain items, unless a lower rate applies under an applicable income tax treaty.

Sale or Exchange of GDRs

U.S. Holders

Subject to the discussion below under "—Passive Foreign Investment Company Considerations," upon a sale or other disposition of GDRs, a U.S. Holder will recognise gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realised and the U.S. Holder's adjusted tax basis (determined in U.S. dollars) in such GDRs. Generally, such gain or loss will be capital gain or loss, will be long-term capital gain or loss if the U.S. Holder's holding period for such GDRs exceeds one year, and will be income or loss from sources within the United States for foreign tax credit limitation purposes. For non-corporate U.S. Holders, the United States income tax rate applicable to net long-term capital gain currently will not exceed 15%. The deductibility of capital losses is subject to significant limitations. Any gain or loss on the sale or exchange generally will be treated as U.S. source income or loss for U.S. foreign tax credit limitation purposes.

With respect to the sale or exchange of GDRs, the amount realised generally will be the U.S. dollar value of the payment received determined at the spot rate of exchange on the date of disposition (or, if the GDRs are traded on an established securities market and the U.S. Holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date). An accrual basis U.S. Holder that does not elect to determine the amount realised using the spot rate on the settlement date, such holder will recognise gain or loss (generally treated as U.S. source ordinary gain or loss) equal to the difference, if any, between the U.S. dollar value of the amount received based on the spot rate in effect on the date of disposition and the settlement date. A U.S. Holder will have a tax basis in the foreign currency received equal to the U.S. dollar amount realised. Any currency exchange gain or loss realised on a subsequent conversion of the foreign currency into U.S. dollars for a different amount generally will be treated as ordinary income or loss from sources within the United States.

Non-U.S. Holders

Except for the possible imposition of U.S. backup withholding tax (see "—Backup Withholding and Information Reporting"), a Non-U.S. Holder will not be subject to U.S. federal income tax in respect of gain recognised on a sale or other disposition of GDRs unless (i) the gain is effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder (and is attributable to a permanent establishment maintained in the United States by such Non-U.S. Holder if an applicable income tax treaty so requires as a condition for such Non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of gain from a sale or other disposition of the GDRs) or (ii) in the case of a Non-U.S. Holder who is an individual, such holder is present in the United States for 183 or more days in the taxable year of the sale and certain other conditions apply. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a U.S. branch profits tax equal to 30% of its effectively connected earnings and profits for the taxable year, as adjusted for certain items, unless a lower rate applies under an applicable income tax treaty.

Passive Foreign Investment Company Considerations

A Non-U.S. corporation will be classified as a "passive foreign investment company," (a "**PFIC**"), for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either:

- at least 75% of its gross income is "passive income" (generally, dividends, interest, royalties, rents and gains from the sale of assets that give rise to such income); or
- at least 50% of the average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income.

Based on the Company's existing and anticipated future operations, the Company believes that it is not, and intends and anticipates that it will not become in the foreseeable future, a PFIC. If the Company is not operated in the manner currently anticipated, however, the Company may be considered a PFIC for the current or for a subsequent year depending upon the Company's actual activities and assets.

If the Company were treated as a PFIC, a U.S. Holder would be subject to special rules with respect to (i) any gain realised on the sale or other disposition of GDRs and (ii) any "excess distribution" by the Company to the U.S. Holder in respect of the GDRs (generally, any distributions to the U.S. Holder in respect of the GDRs during a single taxable year that total more than 125% of the average annual distributions received by the U.S. Holder in respect of GDRs during the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the GDRs). Under these rules, (a) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the GDRs, (b) the amount allocated to the taxable year in which the gain or excess distribution was realised or to any year before the Company became a PFIC would be taxable as ordinary income, (c) the amount allocated to each other taxable year would be subject to tax at the highest tax rate in effect for ordinary income for that year and (d) an interest charge generally applicable to underpayments of tax would be imposed in respect of the tax attributable to each such prior year. These rules effectively prevent a U.S. Holder from treating gain on the GDRs as capital gain. In addition, dividends paid during a year in which the Company is, or had been in the preceding year, a PFIC would not be qualified dividend income and therefore would not be eligible for the special rate of taxation as net capital gain. If the Company were a PFIC in any year during a U.S. Holder's holding period, it would generally be treated as a PFIC for each subsequent year.

A U.S. Holder may be able to avoid some of these adverse tax consequences but only if (i) the GDRs are "marketable stock" and the U.S. Holder elects to annually mark-to-market the GDRs, or (ii) the U.S. Holder makes a qualified electing fund ("**QEF**") election to include in income annually its share of the income and gain of the Company, whether or not distributed, and the Company makes information necessary for a QEF election available to its U.S. Holders. A U.S. Holder can elect to mark the GDRs to market only if the GDRs are traded in more than de minimis quantities on at least 15 days during each calendar quarter. The Company does not know, however, whether its GDRs will be marketable stock and, therefore, does not know whether a mark-to-market election will be available. The Company does not expect to provide information necessary to make a QEF election.

U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences of holding GDRs and of making the mark-to-market election, if the Company were considered to be a PFIC. A U.S. Holder that owns GDRs during any year that a Company is a PFIC must file IRS Form 8621.

Backup Withholding and Information Reporting

Dividends on and proceeds from the sale, redemption or other disposition of GDRs made within the United States, or by a U.S. payor or U.S. middleman, to a holder of GDRs generally will be reported to the U.S. Internal Revenue Service ("**IRS**") unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is currently 28%. Any amounts withheld under the backup withholding tax rules will be refunded or allowed as a credit against the U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

United Kingdom Tax Considerations

The comments below are of a general nature and are based on current U.K. law and published H.M. Revenue & Customs practice, both of which are subject to change, possibly with retrospective effect. The summary only covers the principal U.K. tax consequences for the absolute beneficial owners of Shares or GDRs and any dividends paid in respect of them, in circumstances where the dividends paid are regarded for U.K. tax purposes as that person's own income (and not the income of some other person), and who are resident (or, in the case of individuals only, ordinarily resident) in the U.K. for tax purposes. In addition, the summary (a) only addresses the tax consequences for holders who hold the Shares or GDRs as capital assets and does not address the tax consequences which may be relevant to certain other categories of holders, for example, dealers; (b) does not address the tax consequences for holders that are insurance companies, collective investment schemes or persons connected with the Company; (c) assumes that the holder does not control or hold, either alone or together with one or more associated or connected persons, directly or indirectly, 10.0% or more of the shares, voting power or rights to profits or capital of the Company; (d) assumes that there will be no register kept in the U.K. in respect of the Shares or the GDRs; (e) assumes that the Shares will not be held by, and that the GDRs will not be issued by, a depositary incorporated in the U.K.; and (f) assumes that neither the Shares nor the GDRs will be paired with shares issued by a company incorporated in the U.K.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder. Potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under U.K. law and H.M. Revenue & Customs practice, of acquisition, ownership and disposition of Shares or GDRs in their own particular circumstances, by consulting their own tax advisors.

Taxation of Dividends

Income Tax and Corporation Tax

Holders who are resident (or, in the case of individuals only, ordinarily resident) in the U.K. will, in general, be subject to income tax or corporation tax on the total amount of dividends received on their Shares or GDRs plus any withholding tax deducted in Luxembourg.

Withholding Tax and Tax Credits

When the Company pays dividends it is as a rule required for Luxembourg tax purposes to withhold 15.0% of the gross amount of the dividend paid to U.K. resident holders. See "—Luxembourg Tax Considerations—Taxation of Dividend Income—Withholding Tax". This Luxembourg withholding tax is generally allowed as a credit against the U.K. tax liability of a U.K. resident holder, but any excess of such Luxembourg withholding tax over the U.K. tax payable on the aggregate amount of the dividend, the net Luxembourg withholding tax, and any dividend tax credit as referred to under the Heading "Tax Liability for Individual Holders" below is generally not refundable.

The Company is not required to make any withholding or deduction from payments of dividends for or on account of U.K. tax.

Tax Liability for Individual Holders

The U.K. government has published draft legislation which, if enacted, takes effect in respect of dividends arising on or after 6 April 2008. If the draft legislation is enacted in its current form, the dividend tax credit previously available to individuals only in respect of dividends received from U.K. resident companies would be extended so that it also applies to dividends paid by non-U.K. resident companies. In respect of dividends paid by the Company, individual U.K. holders whose shareholding in the Company is less than 10% would, subject to certain other conditions also being met, be entitled to a non-payable tax credit of one ninth of the dividend. U.K. income tax would be chargeable on the aggregate of the amount of the dividend received, the Luxembourg withholding tax (after any reduction under a double tax treaty), and the dividend tax credit (the "**gross dividend**").

For an individual holder who is liable to U.K. tax on the dividend at the dividend ordinary rate (currently 10.0%), the credits for Luxembourg tax deducted at source will exceed his U.K. income tax liability in respect of the dividend and he will have no further U.K. tax to pay (whether or not the draft U.K. legislation is enacted in its current form). For an individual holder who is liable to U.K. tax on the dividend at the dividend upper rate (currently 32.5%), the U.K. tax will be chargeable on the gross dividend with credit for Luxembourg tax deducted at source at a rate of up to 15%, and any dividend tax credit referred to above.

Tax Liability for Corporate Shareholders

A holder within the charge to U.K. corporation tax and resident (for tax purposes) in the U.K. will be liable for U.K. corporation tax on the receipt of the gross dividend with credit for the Luxembourg tax deducted at source at a rate of up to 15%.

Taxation of Capital Gains

The disposal or deemed disposal of the Shares or GDRs by a holder who is resident (or, in the case of individuals only, ordinarily resident) in the U.K. for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of U.K. taxation of chargeable gains, depending on the holder's circumstances and subject to any available exemption or relief (such as any indexation allowance available to U.K. resident companies).

Holders who are individuals and who dispose of their Shares or GDRs while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident or ordinarily resident in the U.K.

Tax Liability for U.K. Resident Individual Holders

As regards a holder who is an individual, the principal factors that will determine the extent to which such gain will be subject to capital gains tax ("**CGT**") are the extent to which the holder realises any other capital gains in that year, the extent to which the holder has incurred capital losses in that or any earlier year and the level of the annual allowance of tax-free gains in the tax year in which the disposal takes place (the "**annual exemption**").

The annual exemption for individuals is £9,600 for the 2008-2009 tax year. Under current legislation, this exemption is, unless the U.K. Parliament decides otherwise, increased annually in line with the rate of increase in the retail price index. Holders should be aware that the U.K. Parliament is entitled to withdraw this link between the level of the annual exemption and the retail price index or even to reduce the level of the annual exemption for future tax years below its current level.

The U.K. government has published draft legislation which, if enacted, takes effect in relation to CGT on disposals by non-corporate taxpayers taking place on or after 6 April 2008. This legislation withdraws taper relief, and a flat rate of tax at 18% now applies (the previous rate applicable to taxpayers subject to tax at the higher rate was 40% before the application of any taper relief).

Tax Liability for U.K. Resident Corporate Holders

A holder which is a U.K. resident company is entitled to an indexation allowance which applies to reduce chargeable gains to the extent that they arise due to inflation. Indexation allowance is calculated by reference to increases in the retail price index during the period of ownership. The allowance may reduce a chargeable gain but not create any allowable loss.

Stamp Duty and Stamp Duty Reserve Tax

No U.K. stamp duty will be payable on the issue of the Shares or GDRs, and no U.K. stamp duty will be payable on the transfer of the Shares or GDRs provided that any instrument of transfer is not executed in the U.K. and does not relate to any property situated or to any matter or thing done or to be done, in the U.K. No U.K. stamp duty reserve tax will be payable on the issue or transfer of Shares or GDRs, provided that neither the Shares nor the GDRs are registered in any register kept in the U.K. by or on behalf of the Company. Currently there are no proposals for such a register to be kept in the U.K.

Luxembourg Tax Considerations

The following is a general discussion of certain Luxembourg tax consequences of the acquisition, ownership and disposal of GDRs by Luxembourg resident or non-resident purchasers in Luxembourg. The discussion is based on laws currently in force and as applied in practice on the date of this document, all of which are subject to change, possibly with retroactive effect. The information provided below does not purport to be a complete or exhaustive summary of the tax laws and practice currently applicable in Luxembourg Prospective investors should therefore consult their own tax advisers regarding the tax consequences of investing in the GDRs in their own particular circumstances.

The discussion is based on an assessment of the Deposit Agreement and a conclusion that the GDRs will be treated as equity/shares for Luxembourg tax purposes. Investors are nonetheless urged to consult their own legal and tax advisors regarding the specific legal treatment of the GDRs and for confirmation that the GDRs qualify as equity/shares.

Taxation of Dividend Income

Withholding Tax

Dividends paid by the Company to individuals or corporate holders are subject to a withholding tax at a rate of 15% of the gross dividend. The withholding tax rate may be reduced pursuant to a double tax treaty existing between Luxembourg and the country of residence of the relevant GDR holder or even not applied under the Luxembourg participation exemption rules. The beneficial owner of a dividend may in limited circumstances be required to account for the withholding tax if it is not withheld by the Company at source.

Luxembourg Tax Treatment of Dividends

Luxembourg Resident GDR Holders

Corporate GDR Holders. Dividend income received on the GDRs by Luxembourg resident companies (joint-stock companies and other similar entities) will, in principle, be fully subject to corporate income tax and municipal business tax at the aggregate maximum rate of 29.63% (for companies established in Luxembourg-city, including the contribution for the employment fund). Dividends received by a Luxembourg *société de capitaux* (*société anonyme*, *société à responsabilité limitée*, or *société en commandite par actions*) company may be tax exempt to the extent the requirements of article 166 of the Luxembourg Income Tax Law ("**LITL**") are met. A Luxembourg *société de capitaux* which does not benefit from the participation exemption may benefit from a 50% exemption of dividend income under article 115(15)a of the LITL. Expenses relating to dividends (e.g. interest charges incurred in financing the acquisition of the GDRs) are generally deductible to the extent they exceed the exempted income, subject to recapture rules.

Individual GDR Holders. Dividends received on the GDRs by Luxembourg resident individuals will, in principle, be subject to personal income tax. Personal income tax is levied in Luxembourg according to the progressive income tax schedule with a top marginal rate of 38.95% (including the contribution for the unemployment fund). However, they may benefit from a 50% exemption from tax under article 115(15)a of the LITL. In addition, a total lump-sum of €1,500 (which is doubled for married taxpayers who are taxable jointly) is deductible from total dividend and interest income received during the tax year.

Non-Luxembourg Resident GDR Holders

Non-resident GDR holders (whether individuals or joint stock companies) who receive dividends will not be subject to Luxembourg taxation, unless such dividend income is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

Taxation of Capital Gains Realised Upon Disposal of GDRs

Luxembourg Resident GDR Holders

Corporate GDR Holders. Subject to the exemptions described below, capital gains realised upon the disposal of GDRs by Luxembourg resident *société de capitaux* will be fully subject to corporate income tax and municipal business tax at the aggregate rate of 29.63%. Capital gains realised upon the disposal of GDRs may be tax exempt if, at the time of the disposal, the transferor holds or undertakes to hold a qualifying stake for an uninterrupted period of at least twelve months (this stake may not became lower than a 10% threshold or below an acquisition price of € 6 million during this twelve-month period) and the GDR holder is a fully-taxable *société de capitaux*, a domestic permanent establishment of a company resident in another Member State such that it is covered by article 2 of the EU Council Directive of 23 July 1990 on the common tax treatment applicable to parent companies and subsidiaries of different Member States or a domestic permanent establishment of a *société de capitaux* that is resident in a State with which Luxembourg has concluded a double taxation treaty. For purposes of this exemption a shareholding held through a tax transparent entity (as understood for Luxembourg tax purposes) is considered as a direct shareholding in proportion to the fraction held in the assets of this entity. The exempt amount of the capital gain realised upon a disposal of GDRs is reduced by the sum of the excess expenses and capital losses deducted from the company's taxable basis over previous years.

Individual GDR Holders. Capital gains realised on the disposal of the shares by resident individual GDR holders, who act in the course of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation.

Capital gains are deemed to be speculative gains and are subject to income tax at ordinary rates if the GDRs are disposed of within 6 months after their acquisition or if their disposal precedes their acquisition. Capital gains arising from speculative gains are taxable as miscellaneous income, and consequently added to other income of the taxpayer in determining their taxable basis. These speculative gains are subject to the progressive income tax table (up to a maximum of 38.95%). Yearly speculative gains less than €500 are exempt.

A participation is deemed to be substantial where a resident individual holder of GDRs holds, either alone or together with his spouse and/or minor children, directly or indirectly at any time within the 5 years preceding the disposal, more than 10% of the share capital of the Company. Capital gains realised on a substantial participation more than 6 months after the acquisition thereof are subject to income tax at the half-global rate method, (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realised on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the Shares. A tax deduction of up to € 50,000 per ten-year period (doubled for married tax payers taxable jointly) may be claimed on the capital gain.

Capital gains realised on the disposal of the GDRs by resident individual GDR holders, who act in the course of their professional business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the GDRs have been disposed of and the lower of their cost or book value.

Non-Luxembourg Resident GDR Holders

Non-resident individuals or joint-stock companies which do not have a permanent establishment nor a permanent representative in Luxembourg to which their GDRs are connected will not be subject to Luxembourg taxation on capital gains realised upon the disposal of the GDRs. Capital gains realised upon the disposal of GDRs may be taxed in Luxembourg, if the capital gain is speculative and has been realised on a substantial participation (subject to the provisions of an applicable tax treaty).

Net Wealth Tax

Luxembourg *société de capitaux* must include the GDRs held on 1 January each year in their net assets, as determined in accordance with the Property and Securities Valuation Act. This rule also applies for non-resident companies which have a permanent establishment or permanent representative in Luxembourg to which their GDRs are attributable. GDRs may be excluded from the net assets of corporate holders if a direct participation of least 10% of share capital or €1,200,000 as at 1 January of each year is held and the holder is a resident *société de capitaux*, a domestic permanent establishment of a company which is resident in another Member State covered by article 2 of the EU Council Directive of

23 July 1990 on the common tax treatment applicable to parent companies and subsidiaries of different Member States or a domestic permanent establishment of a company that is resident in a State with which Luxembourg has concluded a double taxation treaty.

Luxembourg resident companies benefiting from a special tax regime

Dividends paid to holding companies subject to the law of 31 July 1929 during the transitory period expiring at the end of 2010 ("**1929 holding companies**") are subject to a withholding tax at a rate of 15% of the gross dividend. Neither capital gains realised by 1929 holding companies upon the disposal of GDRs, nor the net amount of dividends after deduction of withholding tax, are subject to Luxembourg corporate income tax, municipal business tax or net wealth tax.

Dividends paid to private asset holding companies governed by the law of 11 May 2007 ("**SPFs**") are subject to a withholding tax at a rate of 15% of the gross dividend. Neither capital gains realised by SPF upon the disposal of GDRs, nor the net amount of dividends after deduction of withholding tax, are subject to Luxembourg corporate income tax, municipal business tax or net wealth tax.

Luxembourg Undertakings for Collective Investment

Dividends paid to Luxembourg undertakings for collective investment (including specialised investment funds—"**SIFs**") are subject to a withholding tax at a rate of 15% of the gross dividend. Neither capital gains realised by Luxembourg undertakings for collective investment upon the disposal of GDRs, nor the net amount of the dividend after operation of the withholding tax, are subject to Luxembourg corporate income tax, municipal business tax or net wealth tax. However, Luxembourg undertakings for collective investment are liable to the so-called subscription tax at the general rate of 0.05% or 0.01% for SIFs (under certain conditions, lower rates may apply). In principle, the tax basis is composed of the total net assets as determined at the end of each quarter.

Registration Taxes

No registration tax will be payable by GDR holders upon the disposal of GDRs by sale or exchange.

Inheritance tax and gift tax

Under Luxembourg tax law, where an individual holder of GDRs is a resident of Luxembourg for tax purposes at the time of his/her death, GDRs are included in his/her taxable basis for inheritance tax purposes.

Gift tax may be due on a gift or donation of GDR, if embodied in a Luxembourg deed or otherwise registered in Luxembourg.

SUBSCRIPTION AND SALE

Under the terms of, and subject to the conditions contained in, an Underwriting Agreement dated 9 May 2008 (the "**Underwriting Agreement**") entered into between the Company, the Selling Shareholder, Mr Kosyuk and the Managers, the Managers have severally agreed to procure purchasers for, or failing which, themselves to purchase, at the Offer Price, the aggregate number of Shares, in the form of GDRs, as indicated below. The Company has agreed to make available, at the Offer Price, to the Managers, 10,750,000 Shares (represented by 10,750,000 GDRs) and the Selling Shareholder has agreed to make available, at the Offer Price, to the Managers 10,750,000 Shares (represented by 10,750,000 GDRs).

Manager	Number of GDRs
Morgan Stanley & Co. International plc	10,750,000
UBS Limited	10,750,000
Total	**21,500,000**

The Underwriting Agreement contains, among others, the following further provisions:

The Selling Shareholder has granted to UBS Limited on behalf of the Managers, the Over-allotment Option to acquire up to 3,225,000 additional Shares in the form of Additional GDRs at the Offer Price for the purposes of meeting over-allotments in connection with the Offering. The Over-allotment Option is exercisable upon written notice to the Selling Shareholder by UBS Limited, on behalf of the Managers, given not later than 30 days following the date of announcement of the Offer Price.

The Managers will deduct from the proceeds of the Offering to the Company:

(i) costs and expenses incurred by the Managers and being reimbursed by the Company in connection with the Offering of approximately U.S.$800,000; and

(ii) fees and commissions payable by the Company assuming the incentive commission is paid in full of approximately U.S.$6,450,000.

The Managers will also deduct fees and commissions of approximately U.S.$6,450,000 from the proceeds of the Offering to the Selling Shareholder assuming the incentive commission is paid in full, or approximately U.S.$8,385,000 assuming the Over-allotment Option is exercised in full.

As indicated above, the Company and the Selling Shareholder may, at their absolute discretion, award the Managers an incentive commission of up to U.S.$3,708,750 assuming the Over-allotment Option is exercised. Such amount shall be determined and paid at the Closing Date.

The obligations of the parties to the Underwriting Agreement are subject to certain conditions that are typical for an agreement of this nature. These conditions include, amongst others, the accuracy of the representations and warranties under the Underwriting Agreement and the application for Admission having been approved on or prior to the Closing Date. The Managers may terminate the Underwriting Agreement prior to Admission in certain specified circumstances that are typical for an agreement of this nature. These include the occurrence of certain material changes in the business, condition, financial or otherwise, prospects, earnings, properties or operations of MHP and certain changes in financial, political or economic conditions (as more fully set out in the Underwriting Agreement). If any of the above-mentioned conditions are not satisfied (or waived, where capable of being waived) by, or the Underwriting Agreement is terminated prior to, Admission, then the Offering will lapse.

The Company, the Selling Shareholder and Mr Kosyuk, the Company's controlling beneficial shareholder, have each given customary representations and warranties to the Managers, including in relation to the business, the accounting records and the legal compliance of the Company, in relation to the Shares and GDRs and in relation to the contents of this Prospectus.

The Company, the Selling Shareholder and Mr Kosyuk have given customary indemnities to the Managers in connection with the Offering.

Each of the Company, the Selling Shareholder and Mr Kosyuk, the Company's controlling beneficial shareholder, has agreed with the Managers that, subject to certain customary exceptions, during the period beginning with the date of the Underwriting Agreement and continuing to, and including the date 180 days after the latest Closing Date (the "**Lock-Up Period**"), they will not offer, issue, lend, pledge (or charge in respect of the Selling Shareholder), sell or contract to sell, issue or grant options in respect of or otherwise dispose of any securities (or publicly announce any such issuance, offer, sale or disposal) of the Company that are substantially similar to the Shares or GDRs, or enter into any transaction with the same economic effect as any of the foregoing (the "**Lock-Up**"), without the prior written consent of the Managers (subject to certain customary exceptions).

Each Manager has represented and agreed that it will observe and comply with all applicable laws and regulations in each of the jurisdictions in or from which it may offer or sell Shares or GDRs or distribute this Prospectus or other offering material relating to the Shares or the GDRs, and any offer, sale or delivery or distribution of the Shares or GDRs or distribution of the Prospectus or other offering material relating to the Shares or the GDRs will be made in accordance with such laws.

In connection with the Offering, UBS Limited, acting as Stabilising Manager on behalf of the Managers, or any of its agents, may, to the extent permitted by applicable laws, regulations and rules of the London Stock Exchange, at its discretion, engage in transactions that stabilise, support, maintain or otherwise affect the price of the GDRs for a period of 30 calendar days from the date of announcement of the Offer Price. Specifically, the Stabilising Manager or any of its agents may, for a limited period, over-allot in connection with the Offering or effect transactions with a view to supporting the market price of the GDRs at a higher level than that which might otherwise prevail in the open market. However, there is no obligation on the Stabilising Manager or any of its agents to do this and there can be no assurance that any such activities will be undertaken. To the extent permitted by applicable law, such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise. Such stabilising, if commenced, may be discontinued at any time or end after a limited period. Save as required by law or regulation, none of the Stabilising Manager, any of its agents or either of the Managers intends to disclose the extent of any stabilisation and/or any over-allotment transactions in connection with the Offering.

For the purposes of allowing it to cover over-allotments, if any, in the Offering and/or to cover short positions relating to stabilisation activities, the Stabilising Manager has been granted by the Selling Shareholder the Over-allotment Option pursuant to which the Stabilising Manager on behalf of the Managers may subscribe for, or procure subscribers for, up to a maximum of 3,225,000 additional shares in the form of Additional GDRs at the Offer Price. The Over-allotment Option is exercisable in whole or in part within 30 days after the date of announcement of the Offer Price, upon notice to the Selling Shareholder by the Stabilising Manager.

The Managers may also sell GDRs in excess of the Over-allotment Option up to a maximum of 5% of the total size of the Offering, creating a naked short position. The Managers must close out any naked short position by acquiring GDRs in the open market.

There can be no assurance that the prices at which the GDRs will trade in the market after the Offering will not be lower than the GDR Offer Price or that an active trading market for the Shares or GDRs will develop and continue after the Offering. The Managers have advised the Company and the Selling Shareholder that they currently intend to make a market in the GDRs. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the GDRs at any time without notice. Accordingly, there can be no assurance as to the liquidity of or the trading market for the GDRs.

The Managers have performed investment banking and advisory services for the Company from time to time for which they have received customary fees and expenses. The Managers may, from time to time, engage in transactions with and perform services for the Company in the ordinary course of their business.

In connection with the Offering, each of the Managers and any affiliate acting as an investor for its own account may take up the Shares and in that capacity may retain, purchase or sell the Shares, in the form of GDRs (or related investments), for its own account and may offer or sell such securities (or other investments) otherwise than in connection with the Offering. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

See also "Shareholders and Related Party Transactions" for a description of certain options which may be exercised at the time of the Offering by affiliates of MSI, which is one of the Managers.

SELLING AND TRANSFER RESTRICTIONS

Selling Restrictions

The distribution of this document and the offer of GDRs in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

General

No action has been or will be taken in any jurisdiction, other than the United Kingdom, that would permit a public offering of the GDRs, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the GDRs may not be offered or sold, director or indirectly, and neither this document nor any other offering material or advertisement in connection with the GDRs may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the GDRs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of GDRs, including those in paragraphs above. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or buy any of the GDRs offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

United States

The Shares and the GDRs have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. GDRs are being offered to institutional investors outside the United States in reliance on Regulation S. The Underwriting Agreement provides that the Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of GDRs within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, registration under the Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of GDRs within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each of the Managers has represented and agreed that (a) it has not made and will not make an offer of the GDRs to the public in the United Kingdom prior to the publication of a prospectus in relation to the GDRs and the Offering that has been approved by the FSA, except that it may make an offer of the GDRs to persons who fall within the definition of "qualified investor" as that term is defined in section 86(1) of FSMA or otherwise in circumstances which do not require the publication by the Company of a prospectus pursuant to section 85(1) of FSMA; (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any GDRs in circumstances where section 21(1) of the FSMA does not apply to the Company; and (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares or GDRs in, from or otherwise involving the United Kingdom.

Luxembourg

The Offering should not be considered a public offering in the Luxembourg. This Prospectus may not be reproduced or used for any purpose in Luxembourg other than the Offering, nor provided to any person in Luxembourg other than the recipient thereof as defined in the Prospectus. The securities are offered in Luxembourg to a limited number of sophisticated investors in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations in

Luxembourg are banned and the Offering may not be publicly advertised nor may this Prospectus be circulated to the general public in Luxembourg.

European Economic Area

Each of the Managers has represented and agreed that, in relation to each member state of the European Economic Area which has implemented the Prospectus Directive, other than the United Kingdom, (each a "**Relevant Member State"**), an offer to the public of any GDRs which are the subject of the Offering contemplated by this document may not be made to the public in that Relevant Member State except that an offer of GDRs may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive subject to obtaining the prior consent of the Managers for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the GDRs shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of any GDRs to the public**" in relation to any GDRs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any GDRs to be offered so as to enable an investor to decide to purchase any GDRs, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Ukraine

Under Ukrainian law, the GDRs are securities of a foreign issuer. The GDRs are not eligible for initial offering and public circulation in Ukraine. Neither the issue of the GDRs nor a securities prospectus in respect of the GDRs has been, or is intended to be, registered with the State Commission for Securities and Stock Markets of Ukraine. The information provided in this document is not an offer, or an invitation to make offers, to sell, exchange or otherwise transfer the GDRs in Ukraine.

Canada

This document is not, and under no circumstances is it to be construed as, a prospectus, an advertisement or a public offering of the securities described herein in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

Representations and Agreements by Purchasers

The Offering is being made in Canada only in the Canadian provinces of British Columbia, Ontario and Québec (the "**Canadian Jurisdictions**") by way of a private placement of GDRs. The Offering in the Canadian Jurisdictions is being made pursuant to this Prospectus through the Managers named in this Prospectus or through their selling agents who are permitted under applicable law to distribute such securities in Canada. Each Canadian investor who purchases the GDRs will be deemed to have represented to the Company, the Selling Shareholder and the Managers that: (1) the offer and sale was made exclusively through this Prospectus and was not made through an advertisement of the GDRs in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada; (2) such investor has reviewed the terms referred to below under "Canadian Resale Restrictions"; (3) where required by law, such investor is, or is deemed to be, acquiring the GDRs as principal for its own account in accordance with the laws of the

Canadian Jurisdiction in which the investor is resident and not as agent or trustee; (4) such investor or any ultimate investor for which such investor is acting as agent is entitled under applicable Canadian securities laws to acquire the GDRs without the benefit of a prospectus qualified under such securities laws, and without limiting the generality of the foregoing: (i) in the case of an investor resident in British Columbia or Québec, without the Manager having to be registered; (ii) in the case of an investor resident in British Columbia or Québec, such investor is an "accredited investor" as defined in section 1.1 of National Instrument 45-106—*Prospectus and Registration Exemptions* ("**NI 45-106**"); and (iii) in the case of an investor resident in Ontario, such investor, or any ultimate investor for which such investor is acting as agent (a) is an "accredited investor", other than an individual, as defined in NI 45-106 and is a person to which a dealer registered as an international dealer within the meaning of section 98 of Regulation 1015 to the *Securities Act* (Ontario) (the "**OSA**") in Ontario may sell the GDRs or (b) is an "accredited investor", including an individual, as defined in NI 45-106 who is purchasing the GDRs from a fully registered dealer within the meaning of section 204 of Regulation 1015 to the OSA; and (5) such investor, if not an individual or an investment fund, has a pre-existing purpose and was not established solely or primarily for the purpose of acquiring the GDRs in reliance on an exemption from applicable prospectus requirements in the Canadian Jurisdictions.

Each resident of Ontario who purchases the GDRs will be deemed to have represented to the Company and the Managers that such investor: (a) has been notified by the Company that (i) the Company is required to provide information ("**personal information**") pertaining to the investor as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the number and value of any GDRs purchased), which Form 45-106F1 is required to be filed by the Company under NI 45-106; (ii) such personal information will be delivered to the Ontario Securities Commission (the "**OSC**") in accordance with NI 45-106; (iii) such personal information is being collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario; (iv) such personal information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (v) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administration Assistant to the Director of Corporate Finance at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8086; and (b) has authorized the indirect collection of the personal information by the OSC. Further, the investor acknowledges that its name, address, telephone number and other specified information, including the number of GDRs it has purchased and the aggregate purchase price to the purchaser, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws. Each resident of British Columbia or Québec who purchases the GDRs hereby acknowledges to the Company and the Managers that its name and other specific information, including the aggregate amount of the GDRs it has purchased and the aggregate purchase price to the investor, may be disclosed to Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable Canadian securities laws. By purchasing the GDRs, each Canadian investor consents to the disclosure of such information.

Agreement by the Managers

Each Manager has represented and agreed that the GDRs will be offered or sold, directly or indirectly, in Canada only in the Canadian Jurisdictions and in compliance with applicable Canadian securities laws and accordingly, any sales of GDRs will be made (i) through an appropriately registered securities dealer or in accordance with an available exemption from the registered securities dealer requirements of applicable Canadian securities laws and (ii) pursuant to an exemption from the prospectus requirements of such laws.

Language of Document

Each purchaser of GDRs in Canada that receives a purchase confirmation hereby agrees that it is such purchaser's express wish that all documents evidencing or relating in any way to the sale of such GDRs be drafted in the English language only. *Chaque acheteur au Canada des valeurs mobilières recevant un avis de confirmation à l'égard de son acquisition reconnaît que c'est sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière à la vente des valeurs mobilières soient rédigés uniquement en anglais.*

Canadian Resale Restrictions

The distribution of the GDRs in the Canadian Jurisdictions is being made on a private placement basis. Accordingly, any resale of the GDRs must be made (i) through an appropriately registered dealer or in accordance with an available exemption from the dealer registration requirements of applicable provincial securities laws and (ii) in accordance with, or pursuant to an exemption from, the prospectus requirements of such laws. Such resale restrictions may not apply to resales made outside of Canada, depending on the circumstances. Purchasers of GDRs are advised to seek legal advice prior to any resale of GDRs.

The Company is not, and may never be, a "reporting issuer", as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada and there currently is no public market for any of the securities of the Company, including the GDRs, in Canada and one may never develop. Under no circumstances will the Company be required to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the GDRs to the public in any province or territory of Canada. Canadian investors are advised that the Company currently has no intention of filing a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the GDRs to the public in any province or territory in Canada.

Rights of Action for Damages or Rescission (Ontario)

Securities legislation in Ontario provides certain investors in GDRs pursuant to this Prospectus with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where this Prospectus or any amendment to it, contains a "Misrepresentation". Where used herein, "**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by the applicable securities legislation.

Section 130.1 of the OSA provides that every purchaser of securities pursuant to an offering memorandum (such as this Prospectus) shall have a statutory right of action for damages or rescission against the issuer in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer provided that:

(a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer;

(b) the issuer will not be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;

(c) the issuer will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and

(d) in no case shall the amount recoverable exceed the price at which the securities were offered.

Subject to the paragraph below, all or any one or more of the issuer and any selling securityholder are jointly and severally liable, and every person or company who becomes liable to make any payment for a Misrepresentation may recover a contribution from any person or company who, if sued separately, would have been liable to make the same payment, unless the court rules that, in all the circumstances of the case, to permit recovery of the contribution would not be just and equitable.

Despite the paragraph above, the issuer shall not be liable where it is not receiving any proceeds from the distribution of the securities being distributed and the Misrepresentation was not based on information provided by the issuer, unless the Misrepresentation (a) was based on information that was previously publicly disclosed by the issuer, (b) was a Misrepresentation at the time of its previous public disclosure and (c) was not subsequently publicly corrected or superseded by the issuer prior to the completion of the distribution of the securities.

Section 138 of the OSA provides that no action shall be commenced to enforce these rights more than:

(a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action; or

(b) in the case of an action for damages, the earlier of:

    (i) 180 days from the day that the purchaser first had knowledge of the facts giving rise to the cause of action; or

    (ii) three years from the day of the transaction that gave rise to the cause of action.

The rights referred to in section 130.1 of the OSA do not apply in respect of an offering memorandum (such as this Prospectus) delivered to a prospective purchaser in connection with a distribution made in reliance on the exemption from the prospectus requirement in section 2.3 of NI 45-106 (the "accredited investor exemption") if the prospective purchaser is:

(a) a Canadian financial institution (as defined in NI 45-106) or a Schedule III bank,

(b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada), or

(c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

The foregoing summary is subject to the express provisions of the OSA and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions contained therein. Such provisions may contain limitations and statutory defences on which the Company and the Selling Shareholder may rely. ***Prospective purchasers should refer to the applicable provisions of the relevant securities legislation and are advised to consult their own legal advisers as to which, or whether any, of such rights may be available to them.*** The enforceability of these rights may be limited as described herein under "Enforcement of Legal Rights".

The rights of action discussed above will be granted to the purchasers to whom such rights are conferred upon acceptance by the relevant Manager of the purchase price for the GDRs. The rights discussed above are in addition to and without derogation from any other right or remedy which purchasers may have at law.

Enforcement of Legal Rights

All of the directors and officers (or their equivalents) of the Company and the Selling Shareholder, as well as any experts named herein, may be located outside of Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company, the Selling Shareholder or such experts. All or a substantial portion of the assets of the Company, the Selling Shareholder and such experts may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Company, the Selling Shareholder or such experts in Canada or to enforce a judgment obtained in Canadian courts against the Company, the Selling Shareholder or such experts outside of Canada.

Canadian Tax Considerations and Eligibility for Investment

This Prospectus does not address the Canadian tax consequences of ownership of the GDRs. Prospective purchasers of GDRs should consult their own tax advisers with respect to the Canadian and other tax considerations applicable to their individual circumstances and with respect to the eligibility of the GDRs for investment by purchasers under relevant Canadian legislation.

Forward-Looking Information

This Prospectus may contain "forward-looking information" ("**FLI**") as such term is defined under section 1.1 of the OSA. FLI is disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action and includes future-oriented financial information ("**FOFI**") with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection. "FOFI" is FLI about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action, and presented in the format of a historical balance sheet, income statement or cash flow statement. Similarly, a financial outlook is FLI about prospective results of operations, financial position or cash flows that is based on assumptions about future economic conditions and courses of action that is not presented in the format of a historical balance sheet, income statement or cash flow statement. Canadian investors should not rely on any FLI that may be contained within this

Prospectus as such information is subject to a variety of risks, uncertainties and other factors that could cause actual results to differ materially from expectations.

Upon receipt of this Prospectus, each Canadian investor hereby acknowledges and agrees that any FLI included herein should not be considered material for the purposes of and may not have been prepared and/or presented consistent with National Instrument 51-102—*Continuous Disclosure Requirements* and that the investor will not receive any additional information updating such FLI during any period that the Company is not a "reporting issuer" in any province or territory of Canada, other than as required under applicable securities laws and/or as agreed to in contract.

Transfer Restrictions

Rule 144A GDRs

Each purchaser of Rule 144A GDRs in the Offering, by its acceptance thereof, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used therein as defined therein):

1. The purchaser (i) is a QIB, (ii) is aware, and each beneficial owner of such Rule 144A GDRs has been advised, that the sale to it is being made in reliance on Rule 144A or another exemption from, or in transaction not subject to registration under the Securities Act, and (iii) is acquiring such Rule 144A GDRs for its own account or for the account of a QIB.

2. The purchaser is aware that the Rule 144A GDRs and the Shares represented thereby have not been and will not be registered under the Securities Act and are being offered in the United States in reliance on Rule 144A or another exemption from, or in transaction not subject to registration under the Securities Act, only in a transaction not involving any public offering in the United States within the meaning of the Securities Act.

3. If in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Rule 144A GDRs or the Shares represented thereby, such Rule 144A GDRs and Shares may be offered, sold, pledged or otherwise transferred only in accordance with the following legend, which the Rule 144A GDRs will bear unless otherwise determined by the Company and the Depositary in accordance with applicable law:

   THIS MASTER RULE 144A GLOBAL DEPOSITARY RECEIPT AND THE ORDINARY SHARES OF MHP S.A. REPRESENTED HEREBY (THE "**SHARES**") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF BY PURCHASING THE GDRs, AGREES FOR THE BENEFIT OF MHP S.A. THAT THE GDRs AND THE SHARES CORRESPONDING HERETO MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER ("**QIB**") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER OF THE GDRs WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF SUCH GDRs OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE BENEFICIAL OWNER OF SHARES RECEIVED UPON CANCELLATION OF ANY RULE 144A GLOBAL DEPOSITARY RECEIPT MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SHARES INTO ANY DEPOSITARY RECEIPT FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SHARES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144

UNDER THE SECURITIES ACT FOR RESALE OF THE SHARES OR ANY RULE 144A GLOBAL DEPOSITARY RECEIPTS.

Prospective purchasers are hereby notified that sellers of the Rule 144A GDRs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S GDRs

Each purchaser of Regulation S GDRs in the Offering, by its acceptance thereof, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

1. The purchaser (i) is, and the person, if any, for whose account it is acquiring the Regulation S GDRs is, outside the United States, (ii) is not an affiliate of the Company or a person acting on behalf of such an affiliate and (iii) is not a securities dealer or, if it is a securities dealer, it did not acquire the Regulation S GDRs or the Shares represented thereby from the Company or an affiliate thereof in the initial distribution of Regulation S GDRs.

2. The purchaser is aware that the Regulation S GDRs and the Shares represented thereby have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S.

3. The purchaser will not offer, resell, pledge or otherwise transfer such Regulation S GDRs, except in accordance with the Securities Act and all applicable securities laws of each relevant state of the United States.

4. If in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Regulation S GDRs or the Shares represented thereby, such Regulation S GDRs and Shares may be offered, sold, pledged or otherwise transferred only in accordance with the following legend, which the Regulation S GDRs will bear unless otherwise determined by the Company and the Depositary in accordance with applicable law.

   THIS MASTER REGULATION S GLOBAL DEPOSITARY RECEIPT AND THE ORDINARY SHARES OF MHP S.A. REPRESENTED HEREBY (THE "**SHARES**") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

SETTLEMENT AND TRANSFER

Clearing and Settlement of GDRs

Custodial and depositary links have been established between Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

DTC

DTC has advised the Company as follows:

DTC is a limited-purpose trust company organised under the laws of the State of New York, a "banking organisation" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of securities transactions between DTC participants through electronic computerised book-entry changes in DTC participants' accounts. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the GDRs holding through DTC will receive, to the extent received by the Depositary, all distributions of dividends or other payments with respect to book-entry interests in the GDRs from the Depositary through DTC and DTC participants. Distributions in the United States will be subject to relevant U.S. tax laws and regulations. See "Taxation—United States Federal Income Tax Considerations".

As DTC can act on behalf of DTC direct participants only, who in turn act on behalf of DTC indirect participants, the ability of beneficial owners who are indirect participants to pledge book-entry interests in the GDRs to persons or entities that do not participate in DTC, or otherwise take actions with respect to book-entry interests in the GDRs, may be limited.

Registration and Form

Book-entry interests in the GDRs held through Euroclear and Clearstream, Luxembourg will be represented by the Master Regulation S GDR registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for The Bank of New York, London Branch, as common depositary for Euroclear and Clearstream, Luxembourg. Book-entry interests in the GDRs held through DTC will be represented by the Master Rule 144A GDR registered in the name of Cede & Co, as nominee for DTC, which will be held by The Bank of New York in New York as custodian for DTC. As necessary, the Depositary will adjust the amounts of GDRs on the relevant register to reflect the amounts of GDRs held through Euroclear, Clearstream, Luxembourg and DTC, respectively. Beneficial ownership in the

GDRs will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

The aggregate holdings of book-entry interests in the GDRs in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream, Luxembourg and DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interest in the GDRs, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of GDRs registered in the name of the common depositary for Euroclear and Clearstream, Luxembourg and the nominee for DTC. The Depositary will be responsible for ensuring that payments received by it from the Company for holders holding through Euroclear or Clearstream, Luxembourg are paid to Euroclear or Clearstream, Luxembourg as the case may be, and the Depositary will also be responsible for ensuring that payments received by it from the Company for holders holding through DTC are paid to DTC.

The Company will not impose any fees in respect of the GDRs; however, holders of book-entry interests in the GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC and certain fees and expenses payable to the Depositary in accordance with the terms of the Deposit Agreement. See "Terms and Conditions of the Global Depositary Receipts".

Global Clearance and Settlement Procedures

Initial Settlement

The GDRs will be in global form evidenced by the two Master GDRs. Purchasers electing to hold book-entry interests in GDRs through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to depositary receipts. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the GDRs through DTC will follow the delivery practices applicable to depositary receipts.

Secondary Market Trading

For a description of the transfer restrictions relating to the GDRs, see "Selling and Transfer Restrictions—Transfer Restrictions".

Trading between Euroclear and Clearstream, Luxembourg participants

Secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the GDRs through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream, Luxembourg and will be settled using the normal procedures applicable to depositary receipts.

Trading between DTC participants

Secondary market sales of book-entry interests in the GDRs held through DTC will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to depositary receipts, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in the GDRs are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream, Luxembourg participant, the DTC participant must send to DTC a delivery free of payment instruction at least two business days prior to the settlement date. DTC will in turn transmit such instruction to Euroclear or Clearstream, Luxembourg, as the case may be, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, DTC will debit the account of its DTC participant and will instruct the Depositary to instruct Euroclear or Clearstream, Luxembourg, as the case may be, to credit the relevant account of the Euroclear or Clearstream, Luxembourg participant, as the case may be. In addition, on the settlement date, DTC will instruct the Depositary to (i) decrease the amount of book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Master Rule 144A GDR and (ii) increase the amount of book-entry interests in the GDRs registered in the name of the common nominee for Euroclear and Clearstream and represented by the Master Regulation S GDR.

Trading between Clearstream, Luxembourg/Euroclear seller and DTC purchaser

When book-entry interests in the GDRs are to be transferred from the account of a Euroclear or Clearstream, Luxembourg participant to the account of a DTC participant, the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg a delivery free of payment instruction at least one business day prior to the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant, as the case may be. On the settlement date, Euroclear or Clearstream, Luxembourg, as the case may be, will debit the account of its participant and will instruct the Depositary to instruct DTC to credit the relevant account of Euroclear or Clearstream, Luxembourg, as the case may be, and will deliver such book-entry interests in the GDRs free of payment to the relevant account of the DTC participant. In addition, Euroclear or Clearstream, Luxembourg, as the case may be, shall on the settlement date instruct the Depositary to (i) decrease the amount of the book-entry interests in the GDRs registered in the name of the common nominee and evidenced by the Master Regulation S GDR and (ii) increase the amount of the book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Master Rule 144A GDR.

General

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the GDRs among participants of Euroclear, Clearstream, Luxembourg and DTC, none of Euroclear, Clearstream, Luxembourg or DTC are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, the Managers, the Depositary, the Custodian or their respective agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Company with respect to U.S. and English laws by Baker & McKenzie LLP and with respect to Ukrainian law by Baker & McKenzie-CIS, Limited. Certain legal matters with respect to Luxembourg law will be passed upon for the Company by Arendt & Medernach. Certain legal matters with respect to Cyprus law will be passed upon for the Company by Mouaimis & Mouaimis. Certain legal matters in connection with the Offering will be passed upon for the Managers with respect to U.S. and English laws by Freshfields Bruckhaus Deringer LLP and with respect to Ukrainian laws by Sayenko Kharenko.

INDEPENDENT AUDITORS

The Audited Consolidated Financial Statements prepared in accordance with IFRS, included elsewhere in this Prospectus, have been audited in accordance with International Standards on Auditing by ZAT "Deloitte & Touche USC" ("**Deloitte**"), independent auditors, with their address at 42/4 Pushkinska Street, Kyiv 01004, Ukraine as stated in their unqualified report appearing elsewhere herein.

For the purpose of compliance with the Prospectus Rules, Deloitte has given and not withdrawn its written consent to the inclusion on page F-2 of this Prospectus of its auditors' report on the Audited Consolidated Financial Statements, and has authorised the contents of its said auditors' report for the purposes of Annex X item 23.1 in Appendix 3 to the Prospectus Rules. Deloitte has also accepted responsibility for its said auditors' report as part of the Prospectus and declared that it has taken all reasonable care to ensure that the information contained in that report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex X item 1.2 of the Prospectus Rules. As the offered GDRs have not been and will not be registered under the Securities Act, Deloitte has not filed a consent under the Securities Act.

Deloitte is a member of the Ukrainian Audit Chamber.

GENERAL INFORMATION

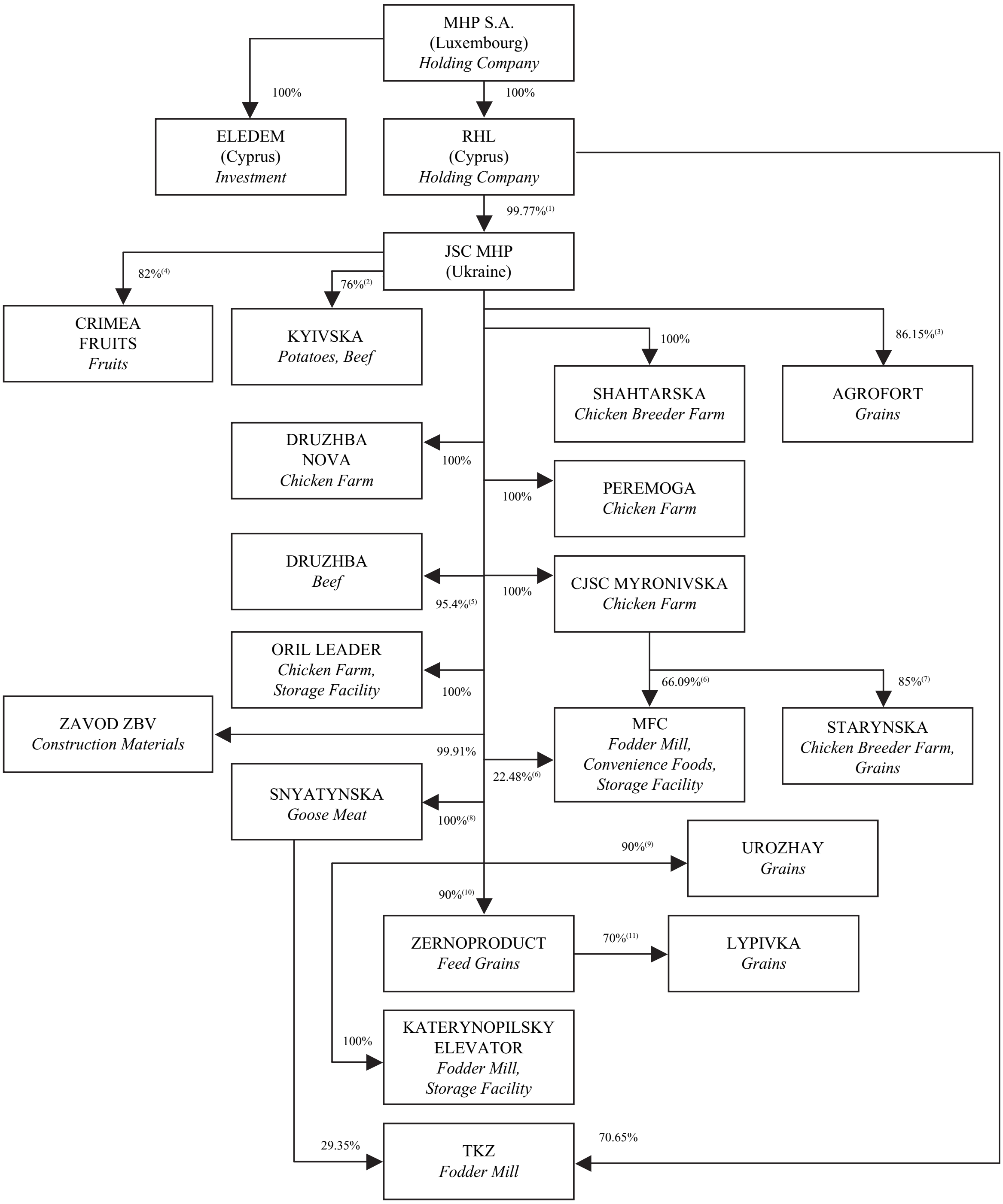
1. The principal objectives of the Company, as set out in article 4 of the Company's Articles, are described in the section of this document entitled "Description of the Share Capital and Corporate Structure—Objects".

2. MHP S.A. was incorporated for an unlimited duration under the laws of Luxembourg on 30 May 2006 as a société anonyme. Copies of its constitutional documents were filed with the Trade and Companies' Register in Luxembourg on 13 June 2006 and will be published in the "*Mémorial C, Recueil des Sociétés et Associations*" in due course. The registered office of the Company is at 8-10, rue Mathias Hardt, L-1717 Luxembourg, Grand-Duchy of Luxembourg. The Company's telephone number is +352 48 0002-1. The Company is registered with the Trade and Companies' Register in Luxembourg under number R.C.S. Luxembourg B 116 838. The Company is the ultimate holding company for the MHP group of companies.

   RHL was incorporated under the laws of Cyprus on 15 May 2006 to serve as a sub-holding company for the MHP group of companies. Since the date of its incorporation it has not carried out any business activities, except for acquiring and holding the shares in JSC MHP and TKZ. RHL has not published financial statements.

3. MHP conducts its business in Ukraine through a number of subsidiaries. In several cases these subsidiaries are not wholly owned and a variety of persons hold minority interests. Claims have been made in the media that third parties have a beneficial interest in shares in JSC MHP. The Company and Mr Kosyuk have confirmed that such claims are untrue and have no basis. The chart below shows

MHP's corporate structure and certain ownership information relating to its subsidiaries, all as of the date of this Prospectus.



Notes:

(1) RHL owns 99.77% of the share capital of JSC MHP, and the remaining shares are held by MFC, by approximately 150 unaffiliated individuals and by Business Centre for Food Industry, a company affiliated with Mr Kosyuk, by CJSC Selyanska Investytsiyna Kompania, a company unaffiliated with MHP, and by Peremoga.

(2) Kyivska has been consolidated in MHP since 31 March 2006. On 31 March 2006, JSC MHP signed an agreement for the acquisition of 52% of the participatory interests in Kyivska from Mrs Kosyuk, and on 14 June 2006 JSC MHP signed an agreement for the acquisition of an additional 24% from Mr Oleksiy Trygub, an individual unaffiliated with MHP. These acquisitions were completed on 19 June 2006. The remaining 24% of the participatory interests in Kyivska are held by Mr Yuriy Zabela, an unaffiliated individual.

(3) JSC MHP owns 86.15% of the shares in Agrofort, and Mr Volodymyr Onuka, the CEO of Agrofort, owns the remaining 13.85%.

(4) Crimea Fruits has been consolidated in MHP since 31 March 2006 following MHP's acquisition of 52% of Kyivska described in Note 2 above. JSC MHP owns 82% of the share capital of Crimea Fruits and Mr Ihor Lysyi, the CEO of Crimea Fruits, owns the remaining 17.9%.

(5) Druzhba has been consolidated in MHP since 31 March 2006 following MHP's acquisition of 52% of Kyivska described in Note 2 above. JSC MHP currently directly holds 95.4% of the participatory interests in Druzhba. Approximately 3.09% of the participatory interests in Druzhba are held by approximately 510 individuals, none of whom owns more than 3%. Druzhba also holds 1.51% of its own participatory interests as treasury shares, which are currently not taken into account for the purposes of voting and quorum requirements at Druzhba participants' assembly meetings therefore resulting in JSC MHP holding an effective interest of 96.8% in Druzhba.

(6) JSC MHP owns 88.57% of the share capital of MFC. Approximately 2.77% of the shares in MFC are held by approximately 400 individuals. Approximately 8.66% of the shares in MFC are held by a number of unaffiliated legal entities, none of which owns more than 3%. An insignificant amount of MFC's shares is traded on the Ukrainian PFTS Stock Exchange.

(7) CJSC Myronivska owns 85% of the participatory interests in Starynska. Mr Olexander Zubchuk, the CEO of Starynska, owns 5% of the participatory interests, while Ms Oksana Omelyanenko, an individual unaffiliated with MHP, owns 9.5% of the participatory interests in Starynska.

(8) JSC MHP currently holds 100% of the charter capital in Snyatynska following the completion of its acquisition of 15% of the shares in Snyatynska on 6 June 2006 from an unaffiliated entity LLC Avis.

(9) JSC MHP owns 90% of the participatory interests in Urozhay. Mr Oleg Vasetskiy, the CEO of Urozhay, owns the remaining 10% of the participatory interests in Urozhay.

(10) JSC MHP owns 90% of the shares in Zernoproduct, and Mr Mykola Kucher, the CEO of Zernoproduct, owns the remaining 10%.

(11) Zernoproduct holds 70% of the participatory interests in Lypivka. Agricultural Company Lypivka, an entity unaffiliated with MHP, owns the remaining 30%. In April 2007, MHP entered into an agreement to acquire 30% in Lypivka from Agricultural Company Lypivka. The transaction will be finalised following necessary registrations with the Ukrainian state authorities.

The Company's significant subsidiaries include the following:

Company	Effective Interest	Registered Office
OJSC "Myronivsky Hliboproduct"	99.8%	1 Elevatorna Str., Myronivka, Myroniv Region, Kyiv Oblast, 08800, Ukraine
OJSC "Myronivskiy Zavod po Vygotovlennyu Krup i Kombikormiv"	88.4%	1 Elevatorna Str., Myronivka, Myroniv Region, Kyiv Oblast, 08800, Ukraine
CJSC "Zernoproduct MHP"	89.8%	1 Elevatorna Str., Myronivka, Myroniv Region, Kyiv Oblast, 08800, Ukraine
LLC "Tavriyskiy Kombikormovyi Zavod"	99.9%	1 Elevatorna Str., Myronivka, Myroniv Region, Kyiv Oblast, 08800, Ukraine
ALLC "Starynska Ptahofabryka"	84.8%	1 Lenina Str., village Myrne, Boryspil Region, Kyiv Oblast, 08361, Ukraine
LLC "Katerynopilsky Elevator"	99.8%	47 Lenina Str., village Yerky, Katerynopilskyi Region, Cherkasy Oblast, 20505, Ukraine
ALLC "Druzhba Narodiv"	96.7%	Village Petrivka, Krasnogvardiyskyi Region, AR Crimea, 97012, Ukraine
CJSC "Crimea Fruits Company"	81.8%	Village Petrivka, Krasnogvardiysky Region, AR Crimea, 97012, Ukraine
LLC "Agrofirma Kyivska"	75.8%	1 Zhovtneva Str., Makovysche, Makarivskyi Region, Kyiv Oblast, 08034, Ukraine
SE "Ptahofabryka Shakhtarska Nova"	99.8%	6 Pershotravneva Str., village Sadove, Shahtarskyi Region, Donetsk Oblast, 86251, Ukraine
SE "Peremoga Nova"	99.8%	68 Lesi Ukrainky Str., village Budysche, Cherkasy Oblast, 19620, Ukraine
CJSC "Myronivska Ptahofabryka"	99.8%	25 Zhovtneva Street, village Stepantsi, Cherkasy Oblast, 19031, Ukraine
LLC "Ptahofabryka Snyatynska Nova"	99.8%	34 Shyroka Str., Snyatyn, Ivano-Frankivsk Oblast, 78300, Ukraine

Company	Effective Interest	Registered Office
CJSC with foreign investments "Oril Leader" . . .	99.8%	1 Akademika Starodubova Square, Dnipropetrovsk, 49050, Ukraine
CJSC "Druzhba Narodiv Nova"	99.8%	Village Petrivka, Krasnogvardiyskyi Region, AR Crimea, 97012, Ukraine
LLC "Cherkasky Zavod ZBV"	99.7%	169 Hromova Street, Cherkasy, 18018, Ukraine
LLC "Zernoproduct-Lypivka"	62.9%	95 Naberezhna Street, Lypivka Village, Vinnytska Oblast, 24205, Ukraine
CJSC "Agrofort"	86.0%	22 Nezalezhnosti Street, apt 30. Kagarlyk, Kyiv Oblast, 09200, Ukraine
LLC "Scientific—Production Firm "Urozhay" . . .	89.8%	39 Shevchenka Street, Korsun-Shevchenkivskyy, Cherkasy Oblast, 19400, Ukraine

4. On 8 May 2008, the Board of Directors duly authorised the issue of the Shares (with effect from that date), as well as the issue of this Prospectus and the transactions referred to herein. The issue of GDRs and their offer, sale and listing was approved in principle by the Board of Directors of MHP S.A. pursuant to a resolution adopted on 7 April 2008.

5. Copies in English of the following documents may be inspected at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4 6JA, during usual business hours on any business day (Saturday, Sunday and public holidays excepted) for one month following the Closing Date:

   (a) the Articles in effect upon the completion of the Offering;

   (b) the Audited Consolidated Financial Statements for the years ended 31 December 2005, 2006 and 2007, together with the report of ZAT "Deloitte and Touche USC" contained therein and the consent of Deloitte & Touche to the inclusion of the audit report herein;

   (c) the Deposit Agreement (or a draft pending execution);

   (d) the Deed Poll (or a draft pending execution);

   (e) the Relationship Agreement; and

   (e) the Underwriting Agreement.

6. The address of the independent auditors of JSC MHP is as follows: ZAT "Deloitte and Touche USC", Business Centre "Kyiv-Donbass" 42/4 Pushkinska Street, Kyiv 01004, Ukraine.

7. The addresses of the Managers are as follows:

   Morgan Stanley & Co. International plc
   25 Cabot Square
   Canary Wharf
   London E14 4QA
   United Kingdom

   UBS Limited
   1 Finsbury Avenue
   London EC2M 2PP
   United Kingdom

8. Listing of the GDRs on the London Stock Exchange is conditional upon the issuance of the GDRs by the Depositary.

9. There are no temporary documents of title issued in respect of the GDRs. There are no premium and no expenses specifically charged to any purchases of Shares or GDRs in the Offering. The Offering is an institutional offering only in which payment for the GDRs by the investors will be arranged with the Managers.

10. The GDRs have no nominal par value. The offer price was determined based on the results of book building exercise conducted by the Managers.

11. The Company is in full compliance with Luxembourg's corporate governance regime. JSC MHP is in full compliance with the Ukrainian corporate governance regime.

12. The Company and other entities within the MHP group are not currently, and have not been involved in, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatening of which the Company is aware) that may have or have had in the twelve months before the date of this Prospectus, a significant effect on the financial position or profitability of the Company and/or other entities within the MHP group. As of the date of this Prospectus, we are not aware that any such proceedings are pending or threatening.

13. Except as described in "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources" and "Subscription and Sale", there is no other material contract, other than contracts entered into in the ordinary course of business, to which MHP is a party, for the two years immediately preceding publication of the Prospectus, or any other contracts, other than contracts entered into in the ordinary course of business, entered into by MHP, which contain any provisions under which MHP has any obligation or entitlement material to it at the date of this Prospectus.

14. Except as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Trends and Developments" on page 63, there has been no significant change in the financial or trading position of the Company since 31 December 2007.

MHP S.A. AND ITS SUBSIDIARIES

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Deloitte.

ЗАТ "Делойт енд Туш ЮСК"
Бізнес-центр "Київ-Донбас"
вул. Пушкінська, 42/4
Київ 01004
Україна

ZAT "Deloitte & Touche USC"
Business Center "Kyiv-Donbas"
42/4, Pushkinska St.
Kyiv 01004
Ukraine

Тел. / Tel.: +38 (044) 490 9000
Факс / Fax: +38 (044) 490 9001
www.deloitte.com.ua

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of MHP S.A.:

We have audited the accompanying consolidated financial statements of MHP S.A. and its subsidiaries (jointly, the "MHP Group" or the "Group"), which comprise the consolidated balance sheets as of 31 December 2007, 2006 and 2005, and the consolidated income statements, the consolidated statements of changes in shareholders' equity and the consolidated cash flow statements for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2007, 2006 and 2005, and its consolidated financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

7 April 2008

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF 31 DECEMBER 2007, 2006 AND 2005

(in Ukrainian Hryvnias and in thousands)

	Notes	2007	2006	2005
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment, net	6	3,155,028	2,463,234	1,151,847
Prepayments for property, plant and equipment		29,699	233,553	74,173
Non-current accounts receivable due from related parties	7	—	—	128,174
Deferred tax assets	8	13,658	—	—
Long-term agricultural VAT prepaid	9	8,795	39,669	—
Non-current biological assets	10	212,586	134,781	—
Other non-current assets	11	40,468	23,229	7,845
Total non-current assets		3,460,234	2,894,466	1,362,039
CURRENT ASSETS				
Inventories	12	215,358	288,309	159,616
Biological assets	10	458,466	260,550	111,755
Agricultural produce	13	159,984	107,283	26,434
Natural gas in stock		—	24,446	30,216
Other current assets, net	14	133,199	93,239	99,564
Taxes recoverable and prepaid, net	15	229,272	209,951	70,751
Trade accounts receivable, net	16	102,832	89,523	40,821
Cash and cash equivalents	17	50,942	224,297	32,984
Total current assets		1,350,053	1,297,598	572,141
TOTAL ASSETS		4,810,287	4,192,064	1,934,180
LIABILITIES AND SHAREHOLDERS' EQUITY				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital	18	1,269,121	1,269,121	282,047
Additional paid-in capital		303,299	287,713	—
Revaluation reserve		47,672	2,858	2,858
Retained earnings		433,874	224,111	886,958
		2,053,966	1,783,803	1,171,863
MINORITY INTEREST		64,034	68,879	174,419
Total equity		2,118,000	1,852,682	1,346,282
NON-CURRENT LIABILITIES				
Long-term bank borrowings	19	332,686	283,074	210,353
Bonds issued	20	1,230,198	1,421,588	—
Long-term finance lease and vendor financing obligations	21	154,215	90,031	32,794
Other long-term payables		10,129	7,445	5,552
Deferred tax liabilities	8	32,851	11,561	3,560
Total non-current liabilities		1,760,079	1,813,699	252,259
CURRENT LIABILITIES				
Trade accounts payable	22	126,837	69,310	30,419
Accounts payable for property, plant and equipment	21	48,611	59,826	25,996
Other current liabilities	23	91,331	44,212	24,713
Short-term bank borrowings and current portion of long-term bank borrowings	19	372,969	282,737	223,411
Current portion of bonds issued	20	200,000	—	—
Interest accrued		20,717	19,448	2,446
Current portion of finance lease obligations	21	70,210	46,878	18,841
Deferred income	24	1,533	3,272	9,813
Total current liabilities		932,208	525,683	335,639
TOTAL LIABILITIES		2,692,287	2,339,382	587,898
CONTINGENCIES AND CONTRACTUAL COMMITMENTS	25			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,810,287	4,192,064	1,934,180

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer	Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages F-8 to F-56 form an integral part of these consolidated financial statements. Independent auditors' report is on page F-2.

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007, 2006 AND 2005

(in Ukrainian Hryvnias and in thousands)

	Notes	2007	2006*	2005*
Continuing operations				
REVENUE	27, 4	2,412,133	1,588,938	1,346,182
Net change in fair value of biological assets and agricultural produce		61,920	53,652	8,089
COST OF SALES	28	(1,869,746)	(1,084,129)	(753,521)
GROSS PROFIT		604,307	558,461	600,750
Selling, general and administrative expenses	29	(260,573)	(177,126)	(96,229)
Government grants recognized as income	24	284,261	235,725	162,530
Other operating expenses	30	(36,737)	(32,347)	(5,518)
Other operating income		9,438	6,097	3,625
OPERATING PROFIT BEFORE LOSS ON IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT		600,696	590,810	665,158
Loss on impairment of property, plant and equipment		(51,704)	—	—
OPERATING PROFIT		548,992	590,810	665,158
Finance costs, net	31	(249,885)	(184,404)	(50,299)
Foreign exchange (losses)/gains, net		(65,950)	(28,419)	30,772
Other expenses		(3,707)	(5,761)	(5,798)
Gain realized from acquisitions and changes in non-controlling interest in subsidiaries, net	2	6,487	133,676	2,010
Other income		3,042	4,728	5,472
OTHER EXPENSES, NET		(310,013)	(80,180)	(17,843)
PROFIT BEFORE TAX		238,979	510,630	647,315
Income tax expense	8	(2,161)	(2,895)	(2,021)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		236,818	507,735	645,294
Discontinued operations				
(Loss)/profit for the year from discontinued operations	5	(514)	26,076	1,385
NET PROFIT FOR THE YEAR		236,304	533,811	646,679
ATTRIBUTABLE TO:				
Equity holders of the Parent		206,393	507,774	573,874
Minority interest		29,911	26,037	72,805
EARNINGS PER SHARE	34			
From continuing operations (UAH per share):				
Basic		2.07	4.82	5.72
Diluted		2.07	4.82	5.72
From continuing and discontinued operations (UAH per share):				
Basic		2.06	5.08	5.74
Diluted		2.06	5.08	5.74

* Amounts have been retroactively restated as a result of the discontinued operations discussed in Note 5.

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages F-8 to F-56 form an integral part of these consolidated financial statements.
Independent auditors' report is on page F-2.

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2007, 2006 AND 2005

(in Ukrainian Hryvnias and in thousands)

	Attributable to Equity Holders of the Parent						
	Share capital	**Additional paid-in capital**	**Revaluation reserve**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
1 January 2005	**109,114**	**83,655**	**2,858**	**327,136**	**522,763**	**105,862**	**628,625**
Net profit for the year	—	—	—	573,874	573,874	72,805	646,679
Total recognized income and expense for the period	—	—	—	573,874	573,874	72,805	646,679
Acquisitions of non-controlling interest in subsidiaries	—	—	—	—	—	(2,314)	(2,314)
Acquisition of entities under common control (Note 2)	—	(7,607)	—	(14,052)	(21,659)	(5,778)	(27,437)
Issue of share capital (Note 18)	180,914	(76,048)	—	—	104,866	—	104,866
Treasury shares acquisition	(7,981)	—	—	—	(7,981)	—	(7,981)
Issue of share capital of the special-purpose entity (Note 2)	—	—	—	—		3,844	3,844
31 December 2005	**282,047**	**—**	**2,858**	**886,958**	**1,171,863**	**174,419**	**1,346,282**
Net profit for the year	—	—	—	507,774	507,774	26,037	533,811
Total recognized income and expense for the period	—	—	—	507,774	507,774	26,037	533,811
Acquisition of entities under common control (Note 2)	—	111,404	—	—	111,404	(23,610)	87,794
Acquisition of non-controlling interest in subsidiaries (Note 2)	—	—	—	—	—	(128,656)	(128,656)
Increase in minority interest due to sale of shareholding (Note 2)	—	—	—	—	—	1,622	1,622
Increase in minority interest due to business combination (Note 2)	—	—	—	—	—	15,735	15,735
Establishment of new entities (Note 2)	—	—	—	—	—	2,416	2,416
Withdrawal of subsidiary's share capital by minority shareholder	—	—	—	—	—	(1,650)	(1,650)
Contribution to share capital and additional paid-in capital	257	1,754	—	—	2,011	—	2,011
The Group's reorganization (Note 2)	986,817	174,555	—	(1,170,621)	(9,249)	2,566	(6,683)
31 December 2006	**1,269,121**	**287,713**	**2,858**	**224,111**	**1,783,803**	**68,879**	**1,852,682**
Net profit for the year	—	—	—	206,393	206,393	29,911	236,304
Effect of revaluation of property, plant and equipment (Note 6)	—	—	56,174	—	56,174	—	56,174
Deferred tax charged directly to revaluation reserve (Note 8)	—	—	(11,360)	—	(11,360)	—	(11,360)
Total recognized income and expense for the period	—	—	44,814	206,393	251,207	29,911	281,118
Effect of sale of subsidiary to the Principal Shareholder, net of income tax effect (Note 2)	—	2,170	—	—	2,170	(15,349)	(13,179)
Effect of sale of building to the Principal Shareholder, net of income tax effect (Note 7)	—	2,047	—	—	2,047	—	2,047
Acquisition and changes in non-controlling interest in subsidiaries (Note 2)	—	11,369	—	—	11,369	(20,943)	(9,574)
Increase in minority interest due to increase in share capital of subsidiary (Note 2)	—	—	—	3,370	3,370	1,536	4,906
31 December 2007	**1,269,121**	**303,299**	**47,672**	**433,874**	**2,053,966**	**64,034**	**2,118,000**

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages F-8 to F-56 form an integral part of these consolidated financial statements.
Independent auditors' report is on page F-2.

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2007, 2006 AND 2005

(in Ukrainian Hryvnias and in thousands)

	2007	2006	2005
OPERATING ACTIVITIES			
Profit before income tax	238,294	545,398	649,162
Adjustments to reconcile profit to net cash provided by operations			
Depreciation of property, plant and equipment	226,312	120,407	77,525
Finance costs, net	249,885	184,404	50,299
Effect of fair value adjustments	(56,033)	(59,539)	(8,089)
Gain realized from acquisitions and changes in non-controlling interest in subsidiaries, net	(6,487)	(133,676)	(2,010)
Non-operating foreign exchange loss/(gain), net	65,950	28,419	(30,772)
Change in allowance for irrecoverable amounts and VAT and direct write-offs	26,335	13,379	4,082
Impairment of property, plant and equipment	51,704	—	—
(Gain)/loss on disposal of property, plant and equipment	(3,335)	2,153	(747)
Other non-cash items	(3,925)	(3,637)	(8,538)
Operating profit before working capital changes	788,700	697,308	730,912
Decrease/(increase) in inventories	72,951	(89,573)	(48,704)
(Increase)/decrease in biological assets	(172,397)	3,547	2,362
Increase in agricultural produce	(44,840)	(44,598)	(18,691)
Decrease/(increase) in natural gas stock	18,559	11,657	(2,947)
Increase in other current assets	(17,280)	(17,696)	(30,134)
Increase in taxes recoverable and prepaid	(759)	(142,871)	(29,949)
(Increase)/decrease in trade accounts receivable	(19,504)	25,941	(3,503)
Increase/(decrease) in other long-term payables	2,684	(653)	4,015
Increase/(decrease) in trade accounts payable	57,527	(51,650)	(34,082)
Increase/(decrease) in other current liabilities	58,028	(49,511)	7,249
(Decrease)/increase in deferred income	(1,739)	(7,050)	5,067
Cash generated by operations	741,930	334,851	581,595
Finance costs paid	(240,549)	(166,989)	(48,968)
Interest received	3,884	3,101	1,653
Income tax paid	(7,516)	(3,934)	(2,070)
Net cash generated by operating activities	497,749	167,029	532,210
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(505,751)	(1,032,696)	(524,124)
Purchases of other non-current assets	(17,159)	(14,366)	195
Proceeds from sale of building to the Principal Shareholder	20,228	—	—
Proceeds from sale of subsidiary to the Principal Shareholder, net of cash disposed	24,228	—	—
Proceeds from disposals of property, plant and equipment	32,971	5,064	10,012
Purchases of non-current biological assets	(58,067)	(106,138)	—
Short-term deposits	(57,780)	(10,100)	(7,175)
Withdrawals of short-term deposits	17,100	7,175	15,375
Loans (provided to)/repaid by employees, net	(5,320)	2,774	—
Loans repaid by/(provided to) related parties, net	3,403	4,313	(17,649)
Contributions to share capital of subsidiaries by minority shareholders	3,719	—	—
Long-term financial aid to related parties	—	(19,760)	(128,174)
Proceeds from sales of available-for-sale investments	—	—	1,613
Acquisition of subsidiaries, net of cash acquired	—	4,087	(9,139)
Net cash used in investing activities	(542,428)	(1,159,647)	(659,066)

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007, 2006 AND 2005

(in Ukrainian Hryvnias and in thousands)

	2007	2006	2005
FINANCING ACTIVITIES			
Treasury shares acquisition	—	—	(7,981)
Proceeds from loans received	788,225	1,370,663	349,720
Repayment of bank loans	(839,732)	(1,593,186)	(286,712)
Proceeds from corporate bonds issued	—	1,462,500	—
Transaction costs related to corporate bonds issued	(10,635)	(31,767)	—
Finance lease payments	(66,534)	(26,290)	(15,249)
Issue of share capital and contribution to additional paid in capital	—	2,011	104,866
Net cash (used in)/generated by financing activities	(128,676)	1,183,931	144,644
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(173,355)	191,313	17,788
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	224,297	32,984	15,196
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	50,942	224,297	32,984

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages F-8 to F-56 form an integral part of these consolidated financial statements.
Independent auditors' report is on page F-2.

(in Ukrainian Hryvnias and in thousands)

1. DESCRIPTION OF FORMATION AND THE BUSINESS

Description of formation

MHP S.A. (the "Parent" or "MHP S.A."), a limited liability company registered under the laws of Luxembourg, was formed on 30 May 2006. MHP S.A. was formed to serve as the ultimate holding company of OJSC "Myronivsky Hliboproduct" ("MHP") and its subsidiaries. The registered address of MHP S.A. is 8–10, rue Mathias Hardt, L-1717 Luxembourg, Grand-Duchy of Luxembourg.

In the course of the corporate reorganization related to the establishment of MHP S.A., Raftan Holding Limited ("RHL") was established as a subholding company under MHP S.A. and through a series of transactions became the immediate parent of MHP. As a result of these transactions (collectively referred to as the "Corporate Reorganization") MHP S.A. indirectly owned 99.8% of MHP (see Note 2 for a discussion of the impact on the financial statements related to the Corporate Reorganization").

References to the "Group" for periods prior to the formation of MHP S.A. are references to MHP and its subsidiaries and for periods after the formation of MHP S.A. are to MHP S.A. and its subsidiaries.

The primary subsidiaries and the principal activities of the companies forming the Group as of 31 December 2007, 2006 and 2005 were as follows (for details of changes see Note 2):

Operating entity	Country of registration	Year established/ acquired	Principal activity	Effective ownership interest*, % 2007	2006	2005
MHP S.A.	Luxembourg	2006	Holding company	Parent	Parent	N/A
RHL	Republic of Cyprus	2006	Sub-holding company	100	100	N/A
MHP	Ukraine	1998	Management, marketing and sales	99.8	99.8	Parent
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv ("MZVKK")	Ukraine	1998	Fodder and sunflower oil production	84.7	84.7	82.2
Peremoga Nova ("Peremoga")	Ukraine	1999	Chicken farm	99.8	99.8	100.0
Druzhba Narodiv Nova ("Druzhba Nova")	Ukraine	2002	Chicken farm	99.8	99.8	77.4
Oril-Leader ("Oril")	Ukraine	2003	Chicken farm	99.8	99.8	100.0
Tavriysky Kombikormovy Zavod ("TKZ**")	Ukraine	2004	Fodder production	99.9	29.4	22.9
Ptahofabryka Shahtarska Nova ("Shahtarska")	Ukraine	2003	Breeder farm	99.8	99.8	100.0
Myronivska Pticefabrica*** ("Myronivska")	Ukraine	2004	Chicken farm	99.8	99.8	100.0
Starynska Ptahofabryka ("Starynska")	Ukraine	2003	Breeder farm	84.8	84.8	85.0
Ptahofabryka Snyatynska Nova ("Snyatynska")	Ukraine	2005	Geese breeder farm	99.8	99.8	85.0
Zernoproduct	Ukraine	2005	Fodder grain cultivation	89.8	89.8	76.5
Katerynopilsky Elevator	Ukraine	2005	Fodder production and grain storage	99.8	99.8	85.0
Druzhba Narodiv ("Druzhba")	Ukraine	2006	Cattle breeding, plant cultivation	95.3	87.6	N/A
Agrofirma Kyivska ("Kyivska")	Ukraine	2006	Cattle breeding	75.8	75.8	N/A
Crimean Fruit Company ("Crimean Fruit")	Ukraine	2006	Fruits grain cultivation	81.8	81.8	N/A

(in Ukrainian Hryvnias and in thousands)

1. DESCRIPTION OF FORMATION AND THE BUSINESS (Continued)

Operating entity	Country of registration	Year established/ acquired	Principal activity	Effective ownership interest*, %		
				2007	2006	2005
NPF Urozhay ("Urozhay")	Ukraine	2006	Fodder grain cultivation	89.8	89.8	N/A
Agrofort ("AGF")	Ukraine	2006	Fodder grain cultivation	86.0	86.0	N/A
Zernoproduct-Lypivka ("ZPL")	Ukraine	2006	Fodder grain cultivation	62.9	62.9	N/A

* Effective voting rights in subsidiaries did not differ from effective ownership rights. Direct ownership interest in subsidiaries by the Parent differs from the effective ownership interest due to cross holdings between subsidiaries.

** The Group consolidated TKZ in 2005 and 2006 as, in substance, activities of TKZ were conducted on behalf of the Group, so that the Group benefited from TKZ operations, and the Group was exposed to risks incidental to the activities of TKZ. As a result of Snyatynska acquisition in December 2005 (Note 2), the Group obtained a 22.9% effective ownership in TKZ. In November 2006, TKZ's majority shareholder withdrew UAH 2,074 thousand of its investment in TKZ resulting in a change in a minority interest. In April 2007, RHL acquired 70.6% of the participatory interests in TKZ from Allied Tech LLC for a cash consideration of UAH 1,010 thousand, which resulted in a decrease in minority interest of UAH 12,379 thousand. The resulting excess of the book value of the minority interest over cash consideration paid of UAH 11,369 thousand was recognized in these consolidated financial statements as an adjustment to shareholders' equity.

*** In July 2006 Torgovy Dim Myronivsky Hliboproduct changed its legal name to Myronivska Pticefabrika.

Description of the business

The principal business activities of the Group are agricultural operations (poultry and related operations), cultivation and selling fruits and producing beef and meat products ready for consumption (other agricultural operations) and grain growing. 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, sunflower oil, mixed fodder and convenience food products. Other agricultural operations comprise the production and sale of beef, goose meat, foie gras, sausages, fruits, potatoes and feed grains. Grain growing comprises the production and sale of grains and sugar beets.

The Group's operational facilities are located in different regions of Ukraine, including Kyiv, Cherkassy, Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Vinnytsya, Kherson regions and Autonomous Republic of Crimea.

Prior to 2007, the Group also had natural gas related operations which were discontinued in the first quarter of 2007 (see Note 5).

2. THE GROUP'S FORMATION, ACQUISITIONS AND CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

Corporate Reorganization

As described in Note 1, in 2006 the Corporate Reorganization was completed in order to establish MHP S.A. as the ultimate holding company.

As the Corporate Reorganization did not have a direct result on the MHP or its subsidiaries and the underlying business has operated for all periods, the financial statements have been prepared to present all years on a comparative basis. There has been no accounting impact from the Corporate Reorganization except as follows:

- Share capital, additional paid-in-capital and retained earnings: For the periods prior to the Corporate Reorganization, share capital and additional paid in capital is that of MHP. Upon the Corporate Reorganization share capital was changed to that of MHP S.A. and additional paid-in

(in Ukrainian Hryvnias and in thousands)

2. THE GROUP'S FORMATION, ACQUISITIONS AND CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

capital was determined as the excess of the net assets of the Group at that date of the Corporate Reorganization over cost of investment as part of the Corporate Reorganization. The cost of the investment represents the cash contributed to establish MHP S.A. and RHL and the value of the contributed shares of MHP to RHL. The Group has elected to record the offset to the capital and additional paid in capital against retained earnings.

- Minority Interest: There were certain minority shareholders of 0.4% of MHP at the time of reorganization that did not exchange their shares in MHP for shares in MHP S.A. As a result, the Group has established a minority interest associated with these minority shareholders.

In connection with this Corporate Reorganization, MHP also entered into an agreement to acquire ownership in Kyivska and Druzhba resulting in an expansion of the Group's operations and an increase in the value of the Group (see "Kyivska and Druzhba" below).

Acquisitions from entities under common control and subsequent purchase of minority interest from third parties

Snyatynska

On 31 December 2005, the Group acquired 85.0% of common voting shares of the Snyatynska geese breeder farm and its subsidiaries for cash consideration of UAH 9,387 thousand. Snyatynska specializes in fodder grain cultivation and storage, respectively.

The net assets acquired in the transaction were as follows:

	Acquiree's carrying amounts
Property, plant and equipment, net	71,337
Other non-current assets	8,020
Inventories, biological assets and agricultural produce	22,082
Trade and other accounts receivable (including UAH 5,349 receivable from the Group)	12,631
Cash and cash equivalents	552
Total assets	114,622
Long-term borrowings and other payables	(20,989)
Deferred tax liabilities	(2,752)
Trade accounts payable (including accounts payable to the Group of 94,681)	(98,762)
Other current liabilities	(4,391)
Total liabilities	(126,894)
Net liabilities acquired	(12,272)
Purchase price	(9,387)
Net liabilities in excess of purchase recorded in equity	**(21,659)**
Cash consideration paid	(9,387)
Cash acquired	552
Net cash outflow arising on the acquisition	**(8,835)**

In accordance with the Group's accounting policy, the assets and liabilities of Snyatynska were recognized at the pre-acquisition carrying value and the results of Snyatynska were consolidated by the Group from the date of acquisition. As the minority shareholder does not have any obligation to fund

(in Ukrainian Hryvnias and in thousands)

2. THE GROUP'S FORMATION, ACQUISITIONS AND CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

losses of Snyatynska, the Group has recognized 100% of the net liabilities and has not established a minority interest.

In June 2006, the Group acquired an additional 15% of voting common shares of Snyatynska from a minority shareholder for UAH 10 thousand, thus increasing its effective ownership in Snyatynska to 99.8%.

Kyivska and Druzhba

During 2006, the Group entered into share purchase agreements to acquire 52.0% of voting common shares of Kyivska for cash consideration of UAH 460 thousand and to purchase 60.5% of Druzhba from Kyivska for UAH 1,000 thousand. At the time of the share purchase agreements, Druzhba owned a 99.9% interest in Crimean Fruit Company and a 22.6% interest in Druzhba Nova.

Net assets of Druzhba and Kyivska as of the date of acquisition were as follows:

	Druzhba's consolidated carrying amounts	Kyivska's carrying amounts
Property, plant and equipment, net	132,063	25,354
Accounts receivable from the Group	114,018	4,705
Non-current biological assets	35,041	12,975
Investment in Druzhba Nova	22,601	—
Other non-current assets	10,870	4,698
Inventories and agricultural produce	26,839	9,524
Current biological assets	66,968	6,828
Trade and other accounts receivable, net	50,102	75,712
Cash and cash equivalents	3,552	31
Total assets	462,054	139,827
Long-term borrowings and other long-term payables	(49,259)	(2,984)
Short-term loans	(22,724)	—
Accounts payable to the Group	(183,131)	(198,804)
Trade accounts payable	(5,097)	(593)
Other payables	(8,154)	(15,092)
Deferred income	—	(1,168)
Total liabilities	(268,365)	(218,641)
Net assets/(liabilities) acquired	193,689	(78,814)
Net liabilities attributable to 52.0% ownership interest of Kyivska	—	(78,814)
Net assets attributable to 60.5% ownership interest of Druzhba	117,104	—
Decrease in minority interest in Druzhba Nova	74,574	—
Purchase price	(1,000)	(460)
Difference between purchase price and net assets/(liabilities) acquired recorded in shareholders' equity	**190,678**	**(79,274)**
Cash acquired	3,552	31
Net cash inflow arising on the acquisition	**3,552**	**31**

As a result of Druzhba acquisition in March 2006, the Group obtained additional 13.7% effective ownership in Druzhba Nova, resulting in a decrease of minority interest by UAH 97,175 thousand as of the date of acquisition.

2. THE GROUP'S FORMATION, ACQUISITIONS AND CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

In accordance with the Group's accounting policy, assets and liabilities of these entities were recognized at the pre-acquisition carrying values. The excess of the carrying value of the assets over consideration paid of UAH 111,404 thousand was recorded in shareholders' equity. The results of Kyivska and Druzhba were consolidated by the Group from the date of acquisition of control. As the minority shareholder does not have any obligation to fund losses of Kyivska, the Group has recognized 100% of the net liabilities and has not established a minority interest.

In June 2006, the Group purchased an additional 23.8% ownership in Kyivska from a minority shareholder for a cash consideration of UAH 10 thousand increasing its ownership to 75.8%.

In June 2006, MHP acquired 82.0% of voting shares in Crimean Fruit Company from Druzhba for UAH 820 thousand. The remaining shares of Crimean Fruit Company were sold to the General Director of Crimean Fruit Company for UAH 90 thousand. The difference between the consideration paid and the fair value of the net assets acquired, after reversing minority interest, of UAH 1,317 thousand, was recognized in these consolidated financial statements in *Gain realized from acquisitions and changes in non-controlling interest in subsidiaries.*

In September 2006, the Group acquired additional 27.3% shareholding in Druzhba from third parties for UAH 3,857 thousand. As a result of the transaction, the Group acquired additional effective interest of 6.2% in Druzhba Nova. The excess of the fair value of the acquired share of Druzhba's and Druzhba Nova's net assets over purchase price, after reversing the minority interest, of UAH 105,843 thousand was recognized in these consolidated financial statements in *Gain realized from acquisitions and changes in non-controlling interest in subsidiaries.*

In October 2006, MHP purchased 22.6% shares of Druzhba Nova from Druzhba resulting in an increase in its total ownership of Druzhba Nova to 100.0%. The difference between the purchase price of UAH 800 thousand and the net assets acquired, after reversing the minority interest, of UAH 22,720 thousand was recognized in these consolidated financial statements in *Gain realized from acquisitions and changes in non-controlling interest in subsidiaries.*

During the year ended 31 December 2007, through a series of transactions, the Group increased its effective ownership in Druzhba to 95.3%. These transactions resulted in the recognition of UAH 6,487 thousand in these consolidated financial statements in *Gain realized from acquisitions and changes in non-controlling interest in subsidiaries.*

Acquisitions from third parties

Urozhay

In October 2006, the Group acquired from a third party 89.8% interest in Urozhay for UAH 3,000 thousand. Urozhay specializes in fodder grain cultivation. This transaction has been accounted for under the purchase method of accounting.

(in Ukrainian Hryvnias and in thousands)

2. THE GROUP'S FORMATION, ACQUISITIONS AND CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

The fair value of the net assets acquired was as follows:

Property, plant and equipment, net	4,510
Other non-current assets	28
Other investments	168
Inventories, biological assets and agricultural produce	31,037
Trade and other accounts receivable, net	20,939
Cash and cash equivalents	504
Total assets	57,186
Long-term payables	(163)
Short-term loans	(5,000)
Trade accounts payable	(46,788)
Other current liabilities	(1,901)
Total liabilities	(53,852)
Net assets acquired	**3,334**
Fair value of net assets attributable to 90.0% ownership interest	**3,000**
Cash consideration paid	(3,000)
Cash acquired	504
Net cash outflow arising on the acquisition	**(2,496)**

The revenue and financial results of Urozhay for the year ended 31 December 2006 were insignificant.

Other acquisitions

MHP

During 2006, the Group acquired an additional shareholding in MHP from minority shareholders, which resulted in the Group owning 99.8% of MHP as of 31 December 2006. The related excess of the fair value of share of net assets acquired over the purchase price of UAH 3,796 thousand was recognized in these consolidated financial statements in *Gain realized from acquisitions and changes in non-controlling interest in subsidiaries* for the year ended 31 December 2006.

MZVKK

As of 1 December 2005, the Group owned 66.1% of voting common shares of MZVKK. In 2005 and 2006, the Group acquired 16.1% and 2.6% of voting common shares of MZVKK from third parties for UAH 304 thousand and UAH 944 thousand, respectively. These transactions have been accounted for under the purchase method of accounting. The excess of the fair value of the share of MZVKK's net assets acquired in 2005 over cost, amounting to UAH 2,010 thousand was recognized in these consolidated financial statements in *Gain realized from acquisitions and changes in non-controlling interest in subsidiaries* for the year ended 31 December 2005.

Other

The Group made other insignificant acquisitions during each of the periods presented. These acquisitions have been accounted for based on the Group's accounting policies. The impact of these acquisitions was not significant to the financial statements of the Group.

(in Ukrainian Hryvnias and in thousands)

2. THE GROUP'S FORMATION, ACQUISITIONS AND CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

"Pro forma" results of Acquisitions

The "pro forma" revenues and results, had the transactions related to Kyivska and Druzhba as discussed above, been entered into on 1 January 2006 would have been UAH 1,609,669 thousand and UAH 512,555 thousand, respectively. The "pro forma" earnings per share would have been UAH 4.86 per share and UAH 5.12 per share from continuing and continuing and discontinued operations, respectively. These "pro forma" revenues and results do not reflect any adjustments related to other transactions. The "pro forma" results represent an approximate measure of the performance of the combined group on an annualized basis. The unaudited "pro forma" information does not purport to represent what the Group's financial position or results of operations would actually have been if these transactions had occurred at such dates or to project the Group's future results of operations.

Establishment of new subsidiaries

In September 2006, the Group established ZZG, a mink production company contributing UAH 22,196 thousand into its share capital. In November 2006, ZZG's minority shareholder, LLC Elite, contributed assets comprising the mink production complex in exchange for 41% of the participatory interests in ZZG. The assets contributed by LLC Elite were recorded at fair value at the date of contribution.

Assets contributed by LLC Elite in ZZG were as follows:

Property, plant and equipment, net	3,507
Non-current biological assets (mink)	11,917
Total assets	**15,424**

In February 2006, the Group, together with a third party, established a new subsidiary Zernoproduct-Lypivka engaged in grain growing activities. The Group's share was fully paid in cash for UAH 4,386 thousand; share capital contribution by the third party was paid in-kind by property, plant and equipment. As of 31 December 2006, the Group's effective interest in Zernoproduct-Lypivka was 62.9%.

In September 2006, the Group, together with a third party, established Agrofort, which is engaged in grain growing activities with participatory interest of 86.2% and 13.8%, respectively. The Group share was fully paid in cash; share capital contribution by the third party was paid in-kind by property, plant and equipment.

Disposal of subsidiary

In April 2007, the Group sold its shares in ZZG to its Principal Shareholder for a cash consideration of UAH 24,240 thousand. The excess of the consideration received by the Group over the carrying value of the net assets of ZZG of UAH 2,170 was recorded in shareholders' equity.

(in Ukrainian Hryvnias and in thousands)

2. THE GROUP'S FORMATION, ACQUISITIONS AND CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

Assets and liabilities of ZZG as of the date of disposal were as follows:

Property, plant and equipment, net	12,076
Non-current biological assets (mink)	15,206
Accounts receivable and other current assets	11,957
Current liabilities (including payables to the Group of UAH 1,639)	(1,832)
Net assets disposed	37,407
Net assets attributable to 59% ownership in ZZG	22,070
Sale price	(24,240)
Gain recorded in shareholders' equity	**2,170**
Cash consideration received	24,240
Cash disposed	(12)
Net cash inflow arising on the disposal	**24,228**

The financial results of ZZG for the years ended 31 December 2007 and 2006 were insignificant. ZZG assets and liabilities were presented in these consolidated financial statements within other agricultural business segment.

3. 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") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The operating subsidiaries of the Group maintain their accounting records under Ukrainian Accounting Standards ("UAS"). UAS principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group entities' UAS records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The consolidated financial statements of the Group are prepared on the historical cost basis, except for revalued amounts of property, plant and equipment, biological assets, agricultural produce, natural gas and certain financial instruments.

Adoption of new and revised International Financial Reporting Standards—In the current year, the Group has adopted IFRS 7 "Financial Instruments: Disclosures" which is effective for annual reporting periods beginning on 1 January 2007, and the consequential amendments to IAS 1 "Presentation of Financial Statements". The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand disclosures provided in these consolidated financial statements regarding the Group's financial instruments and management of capital (Note 26).

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 "Applying the Restatement Approach under IAS 29—Financial Reporting in Hyperinflationary Economies", IFRIC 8 "Scope of IFRS 2", IFRIC 9 "Reassessment of Embedded Derivatives", IFRIC 10 "Interim Financial Reporting and Impairment". The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

(in Ukrainian Hryvnias and in thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Standard/Interpretation	Effective for annual accounting period beginning on or after
IAS 23 "Borrowing Costs" (Revised March 2007)	1 January 2009
IFRS 3 "Business Combinations" (Revised January 2008)	1 July 2009
IFRS 8 "Operating Segments"	1 January 2009
IFRIC 11 "IFRS 2: Group and Treasury Share Transactions"	1 March 2007
IFRIC 12 "Service Concession Arrangements"	1 January 2008
IFRIC 13 "Customer Loyalty Programmes"	1 July 2008
IFRIC 14 "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	1 January 2008

The management is currently evaluating the impact of the adoption of IFRS 3 "Business Combinations" (Revised January 2008) and IFRS 8 "Operating Segments". For other Standards and Interpretations management anticipates that their adoption in future periods will have no material effect on the financial statements of the Group.

***Use of estimates and assumptions*—**The preparation of the financial statements requires management of the Group to make judgments, estimates and assumptions that affect the application of the standards and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

These consolidated financial statements include Group's management estimates on value of assets, liabilities, income, expenses and commitments recognized. The most significant estimates related to the following:

- Determination of the fair value of the biological assets;
- Fair values of assets and liabilities acquired in business combinations;
- Impairment of items of property, plant and equipment;
- Allowances for irrecoverable accounts receivable and taxes recoverable;
- Estimates of the useful lives of property, plant and equipment;
- Determination of whether deferred tax assets are realizable;
- Allowance for obsolete and slow-moving raw materials and spare parts.

Although the estimates were based on the best information available as of 31 December 2007, future events may require these estimates to be modified (increased or decreased) in subsequent years. This may result in the recognition of expense in a future period related to amounts from prior periods. Any change in accounting estimates would be recognized prospectively in the corresponding consolidated income statement.

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

- Determination of the Group's functional currency;
- Consolidation of special purpose entities on the basis of effective control;

(in Ukrainian Hryvnias and in thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Determination of reportable segments;
- Determination of whether significant risks and rewards associated with ownership of leased assets were transferred to the Group.

Functional and presentation currency—The functional currency of MHP S.A. and each of its subsidiaries is the Ukrainian Hryvnia ("UAH") and MHP S.A. has also elected this as the presentation currency for the Group. Transactions in currencies other than the functional currency of the Group are treated as transactions in foreign currencies. Such transactions are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. All realized and unrealized gains and losses arising on exchange differences are included in the consolidated income statement for the period.

The relevant exchange rates were:

	As of 31 December 2007	Average for 2007	As of 31 December 2006	Average for 2006	As of 31 December 2005	Average for 2005
UAH/USD	5.0500	5.0500	5.0500	5.0500	5.0500	5.1237
UAH/EUR	7.4195	6.9192	6.6509	6.3389	5.9716	6.3 872

Basis of consolidation—The consolidated financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiaries). Control is achieved when the Parent has the power to govern the financial and operating policies of an investee, either directly or indirectly, so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when control effectively commences.

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidation, unless 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.

The Group consolidates a special purpose entity under the provisions of SIC 12, "Consolidation—Special Purpose Entities" when, in substance, the activities of such entity are being conducted on behalf of the Group, so that the Group benefits from the entity's operations, and the Group is exposed to risks incidental to the activities of this entity.

Accounting for acquisitions—The acquisitions of subsidiaries from third parties are accounted for using the purchase method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. The interest of minority shareholders of subsidiaries acquired from third parties is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

The excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition is recognized as goodwill. Any excess of the fair value of the share in net identifiable assets over the cost of acquisition is recognized immediately in the consolidated income statement.

The acquisition of an additional interest in entities controlled by the Group are accounted for based on the fair value of the net assets at the date of acquisition.

Accounting for transactions with entities under common control—The assets and liabilities of subsidiaries acquired from entities under common control are recorded in these consolidated financial statements at pre-acquisition carrying values. Any difference between the carrying value of net assets of these subsidiaries, and the consideration paid by the Group is accounted for in these consolidated financial

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

statements as an adjustment to shareholders' equity. The results of the acquired entity are reflected from the date of acquisition.

Any gain or loss on disposals to entities under common control are reflected as a component of shareholders' equity.

Discontinued operations—Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. 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. Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell.

If the criteria of classification of the disposal group held for sale are met after the balance sheet date, disposal group is not presented as held for sale in those financial statements when issued. However, when those criteria are met after the balance sheet date but before the authorization of the financial statements for issue, the Group discloses the respective information in notes to the financial statements.

Non-current assets or disposal groups to be abandoned are not classified as held for sale as the carrying amount will be recovered principally through continuing use. Non-current assets or disposal groups to be abandoned include non-current assets or disposal groups that are to be used to the end of their economic life or to be closed rather than sold. The assets or disposal groups to be abandoned are reported as discontinued operations in the period at which they are abandoned.

Property, plant and equipment—Property, plant and equipment are carried at historical cost, or at the cost of construction, less accumulated depreciation and accumulated impairment losses, except for grain storage facilities, which are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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.

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 income statement as incurred.

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 balance sheet date. If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity as a revaluation reserve. However, such increase is recognized in the consolidated income statement to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated income statement. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the consolidated income statement. However, such decrease is debited directly to the revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation on revalued assets is charged to the consolidated income statement. 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. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

Depreciation of property, plant and equipment is charged so as to write off the depreciable amount over the useful life of an asset and is calculated using a straight line method. Useful lives of the groups of property, plant and equipment are as follows:

Buildings and structures	15–35 years
Grain storage facilities	20–35 years
Machinery and equipment	10–15 years
Utilities and infrastructure	10 years
Vehicles and agricultural machinery	5–15 years
Office furniture and equipment	3–5 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 depreciable amount of assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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 as a change in an accounting estimate.

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

Construction in progress comprises costs directly related to 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 the construction in progress, on the same basis as for other property, plant and equipment items, commences when the assets are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management.

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment 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). 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 recognized immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. 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 recognized

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated income statement, 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.

***Income taxes*—**Income taxes have been computed in accordance with the laws currently 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 balance sheet 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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

Deferred income tax assets and liabilities are offset when:

- The Group has a legally enforceable right to set off the recognized 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.

Thirteen of the Group companies (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. These thirteen companies are exempt from income taxes and pay the Fixed Agricultural Tax instead (Note 8).

***Inventories and natural gas stock for own usage*—**Inventories and natural gas stock for own usage of the Group are stated at the lower of cost and net realizable value. Cost comprises raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition.

Cost is calculated using the FIFO (first-in, first-out) method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Agriculture related production process results in production of joint products: main and by-products. A by-product arising from the process is measured at net realizable value and this value is deducted from the cost of the main product.

***Commodities*—**The Group's commodities are principally acquired by the Group with the purpose of selling in the near future and generating a profit from fluctuations in price. Commodities held by the Group for resale represent natural gas and are measured at each balance sheet date at fair value.

***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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated point-of-sale costs at both initial recognition and at the balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. Point-of-sale costs 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 estimated point-of-sale costs and total production costs is allocated to biological assets held in stock as of each balance sheet date as a fair value adjustment. The change in this adjustment from one period to another is recognized in *Net change in fair value of biological assets and agricultural produce* in the consolidated income statements.

Agricultural produce harvested from biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in the consolidated income statement in the period in which it arises.

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

Biological Assets

(i) Broilers

Broilers comprise poultry held for chicken meat production. Fair value of broilers is determined by reference to the cash flows that will be obtained from sales of 44-day aged chickens, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(ii) Breeders

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

(iii) Cattle

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

(iv) Orchards

Orchards consist of plants used for fruits production. Fruit trees achieve the normal productive age at 2 years due to little biological transformation. The fair value of orchards which have attained normal productive age is determined using the discounted cash flow approach.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Fodder grain, potatoes and fruits

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

(iii) 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.

Changes in accounting estimates related to biological assets—In 2006, the Group changed the accounting estimates in respect to valuation of broilers and breeders as follows:

Before 2006, the Group accounted for breeders of the age less than 50 days at cost, considering little biological transformation at this stage. The cost basis was used for the immature portion of biological assets as it was not possible to estimate fair value with a sufficient degree of accuracy. The Group significantly developed its methods for fair valuations of breeders and starting from 2006 is revaluing all breeders based on discounted cash flow approach.

Starting from 2006, the Group changed estimations in respect to the fair valuation model for the broilers live stock. The Group started to use discounting net cash flows that will be obtained from sales of 44-day chickens for all age groups of broilers.

In 2007, the Group changed the accounting estimates in respect to valuation of milk cows as follows:

Before 2007, the Group accounted for milk cows of age less than 2 years at cost, considering little biological transformation until the assets reach their productive age. The Group was not able to reliably estimate the fair value of immature milk cows due to unavailability of sufficient historical data supporting major assumptions and assessment of risks attributable to the biological transformation process. Starting from 2007, the Group estimates fair value less estimated point-ofsale costs for all milk cows using discounted cash flow techniques.

The changes in these accounting estimates resulted in a gain of UAH 760 thousand during the year ended 31 December 2007 (2006: UAH 34,028 thousand) recognized in *Net change in fair value of biological assets and agricultural produce* in the consolidated income statements.

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 poultry intended for the production of meat. Bearer biological assets include poultry held for hatchery eggs production, orchards, breeding bulls and pork.

Financial instruments—Financial assets and financial liabilities are recognized on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of the financial assets and liabilities are recognized using settlement date accounting. The settlement date is the date that an asset is delivered to or by an entity. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the entity, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity. 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.

Accounts receivable—Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Short-term accounts receivable, which are non-interest bearing, are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in the consolidated income statement

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents**—**Cash and cash equivalents include cash on hand, cash with banks, deposits and marketable securities with original maturity of less than three months.

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

Derivative financial instruments**—**Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. The Group does not enter into treasury instruments that would be accounted for as derivatives. Changes in the fair value of derivative financial instruments are recognized in the consolidated income statement as they arise.

Trade and other accounts payable**—**Accounts payable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Treasury shares**—**Treasury shares are own shares of the Parent acquired and held by the Parent itself or by its subsidiaries. Treasury shares are presented in the consolidated balance sheet as a deduction from share capital. No gain or loss is recognized in the consolidated income statement on the sale, issuance, or cancellation of treasury shares.

Leases**—**Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets received by the Group under finance leases are recognized as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated income statement and classified as finance costs.

Rental income or expenses under operating leases are recognized in the consolidated income statement on a straight-line basis over the term of the lease.

Provisions**—**Provisions are recognized 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.

Revenue recognition**—**The Group generates revenue primarily from the sale of agricultural products to end customers. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably and it is probable that collection will occur. The point of transfer of risk, which may occur at delivery or shipment, varies for contracts with different types of customers.

Revenue of the natural gas operations is recognized when gas is dispatched to customers and title has transferred.

Segment reporting**—**The Group applies IAS 14 "Segment Reporting" for disclosure of information on business segments in the consolidated financial statements. The Group identifies a business segment as a separate reportable segment if a majority of its revenue is earned from sales to external customers and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or (b) its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or (c) its assets are 10 per cent. or more of the total assets of all segments.

The Group combines business segments into a separately reportable segment with one or more other similar internally reported segments if an internally reported segment is below all of the thresholds of significance above. If a segment is identified as a business segment in the current period because it satisfies the relevant 10% thresholds, prior period comparative segment data is restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the 10 per cent thresholds in the prior period.

Finance costs—Interest expenses, finance charges on finance leases and other interest-bearing long-term payables and debt service costs are recognized in the consolidated income statement as finance costs in the period in which they are incurred. Finance costs are added to the carrying amount of the respective liability to the extent they are not settled in the period in which they arise.

Government grants—Government grants received or receivable for processing of live animals and value added tax (“VAT”) grants for agricultural industry (conditional upon reinvestment of the granted funds for agricultural production purposes) and compensation of the finance costs are recognized as income over the periods necessary to match them with the related costs. To the extent the conditions attached to the grants are not met at the balance sheet date, the received funds are recorded in the Group’s consolidated financial statements as deferred income. Government grants related to selection and genetics programs in breeding as well as subsidies related to crop growing are recognized at the moment when the decision to disburse the amounts to the Group is made.

Contingent liabilities and assets—Contingent liabilities are not recognized in the consolidated financial statements. 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 recognized only when the contingency is resolved.

4. BUSINESS SEGMENTS

All of the Group’s operations are located within Ukraine.

During 2005 and 2006, the Group’s operations were divided into three primary business segments—poultry, other agricultural operations and natural gas operations. As a result of the expansion of the Group’s grain growing operations in 2007, the Group has identified this as a separate business segment as of 31 December 2007.

In addition, during first quarter of 2007 the Group ceased its natural gas operations and has treated this as a discontinued operation (Note 5).

The comparative segment data for the years ended 31 December 2006 and 2005 was restated to reflect the newly reportable grain growing segment and to remove the natural gas operations.

The Group does not disclose any secondary segments based on geography as all of its operations are conducted within one geography.

Other agricultural operations were largely acquired by the Group in December 2005 and March 2006 acquisitions (Note 2).

The following table presents revenue, results of operations and certain assets and liabilities information regarding business segments for the year ended 31 December 2007. In this table segment results represent operating profit of each business segment. Unallocated corporate assets comprise of

(in Ukrainian Hryvnias and in thousands)

4. BUSINESS SEGMENTS (Continued)

assets that are not directly attributable to particular segment. Unallocated corporate liabilities comprise of interest-bearing liabilities, equity and liabilities that are not directly attributable to particular segment.

	Poultry and related operations	Other agricultural	Grain growing	Consolidated
REVENUES				
Total revenue	1,997,886	277,082	346,795	2,621,763
Inter-segment eliminations	(54,319)	(2,892)	(152,419)	(209,630)
Sales to external customers	**1,943,567**	**274,190**	**194,376**	**2,412,133**
SEGMENT RESULTS				
Segment results before loss on impairment of property, plant and equipment	495,705	2,841	145,060	643,606
Loss on impairment of property, plant and equipment (Note 6)	(28,700)	(23,004)	—	(51,704)
Segment results	467,005	(20,163)	145,060	591,902
Unallocated corporate expenses				**(42,910)**
Operating profit				**548,992**
OTHER INFORMATION:				
Segment assets	3,459,003	800,094	405,046	4,664,143
Unallocated corporate assets				146,144
Consolidated total assets				**4,810,287**
Segment liabilities	(140,803)	(45,273)	(49,063)	(235,139)
Unallocated corporate liabilities				(2,457,148)
Consolidated total liabilities				**(2,692,287)**
Additions to property, plant and equipment	836,097	68,858	74,271	979,226
Depreciation	167,667	31,954	26,691	226,312
Effect of fair value adjustments	39,158	10,972	11,790	61,920

(in Ukrainian Hryvnias and in thousands)

4. BUSINESS SEGMENTS (Continued)

The following table presents revenue, results of operations and certain assets and liabilities information regarding business segments for the years ended 31 December 2006 and 2005:

	2006				2005			
	Poultry and related operations	Other agricultural	Grain growing	Consolidated	Poultry and related operations	Other agricultural*	Grain growing	Consolidated
REVENUES								
Total revenue	1,361,002	163,973	127,134	1,652,109	1,346,182	—	—	1,346,182
Inter-segment eliminations	(19,605)	(3,868)	(39,698)	(63,171)	—	—	—	—
Sales to external customers	**1,341,397**	**160,105**	**87,436**	**1,588,938**	**1,346,182**	**—**	**—**	**1,346,182**
SEGMENT RESULTS								
Segment results	586,450	31,951	15,674	634,075	674,172	—	—	674,172
Unallocated corporate expenses				(43,265)				(9,014)
Operating profit				**590,810**				**665,158**
OTHER INFOMATION								
Segment assets	3,008,866	812,821	151,432	3,973,119	1,796,343	85,015	—	1,881,358
Unallocated corporate assets**				218,945				52,822
Consolidated total assets				**4,192,064**				**1,934,180**
Segment liabilities	(119,118)	(33,320)	(8,152)	(160,590)	(76,866)	(9,100)	—	(85,966)
Unallocated corporate liabilities				(2,178,792)				(501,932)
Consolidated total liabilities				**(2,339,382)**				**(587,898)**
Additions to property, plant and equipment***	983,105	141,086	120,553	1,244,744	442,660	—	—	442,660
Property, plant and equipment acquired through business combinations	—	160,924	4,510	165,434	22,453	48,884	—	71,337
Non-current biological assets acquired through business combination	—	59,933	—	59,933	—	—	—	—
Depreciation	89,830	17,384	13,193	120,407	77,525	—	—	77,525
Effect of fair value adjustments	56,998	(8,375)	5,029	53,652	8,089	—	—	8,089

* Other agricultural segment was introduced by the Group as the result of acquisitions of the Snyatynska dated 31 December 2005.

** As of 31 December 2006, unallocated corporate assets and liabilities include assets and liabilities related to natural gas trading operation in the amount of UAH 26,785 thousand and UAH 859 thousand, respectively (2005: UAH 31,908 thousand and UAH 10,527 thousand, respectively).

*** Additions to property, plant and equipment (Note 6) include unallocated additions to property, plant and equipment in the amount of UAH 36,294 thousand.

(in Ukrainian Hryvnias and in thousands)

5. DISCONTINUED OPERATIONS

During the year ended 31 December 2007, the Group ceased its natural gas operations (Note 4). The comparative information for the consolidated income statement has been represented to show the discontinued operations separately from continuing operations.

The results of the natural gas operations segment for the years ended 31 December 2007, 2006 and 2005 were as follows:

	2007	2006	2005
Revenue	44,803	150,093	69,813
Net change in fair value of natural gas in stock less estimated point-of-sale costs	(5,887)	5,887	—
Cost of sales	(39,601)	(131,206)	(67,966)
Gross (loss)/profit	(685)	24,774	1,847
Other operating income	—	9,994	—
Operating (loss)/profit	(685)	34,768	1,847
Income tax benefit/(expense) (Note 8)	171	(8,692)	(462)
(Loss)/profit for the year from discontinued operations	**(514)**	**26,076**	**1,385**

The net cash inflows from operating activities obtained by the Group in relation to the natural gas operations for the year ended 31 December 2007 comprised UAH 31,128 thousand (2006: net cash inflows of UAH 14,342 thousand, 2005: net cash outflows of UAH 24,266 thousand). No cash flows related to financing or investing activities from natural gas operations were incurred by the Group during the years ended 31 December 2007, 2006 and 2005.

The assets and liabilities comprising the discontinued operations were as follows:

	2007	2006	2005
Total assets	—	26,785	31,908
Total liabilities	—	859	10,527

(in Ukrainian Hryvnias and in thousands)

6. PROPERTY, PLANT AND EQUIPMENT, NET

The following table represents movements in property, plant and equipment for the year ended 31 December 2007:

	Buildings and structures	Grain storage facilities	Machinery and equipment	Utilities and infrastructure	Vehicles and agricultural machinery	Office furniture and equipment	Construction in progress	Total
Cost or valuation								
As of 1 January 2007	497,156	71,355	671,709	83,360	479,892	12,966	957,189	2,773,627
Additions	103,291	8,348	256,858	17,345	210,009	8,870	374,505	979,226
Disposals	(23,046)	—	(34,850)	(599)	(4,841)	(388)	(1,060)	(64,784)
Transfers	393,152	7,397	375,320	64,037	4,454	4,213	(848,573)	—
Disposal of ZZG (Note 2)	(3,748)	—	(2,129)	(232)	(577)	(13)	(5,470)	(12,169)
Reclassifications	(14,704)	23,283	(8,579)	—	—	—	—	—
Increase due to revaluation	—	48,684	—	—	—	—	—	48,684
Impairment loss	(22,046)	—	(25,114)	(1,732)	(2,497)	(315)	—	(51,704)
As of 31 December 2007	930,055	159,067	1,233,215	162,179	686,440	25,333	476,591	3,672,880
Accumulated depreciation								
As of 1 January 2007	62,381	4,075	132,285	19,961	86,478	5,213	—	310,393
Depreciation charge for the year	42,296	2,819	88,693	14,569	79,669	4,669	—	232,715
Eliminated on disposal	(3,511)	—	(8,903)	(292)	(4,652)	(315)	—	(17,673)
Disposal of ZZG (Note 2)	(50)	—	(12)	(4)	(26)	(1)	—	(93)
Reclassifications	(508)	596	(88)	—	—	—	—	—
Eliminated from revaluation	—	(7,490)	—	—	—	—	—	(7,490)
As of 31 December 2007	100,608	—	211,975	34,234	161,469	9,566	—	517,852
Net book value								
31 December 2007	**829,447**	**159,067**	**1,021,240**	**127,945**	**524,971**	**15,767**	**476,591**	**3,155,028**
1 January 2007	**434,775**	**67,280**	**539,424**	**63,399**	**393,414**	**7,753**	**957,189**	**2,463,234**

(in Ukrainian Hryvnias and in thousands)

6. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

The following table represents movements in property, plant and equipment for the year ended 31 December 2006:

	Buildings and structures	Grain storage facilities	Machinery and equipment	Utilities and infrastructure	Vehicles and agricultural machinery	Office furniture and equipment	Construction in progress	Total
Cost or valuation								
As of 1 January 2006	331,362	20,984	478,353	66,762	220,577	7,320	203,156	1,328,514
Additions	80,617	47,475	93,163	10,795	223,632	4,423	820,933	1,281,038
Disposals	(1,891)	(130)	(4,565)	(1,304)	(9,384)	(362)	(465)	(18,101)
Transfers	25,136	2,768	47,931	3,880	1,660	296	(81,671)	—
Acquired through business combination (Note 2)*	61,932	258	56,827	3,227	43,407	1,289	15,236	182,176
As of 31 December 2006	497,156	71,355	671,709	83,360	479,892	12,966	957,189	2,773,627
Accumulated depreciation								
As of 1 January 2006	38,434	2,016	77,381	13,668	42,345	2,823	—	176,667
Depreciation charge for the year	22,023	1,987	49,662	6,488	39,259	2,228	—	121,647
Eliminated on disposal	(195)	—	(1,420)	(297)	(2,611)	(140)	—	(4,663)
Acquired through business combination (Note 2)*	2,119	72	6,662	102	7,485	302	—	16,742
As of 31 December 2006	62,381	4,075	132,285	19,961	86,478	5,213	—	310,393
Net book value								
31 December 2006	**434,775**	**67,280**	**539,424**	**63,399**	**393,414**	**7,753**	**957,189**	**2,463,234**
1 January 2006	**292,928**	**18,968**	**400,972**	**53,094**	**178,232**	**4,497**	**203,156**	**1,151,847**

* Include assets received in the course of Kyivska, Druzhba, Crimean Fruit, ZZG and Urozhay acquisitions.

(in Ukrainian Hryvnias and in thousands)

6. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

The following table represents movements in property, plant and equipment for the year ended 31 December 2005:

	Buildings and structures	Grain storage facilities	Machinery and equipment	Utilities and infrastructure	Vehicles and agricultural machinery	Office furniture and equipment	Construction in progress	Total
Cost or valuation								
As of 1 January 2005	248,545	16,014	345,313	51,108	121,057	4,625	40,872	827,534
Additions	55,798	144	107,033	13,348	91,078	2,860	172,399	442,660
Disposals	(1,601)	—	(2,770)	(586)	(7,504)	(420)	(136)	(13,017)
Transfers	10,440	—	14,540	1,897	—	18	(26,895)	—
Acquired through business combination (Note 2)*	18,180	4,826	14,237	995	15,946	237	16,916	71,337
As of 31 December 2005	331,362	20,984	478,353	66,762	220,577	7,320	203,156	1,328,514
Accumulated depreciation								
As of 1 January 2005	23,751	464	42,684	8,222	24,461	1,714	—	101,296
Depreciation charge for the year	14,801	1,552	35,426	5,517	20,426	1,401	—	79,123
Eliminated on disposal	(118)	—	(729)	(71)	(2,542)	(292)	—	(3,752)
As of 31 December 2005	38,434	2,016	77,381	13,668	42,345	2,823	—	176,667
Net book value								
31 December 2005	**292,928**	**18,968**	**400,972**	**53,094**	**178,232**	**4,497**	**203,156**	**1,151,847**
1 January 2005	**224,794**	**15,550**	**302,629**	**42,886**	**96,596**	**2,911**	**40,872**	**726,238**

* Include assets received in the course of Snyatynska acquisition. Due to the specifics of the accounting system in the Snyatynska Group prior to acquisition, its property, plant and equipment were recognized in these consolidated financial statements on a net book value basis.

As of 31 December 2007, included into property, plant and equipment were fully depreciated assets with the cost of UAH 25,872 thousand (2006: UAH 20,425 thousand; 2005: UAH 18,668 thousand).

As of 31 December 2007, the Group's machinery and equipment with the carrying amount of UAH 56,935 thousand were pledged as collateral to secure its banks borrowings (Note 19). Vehicles and agricultural machinery with the carrying amount of UAH 10,713 thousand were pledged to secure vendor-financing arrangements with foreign companies (Note 21).

Impairment assessment

During the year ended 31 December 2007, the Group carried a review of its property, plant and equipment to determine if any indication of impairment existed. Based on this review, it identified indicators of impairment associated with the assets used in the production of goose meat and foie gras and in production of convenience foods under the "Legko!" brand. As a result, the Group estimated the value in use of these assets and determined that the carrying value exceed the value in use. Accordingly, the Group has recognized an impairment loss of UAH 51,704 thousand for the difference in these amounts.

The amount of impairment losses recognized during the period, together with information on the discount rates used in the estimation of the recoverable amount of impaired assets and the business segments to which the assets belong, is as follows:

Production line	Business segment	Discount rate used, %	Loss on impairment
Convenience foods	Poultry and related operations	19.6	28,700
Goose meat and foie gras	Other agricultural	22.0	23,004
Total			**51,704**

(in Ukrainian Hryvnias and in thousands)

6. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

Revaluation of grain storage facilities

During the year ended 31 December 2007, the Group engaged independent appraisers to revalue its grain storage facilities. The effective date of revaluation is 1 December 2007. The valuation, which conformed to the International Valuation Standards, was determined by reference to observable prices in an active market and recent market transactions on arm's length terms. During revaluation, the Group identified certain assets which related to the grain storage facilities, but were included into different groups. The related cost and accumulated depreciation of such assets in the amount of UAH 23,283 thousand and UAH 596 thousand, respectively, was transferred to the grain storage facilities group during the year ended 31 December 2007.

If the grain storage facilities were carried at cost, their net book value as of 31 December 2007 would be UAH 100,035 thousand.

Leased assets

As of 31 December 2007, 2006 and 2005, the Group leased or provided in use property, plant and equipment to related parties (including Mr. and Mrs. Kosyuk) under operating lease agreements (at net book value):

	2007	2006	2005
Buildings and structures	—	17,181	10,576
Machinery and equipment	—	11,504	11,864
Vehicles and agricultural machinery	15,600	14,709	8,555
Office furniture and equipment	10	56	7
Total	**15,610**	**43,450**	**31,002**

For the years ended 31 December 2007, 2006 and 2005, lease payments received from the related parties under the operating lease agreements amounted to UAH 584 thousand, UAH 2,033 thousand and UAH 1,173 thousand, respectively (Note 7).

7. RELATED PARTY BALANCES AND TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise 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.

(in Ukrainian Hryvnias and in thousands)

7. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

The following companies and individuals are considered to be related parties to the Group as of 31 December 2007:

Name of the related party	Nature of relations with the Group
Mr. Yuriy Kosyuk	Chief Executive Officer of MHP S.A. and the Principal Shareholder of the Group
WTI	Immediate parent, company owned by Mr. Yuriy Kosyuk
Mrs. Olena Kosyuk	Wife of Mr. Yuriy Kosyuk
Allied Tech LLP (United Kingdom) Allied Tech LLC (USA) Allied Tech Commerce LLP (United Kingdom) Agrofirma Berezanska Ptahofabryka ULL Beteiligungs und Management GmbH Merkaba LLC	Companies owned or controlled by Mr. Yuriy Kosyuk
Spector	Company owned by Merkaba LLC

In March 2006, Mrs. Olena Kosyuk sold her shareholding in Kyivska, Druzhba and Crimean Fruit to the Group (Note 2). Starting from the date of their acquisition Kyivska, Druzhba and Crimean Fruit were consolidated into the Group. Accordingly, balances of the transactions with the acquired subsidiaries have been eliminated in the Group's consolidated balance sheet as of 31 December 2006.

In April 2007, Mr. Yuriy Kosyuk sold his shareholding in Roda. Accordingly, starting from June 2007 Roda and Realizatsiyna Baza ceased to be related parties to the Group.

The balances of non-current receivables due from related parties as of 31 December 2005 (2007 and 2006: nil) were as follows:

	2005
Druzhba	100,801
Kyivska	15,035
Crimean Fruit	12,338
Total	**128,174**

The non-current accounts receivable arose from the MHP Group's financing of capital expenditures of the above mentioned related parties during the year ended 31 December 2005, which was aimed to expand their meat and fruit operations, and other agricultural activities.

In November 2006, the Group made a prepayment for production equipment amounting to UAH 7,575 thousand to ULL Beteiligungs und Management GmbH ("ULL"). In January 2007, the initial agreement was canceled and ULL returned the full amount of the prepayment.

(in Ukrainian Hryvnias and in thousands)

7. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

The balances of trade accounts receivable due from related parties (Note 16) were as follows as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Agrofirma Berezanska Ptahofabryka	6,237	33,073	6,633
Roda	N/A	1,185	—
Druzhba	N/A	N/A	2,502
Kyivska	N/A	N/A	1,390
Other related parties	402	—	748
Total	**6,639**	**34,258**	**11,273**

The balances of short-term advances, finance aid to and promissory notes from related parties (Note 14) as of 31 December 2007, 2006 and 2005 were as follows:

	2007	2006	2005
Agrofirma Berezanska Ptahofabryka	2,062	4,501	—
Spector	3,312	2,244	—
Allied Tech LLP	—	1,993	—
Allied Tech Commerce LLP	—	1,768	—
Druzhba	N/A	N/A	27,600
Allied Tech LLC	—	—	17,649
Kyivska	N/A	N/A	4,549
Other related parties	1,811	602	664
Total	**7,185**	**11,108**	**50,462**

In November 2005, MHP provided UAH 17,649 thousand to Allied Tech LLC as an interest free short-term loan. The full amount was repaid in June 2006.

The revenues from sales to related parties for the years ended 31 December 2007, 2006 and 2005 were as follows:

	2007	2006	2005
Agrofirma Berezanska Ptahofabryka	42,572	29,009	23,195
Druzhba	N/A	1,901*	22,977
Kyivska	N/A	371*	5,706
Realizatsiyna Baza	N/A	13	3,199
Roda	N/A	10	5,562
Snyatynska	N/A	N/A	2,602
Mr. Yuriy Kosyuk	301	—	—
Other related parties	315	6	2,080
Total	**43,188**	**31,310**	**65,321**

* Before acquisition on 31 March 2006.

During the years ended 31 December 2007, 2006 and 2005, the Group's sales to Agrofirma Berezanska Ptahofabryka mainly consisted of sales of mixed fodder and its components. During the year ended 31 December 2007, the Group sold property, plant and equipment for UAH 17,500 thousand to Agrofirma Berezanska Ptahofabryka.

(in Ukrainian Hryvnias and in thousands)

7. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

In June 2007, the Group sold to Mr. Yuriy Kosyuk a building with net book value of UAH 17,474 thousand, which was used by the Principal Shareholder as a benefit in kind, for a cash consideration of UAH 20,228 thousand. The difference between the sale price and net book value of the building at the date of transaction of UAH 2,047 thousand (net of current income tax effect of UAH 707 thousand) was recognized in the Group's consolidated financial statements as an adjustment to shareholders' equity.

In April 2007, the Group sold its participatory shareholding in ZZG to Mr. Yuriy Kosyuk for the cash consideration of UAH 24,240 thousand (Note 2).

Terms and conditions of sales to related parties are determined based on arrangements, specific to each contract or transaction. Management believes that the accounts receivable due from related parties do not require allowance for irrecoverable amounts and that the amounts payable to related parties will be settled at cost. The terms of the payables and receivables related to trading activities of the Group do not vary significantly from the terms of similar transactions with third parties.

The balances of advances received from related parties were as follows (Note 23) as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Allied Tech LLC	585	90	—
Realizatsiyna Baza	N/A	43	793
Allied Tech LLP	1,074	—	1,895
Other related parties	—	—	18
Total	**1,659**	**133**	**2,706**

The purchases from related parties for the years ended 31 December 2007, 2006 and 2005 were as follows:

	2007	2006	2005
Agrofirma Berezanska Ptahofabryka	1,807	176	1,434
Druzhba	N/A	7,203*	16,489
Spector	58	3,187	—
Kyivska	N/A	479*	1,169
Roda	N/A	302	8,277
Crimean Fruit	N/A	150*	687
Realizatsiyna Baza	N/A	135	402
Zernoproduct	N/A	N/A	6,864
Katerynopilsky Elevator	N/A	N/A	2,402
Other related parties	—		1,799
Total	**1,865**	**11,632**	**39,523**

* Before acquisition on 31 March 2006.

As of 31 December 2007, 2006 and 2005, the Group leased property, plant and equipment with the carrying value of UAH 1,437 thousand, UAH 13,528 thousand and UAH 14,558 thousand, respectively, to its related parties under operating lease arrangements (Note 6).

Compensation to key management personnel

Total compensation of the Group's key management personnel (excluding compensation to Mr. Yuriy Kosyuk) included in selling, general and administrative expenses in the accompanying consolidated income statements amounted to UAH 11,336 thousand, UAH 9,892 thousand and UAH 3,207 thousand for the

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7. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

years ended 31 December 2007, 2006 and 2005, respectively. Compensation to key management personnel consists of contractual salary and performance bonuses.

Key management personnel totaled 29 individuals as of 31 December 2007 and 2006 (2005: 21 individuals).

The aggregate amount of remuneration paid by the Group to the Chief Executive Officer Mr. Yuriy Kosyuk during the years ended 31 December 2007, 2006 and 2005 was UAH 8,182 thousand, UAH 7,388 thousand and UAH 1,920 thousand, respectively, in the form of salary and bonuses.

As of 31 December, Mr. and Mrs. Kosyuk received benefits in kind by use of the following assets:

	2007	2006	2005
Vehicles at net book value (Note 6)	14,173	12,741	5,868
Short-term and long-term interest free loans	1,045	4,447	4,470
Buildings at net book value (Note 6)	—	17,181	10,576
Total	**15,218**	**34,369**	**20,914**

8. TAXATION

Thirteen of Group companies pay the Fixed Agricultural Tax (the "FAT") in accordance with the Law "On Fixed Agricultural Tax". The FAT substitutes the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Vehicle Tax (excluded in December 2006), Municipal Tax, Natural Resources Usage Duty, and Trade Patent. The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is effective till 1 January 2010.

During the years ended 31 December 2007, 2006 and 2005, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at 25% rate. The net results of the Group companies incorporated in jurisdictions other than Ukraine were insignificant during the years ended 31 December 2007 and 2006.

The components of income tax expense were as follows for the years ended 31 December 2007, 2006 and 2005:

	2007	2006	2005
Current income tax expense	5,718	3,586	2,070
Deferred tax (benefits)/expense	(3,728)	8,001	413
Income tax expense	1,990	11,587	2,483
Attributable to:			
Continuing operations	2,161	2,895	2,021
Discontinued operations (Note 5)	(171)	8,692	462
	1,990	**11,587**	**2,483**

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8. TAXATION (Continued)

Reconciliation between profit before tax multiplied by the statutory tax rate and the tax expense for the years ended 31 December 2007, 2006 and 2005 is as follows:

	2007	2006	2005
Profit before tax from continuing operations	238,979	510,630	647,315
(Loss)/profit before tax from discontinued operations (Note 5)	(685)	34,768	1,847
Profit before income tax	238,294	545,398	649,162
Income tax expense at statutory tax rate of 25%	59,574	136,350	162,291
Tax effect of:			
Income generated by FAT payers (exempt from income tax)	(123,601)	(175,079)	(173,638)
Non-deductible expenses	30,059	7,162	13,830
Expenses not deducted for tax purposes	35,958	43,154	—
Income tax expense	**1,990**	**11,587**	**2,483**

As of 31 December 2007 and 2006 the Group did not recognize deferred tax assets arising from temporary differences of UAH 143,832 thousand and UAH 172,616 thousand, respectively, as the Group does not intend to deduct respective expenses for tax purposes in future periods.

Deferred tax liabilities have not been recognized in respect of unremitted earnings of Ukrainian subsidiaries as the earnings can be remitted free from taxation currently and in future years.

As of 31 December 2007, 2006 and 2005, deferred tax assets and liabilities comprised the following:

	2007	2006	2005
Deferred tax assets arising from:			
Advances received and other payables	11,154	—	6,425
Other current liabilities	1,566	6,708	—
Inventories	—	3,098	1,735
Expenses deferred in tax books	18,415	4,111	—
Other	331	3,208	3,741
Total deferred tax assets	31,466	17,125	11,901
Deferred tax liabilities arising from:			
Property, plant and equipment	(47,158)	(14,089)	(12,251)
Advances received and other payables	—	(6,547)	—
Inventories	(3,501)	(8,050)	—
Other current liabilities	—	—	(2,619)
Other	—	—	(591)
Total deferred tax liabilities	(50,659)	(28,686)	(15,461)
Net deferred tax liability	**(19,193)**	**(11,561)**	**(3,560)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal

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8. TAXATION (Continued)

authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated balance sheet as of 31 December:

	2007	2006	2005
Deferred tax assets	13,658		
Deferred tax liabilities	(32,851)	(11,561)	(3,560)
	(19,193)	**(11,561)**	**(3,560)**

The movements in net deferred tax liability for the years ended 31 December 2007, 2006 and 2005 were as follows:

	2007	2006	2005
Net deferred tax liabilities as of beginning of the year	11,561	3,560	395
Deferred tax (benefit)/expense	(3,728)	8,001	413
Deferred tax on property, plant and equipment charged directly to revaluation reserve	11,360	—	—
Deferred tax liabilities arising on acquisition of subsidiaries (Note 2)	—	—	2,752
Net deferred tax liabilities as of end of the year	**19,193**	**11,561**	**3,560**

9. LONG-TERM AGRICULTURAL VAT PREPAID

Long-term agricultural VAT prepaid as of 31 December 2007 represents VAT paid relating to capital expenditures which are not expected to be recovered within the twelve months after the balance sheet date. Long-term VAT prepaid was accumulated in start-up businesses in which significant capital expenditures during the years ended 31 December 2006 and 2005 were incurred. Long-term VAT prepaid was recognized mostly as a result of the acquisitions of Druzhba, Crimean Fruit and Snyatynska (Note 2).

10. BIOLOGICAL ASSETS

The balances of non-current biological assets were as follows as of 31 December 2007, 2006 and 2005:

	2007		2006		2005	
	Thousand units	Carrying amount	Thousand units	Carrying amount	Thousand units	Carrying amount
Milk cows, boars, sows, units	12.7	41,943	9.3	24,004	—	—
Orchards, hectare	2.11	136,853	1.13	59,791	—	—
Other non-current bearer biological assets	—	1,008	—	1,132	—	—
Total bearer non-current biological assets		179,804		84,927		—
Non-current cattle and pigs	—	32,782	—	49,854	—	—
Total consumable non-current biological assets		32,782		49,854		—
Total non-current biological assets		**212,586**		**134,781**		**—**

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10. BIOLOGICAL ASSETS (Continued)

The balances of current biological assets were as follows as of 31 December 2007, 2006 and 2005:

	2007		2006		2005	
	Thousand units	Carrying amount	Thousand units	Carrying amount	Thousand units	Carrying amount
Breeders held for hatchery eggs production, units	1,481	119,738	1,108	63,128	725	33,618
Other current bearer biological assets	—	—	—	—	—	988
Total bearer current biological assets		119,738		63,128		34,606
Broiler poultry, units	12,830	115,130	9,351	92,265	8,866	53,896
Hatchery eggs, units	12,841	29,218	6,621	8,595	6,528	8,552
Crops in fields, hectare	59	132,454	38	55,449	8	8,449
Cattle, pigs till 1 year	—	53,218	—	21,435	—	4,049
Other current consumable biological assets	—	8,708	—	19,678	—	2,203
Total consumable current biological assets		338,728		197,422		77,149
Total current biological assets		**458,466**		**260,550**		**111,755**

Other current consumable biological assets include geese, minks and other livestock.

The following table represents the changes in the carrying amounts of major biological assets during the years ended 31 December 2007, 2006 and 2005:

	Breeders held for hatchery eggs production	Broiler poultry	Total
As of 1 January 2005	35,441	55,276	90,717
Increase due to purchases	6,016	10,658	16,674
Gains arising from change in fair value of biological assets less estimated point-of-sale costs	142,952	838,828	981,780
Transfer to consumable biological assets	(140,708)	140,708	—
Decrease due to harvest	(10,083)	(991,574)	(1,001,657)
As of 31 December 2005	33,618	53,896	87,514
Increase due to purchases	17,110	9,796	26,906
Gains arising from change in fair value of biological assets less estimated point-of-sale costs	138,373	907,091	1,045,464
Transfer to consumable biological assets	(115,561)	115,561	—
Decrease due to harvest	(10,412)	(994,079)	(1,004,491)
As of 31 December 2006	63,128	92,265	155,393
Increase due to purchases	24,247	2,182	26,429
Gains arising from change in fair value of biological assets less estimated point-of-sale costs	327,269	994,816	1,322,085
Transfer to consumable biological assets	(274,577)	274,577	—
Decrease due to harvest	(20,329)	(1,248,710)	(1,269,039)
As of 31 December 2007	**119,738**	**115,130**	**234,868**

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11. OTHER NON-CURRENT ASSETS

The balances of other non-current assets were as follows as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Packaging and containers	21,345	11,860	5,811
Lease rights for land	4,406	4,752	814
Other investments	2,921	2,051	—
Long-term loans to employees and related parties	1,339	1,626	776
Other non-current assets	10,457	2,940	444
Total	**40,468**	**23,229**	**7,845**

Long-term loans to employees and related parties are interest free and measured at amortized cost using the effective interest rate method.

As of 31 December 2007, the balance of other non-current assets included project documentation related to construction in the amount of UAH 8,048 thousand (2006: UAH 2,878 thousand, 2005: nil).

12. INVENTORIES

The balances of inventories were as follows as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Components for mixed fodder production	105,003	188,461	116,137
Other raw materials	38,165	41,759	19,113
Spare parts	22,723	18,296	4,472
Packaging materials	16,083	9,917	4,381
Mixed fodder	14,065	16,032	4,717
Sunflower oil	4,003	1,929	4,310
Other inventories	15,316	11,915	6,486
Total	**215,358**	**288,309**	**159,616**

13. AGRICULTURAL PRODUCE

The balances of agricultural produce were as follows as of 31 December 2007, 2006 and 2005:

	2007		2006		2005	
	Thousand tons	Carrying amount	Thousand tons	Carrying amount	Thousand tons	Carrying amount
Chicken meat	5,807	47,132	7,094	46,100	3,458	25,426
Other meat	N/A	7,374	N/A	9,591	N/A	1,008
Grain	N/A	62,591	N/A	31,501	—	—
Fruits, vegetables and other crops	N/A	42,887	N/A	20,091	—	—
Total agricultural produce		**159,984**		**107,283**		**26,434**

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14. OTHER CURRENT ASSETS, NET

The balances of other current assets were as follows as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Bank deposits with original maturity over three months	50,780	10,100	7,175
Prepayments to suppliers and prepaid expenses	43,972	39,663	36,918
Government grants receivable (Note 24)	21,170	26,924	—
Short-term advances, finance aid to and promissory notes from related parties (Note 7)	7,185	11,108	50,462
Loans to employees	7,407	5,203	7,979
Other receivables	11,284	3,576	901
Less: allowance for irrecoverable amounts	(8,599)	(3,335)	(3,871)
Total	**133,199**	**93,239**	**99,564**

As of 31 December 2007 and 2006, government grants receivable were mainly represented by amounts due from the state for poultry and cattle processed during the last months of 2007 and 2006, respectively. There was no government grants receivable as of 31 December 2005.

As of 31 December 2005, term deposits in the amount of UAH 7,175 thousand were pledged as collateral against a contract with a Ukrainian supplier on purchase of sunflower seeds.

15. TAXES RECOVERABLE AND PREPAID, NET

Taxes recoverable and prepaid were as follows as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
VAT recoverable	241,018	216,136	70,510
Miscellaneous taxes prepaid	2,728	25	886
Less: allowance for irrecoverable VAT	(14,474)	(6,210)	(645)
Total	**229,272**	**209,951**	**70,751**

16. TRADE ACCOUNTS RECEIVABLE, NET

The balances of trade accounts receivable were as follows as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Agricultural operations	100,702	50,194	23,632
Due from related parties (Note 7)	6,639	34,258	11,273
Sunflower oil sales	908	5,444	5,353
Natural gas trading	—	2,339	3,166
Less: allowance for irrecoverable amounts	(5,417)	(2,712)	(2,603)
Total	**102,832**	**89,523**	**40,821**

Allowance for irrecoverable amounts is estimated at the level of 25% for trade accounts receivable on sales of poultry meat which are aged over 30 days (for trade accounts receivable on other sales—over 60 days). Trade accounts receivable on sales of poultry meat which are aged over 270 days and trade accounts receivable on other sales which are aged over 360 days are provided in full.

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16. TRADE ACCOUNTS RECEIVABLE, NET

The aging of trade accounts receivable that were impaired as of 31 December 2007 was as follows:

	Trade accounts receivable	Allowance for irrecoverable amounts
Trade accounts receivable on sales of poultry meat:		
Over 30 but less than 270 days	104	(26)
Over 270 days	2,106	(2,106)
Total trade accounts receivable on sales of poultry meat	2,210	(2,132)
Trade accounts receivable on other sales:		
Over 60 but less than 360 days	2,113	(1,321)
Over 360 days	1,964	(1,964)
Total trade accounts receivable on other sales	4,077	(3,285)
Total	**6,287**	**(5,417)**

Impaired trade accounts receivable on other sales include amount of UAH 1,057 thousand with average age of 153 days which is considered irrecoverable by the Group. This amount was provided in full.

17. CASH AND CASH EQUIVALENTS

The balances of cash and cash equivalents were as follows as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Cash in hand and with banks	50,942	33,457	32,984
Short-term deposits with banks	—	190,840	—
Total	**50,942**	**224,297**	**32,984**

The balances of term deposits were as follows as of 31 December 2006:

	Currency	Annual interest rate*	2006
Term deposits with HVB Ukraine	USD	6.5%	35,047
Term deposits with OTP Bank	USD	6.5%	90,143
Term deposits with Ukrgazbank	USD	9.5%	65,650
Total			**190,840**

* Actual annual interest rate as of 31 December 2006.

18. SHARE CAPITAL

Share capital of MHP S.A.

As of 30 May 2006 MHP S.A. issued 20,000 shares with par value of EUR 2, which resulted in the share capital of EUR 40 thousand (UAH 257 thousand). All these shares have been entirely paid by a contribution in cash. The authorized capital, including the issued share capital, was fixed at EUR 340,000 thousands represented by 170,000,000 shares with par value of EUR 2 each.

On 13 June 2006 MHP S.A. issued an additional 100,000,000 shares with par value of EUR 2, which resulted in increase of the share capital by EUR 200,000 thousand (UAH 1,268,864 thousand), in exchange for a 100% shareholding in RHL. The fair value of the shares was determined by an independent appraiser as of the date of the contribution.

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18. SHARE CAPITAL (Continued)

MHP S.A. share capital has a par value of EUR 2 and all issued shares have been paid in full. The shareholders have the right to vote and the right to receive dividends. Dividends are payable at the discretion of the Group.

Share Capital of MHP

Movements in the share capital of MHP were as follows for the year ended 31 December 2005:

	Carrying value	Number of shares authorized, issued and fully paid
1 January 2005	109,114	424,056
Increase in share capital	180,914	723,656
Acquisition of treasury shares	(7,981)	(12,903)
31 December 2005	282,047	1,134,809

As of 31 December 2005, the share capital of MHP was UAH 282,047 thousand as adjusted for the effect of hyperinflation under IAS 29 in the amount of UAH 3,100 thousand. MHP had one class of common shares with par value of UAH 0.25 each. All shares had equal voting rights.

Shareholders

As of 31 December 2007, 2006 and 2005, the shareholders of the parent company of the Group were:

Shareholders/parent	2007 MHP S.A.	2006 MHP S.A.	2005 MHP
WTI Trading Limited	100.00%	93.70%	—
Allied Tech LLP	—	—	52.39%
Merkaba LLC	—	—	35.50%
International Finance Corporation (USA)	—	6.30%	10.66%
Others	—	—	0.33%
Total held by shareholders	100.00%	100.00%	98.88%
Add:			
Treasury shares	—	—	1.12%
Total	**100.00%**	**100.00%**	**100.00%**

As of 31 December 2005, Merkaba LLC and Allied Tech LLP were owned by the Principal Shareholder and his nominal representatives.

The controlling shareholder of the Group is the Chief Executive Officer of MHP S.A. Mr. Yuriy Kosyuk. Mr. Yuriy Kosyuk owns 100% of the shares of WTI Trading Limited ("WTI"), which is the immediate shareholder of MHP S.A.

On 1 February 2007, WTI acquired 6.3% of the Parent's shares from IFC. As a result of the transaction IFC ceased to be a shareholder of the Group. The purchase price for such shares was determined based on the terms of an agreement entered into between IFC, Mr. Yuriy Kosyuk and WTI dated 15 June 2006.

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19. BANK BORROWINGS

The following table summarizes bank loans and credit lines outstanding as of 31 December 2007, 2006 and 2005:

Bank	Currency	Weighted average interest rate	2007	Weighted average interest rate	2006	Weighted average interest rate	2005
Foreign banks	USD	—	—	—	—	9.84%	151,500
Foreign banks	EUR	4.77%	437,315	4.82%	320,303	3.69%	55,180
			437,315		320,303		206,680
Ukrainian banks	USD	8.71%	54,540	10.10%	21,500	11.42%	133,298
Ukrainian banks	UAH	12.51%	213,800	13.34%	224,008	13.80%	93,000
Ukrainian banks	EUR		—	—	—	12.00%	786
			268,340		245,508		227,084
Total bank borrowings			**705,655**		**565,811**		**433,764**
Less:							
Short-term bank borrowings and current portion of long-term bank borrowings			(372,969)		(282,737)		(223,411)
Total long-term bank borrowings			**332,686**		**283,074**		**210,353**

Repayment terms of principal amounts of bank borrowings vary from monthly repayment to repayment on maturity depending on the agreement reached with each bank. The interest on the borrowings drawn with Ukrainian banks is payable on a monthly or quarterly basis. Interest on borrowings drawn with foreign banks is payable semi-annually.

Term loans and credit line facilities were as follows as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Credit lines	429,117	200,734	335,121
Term loans	276,538	365,077	98,643
Total bank borrowings	**705,655**	**565,811**	**433,764**

The following table summarizes fixed and floating interest rates bank loans and credit lines held by the Group as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Fixed interest rate	188,800	210,508	141,256
Floating interest rate	516,855	355,303	292,508
Total	**705,655**	**565,811**	**433,764**

(in Ukrainian Hryvnias and in thousands)

19. BANK BORROWINGS (Continued)

Bank loans and credit lines outstanding as of 31 December 2007 were repayable as follows:

	2007		
	Foreign	**Ukrainian**	**Total**
Within one year	104,629	268,340	372,969
In the second year	104,629	—	104,629
In the third to fifth year inclusive	228,057	—	228,057
Total	**437,315**	**268,340**	**705,655**

As of 31 December 2007, the Group had available borrowings on undrawn facilities of UAH 289,005 thousand, including UAH 14,000 thousand of available overdraft facilities. These undrawn facilities expire during the period from February 2008 till September 2009.

The Group as well as particular subsidiaries has to comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied by the Group are as follows: total debt to equity ratio, total debt to EBITDA ratio and total equity to total assets ratio. The Group subsidiaries should also obtain approval with lenders regarding the property to be used as collateral.

As of 31 December 2007, the Group had borrowings of UAH 90,678 thousand (EUR 12,222 thousand) that were secured. These borrowings were secured by property, plant and equipment with the carrying amount of UAH 56,935 thousand (Note 6).

20. BONDS ISSUED

Bonds issued and outstanding as of 31 December 2007 and 2006 were as follows:

	2007	**2006**
10.25% Senior Notes due in 2011	1,262,500	1,262,500
14% Druzhba Nova Bonds due in 2008	200,000	200,000
Unamortized premium on bonds issued	584	1,490
Unamortized debt issue cost	(32,886)	(42,402)
Total	**1,430,198**	**1,421,588**
Less: Current portion of long-term bonds	(200,000)	—
Total long term portion of bonds issued	**1,230,198**	**1,421,588**

10.25% Senior Notes

In November 2006, MHP S.A. issued USD 250 million 10.25% Senior Notes (“Senior Notes”), due in November 2011, at par. The notes are listed on London Stock Exchange. The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Peremoga, Druzhba Nova, Oril, MZVKK, Zernoproduct and Druzhba. Interest on the Senior Notes is payable semi-annually in arrears. On or prior to 30 November 2009, the Group may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net proceeds of any offering of MHP S.A. common equity at a redemption price of 110.25% of the principal amount, plus accrued and unpaid interest up to the redemption date.

These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. The effective interest rate on the Senior Notes is 11.43% per annum.

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20. BONDS ISSUED (Continued)

If the Group fails to comply with the covenants imposed all outstanding Senior Notes will become due and payable without further action or notice. If 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.

As of 31 December 2007, the fair value of the Senior Notes issued by the Group was equal to UAH 1,275,125 thousand (2006: UAH 1,289,328 thousand).

14% Druzhba Nova Bonds

In September 2006, Druzhba Nova issued 200,000 of 14.0% coupon bonds with nominal value of UAH 200,000 thousand at a premium of UAH 1,816 thousand, due in August 2008. Interest on the bonds is payable quarterly in arrears. The bonds are not subject to any restrictive covenants. The effective interest rate on the bonds is 14.31% per annum. As of 31 December 2007, the fair value of Druzhba Nova bonds was equal to UAH 206,876 thousand (2006: UAH 201,968 thousand).

The fair value of the notes and bonds was determined based on market quotations.

21. LONG-TERM FINANCE LEASE AND VENDOR FINANCING OBLIGATIONS

Finance lease and vendor financing obligations as of 31 December 2007, 2006 and 2005 were as follows:

	2007	2006	2005
Finance lease obligations, long-term portion	151,591	88,037	28,238
Long-term payables for property, plant and equipment under vendor financing arrangements	2,624	1,994	4,556
Total	**154,215**	**90,031**	**32,794**

The long-term payables for property, plant and equipment mainly represent vendor financing arrangements with foreign and Ukrainian companies. As of 31 December 2007, the weighted average interest rates on such payables were 11.0% and 9.9% for payables denominated in EUR and UAH, respectively (2006: 7.58% and 10.0%; 2005: 10.0% and 10.6%).

As of 31 December 2007, 2006 and 2005, the current portion of long-term payables for property, plant and equipment was included in current accounts payable for property, plant and equipment as follows:

	2007	2006	2005
Long-term payables for property, plant and equipment	7,747	4,893	19,962
Short-term payables for property, plant and equipment	43,488	56,927	10,590
Less:			
Long-term portion of payables for property, plant and equipment	(2,624)	(1,994)	(4,556)
Total	**48,611**	**59,826**	**25,996**

As of 31 December 2007, the Group's property, plant and equipment with net book value of UAH 10,713 thousand were pledged as a collateral under vendor financing arrangements with foreign and Ukrainian companies (2006: UAH 1,782 thousand; 2005: UAH 42,581 thousand).

The finance lease obligations represent amounts due under agreements for lease of trucks, agricultural machinery and equipment with Ukrainian and foreign companies. As of 31 December 2007,

(in Ukrainian Hryvnias and in thousands)

21. LONG-TERM FINANCE LEASE AND VENDOR FINANCING OBLIGATIONS (Continued)

the weighted average interest rates on finance lease obligations were 8.8%, 10.0% and 9.4% for finance lease obligations denominated in EUR , USD and UAH, respectively.

The following are the minimum lease payments and present value of minimum lease payments under the finance lease agreements as of 31 December 2007:

	Minimum lease payments	Present value of minimum lease payments
Payable within one year	92,241	70,210
Payable in the second year	75,400	59,010
Payable in the third to the fifth year inclusive	110,145	92,581
	277,786	221,801
Less:		
Future finance charges	(55,985)	—
Present value of lease obligations	221,801	221,801
Less:		
Current portion		(70,210)
Finance lease obligations, long-term portion		**151,591**

22. TRADE ACCOUNTS PAYABLE

Trade accounts payable were as follows as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Trade accounts payable to third parties	126,638	68,451	19,886
Payables related to natural gas trading and related transactions	—	859	10,527
Payables due to related parties	199	—	6
Total	**126,837**	**69,310**	**30,419**

23. OTHER CURRENT LIABILITIES

Other current liabilities were as follows as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Accrued payroll and payroll related taxes	60,296	33,307	18,685
Advances from and other payables due to third parties	22,030	3,580	1,945
Advances from related parties (Note 7)	1,659	133	2,706
Other payables	7,346	7,192	1,377
Total	**91,331**	**44,212**	**24,713**

24. GOVERNMENT GRANTS INCOME

The Ukrainian legislation provides for a number of different grants and tax benefits for companies involved in agricultural operations. The below-mentioned grants and similar privileges are established by Verkhovna Rada (the Parliament) of Ukraine, as well as by the Ministry of Agrarian Policy of Ukraine, the Ministry of Finance of Ukraine, the State Committee of Water Industry, the customs authorities and local district administrations.

(in Ukrainian Hryvnias and in thousands)

24. GOVERNMENT GRANTS INCOME (Continued)

The government grants recognized by the Group as income during the years ended 31 December 2007, 2006 and 2005 were as follows:

	2007	2006	2005
VAT refunds	107,893	131,912	113,763
Processing of live animals	149,689	90,929	47,367
Fruits and vine cultivation	12,206	7,054	—
Breeding	6,050	1,750	1,400
Other government grants	8,423	4,080	—
Total	**284,261**	**235,725**	**162,530**

VAT refunds for agricultural industry

According to the Law of Ukraine "On the Value Added Tax", companies that generated not less than 50% of gross revenues for the previous tax year from sales of own agricultural products are entitled to refunds of VAT on sales of agricultural products. The VAT on sales, net of VAT paid on purchases, is transferred to a special account, restricted to payments for goods and services related to agricultural activities. The corresponding VAT liability to be refunded at each balance sheet date is recorded in the Group's consolidated financial statements as deferred income, as the income recognition criteria is considered to be met only when payments are made. As of 31 December 2007, the balance of deferred income related to VAT refunds was UAH 1,533 thousand (2006: UAH 3,272 thousand, 2005: UAH 9,813 thousand).

The mentioned VAT refunds were effective during 2007, 2006 and 2005. In December 2007, the exemption was extended to 1 January of the year following the year of Ukraine joining the WTO, which is expected in 2008.

Government grants on processing of live animals

During the years ended 31 December 2007, 2006 and 2005, the Law "On State Budget of Ukraine" established grants for companies engaged in processing of live animals (chicken and other poultry, cows and pigs). This subsidy is provided to the Group's chicken farms in the form of payment for each item of poultry slaughtered at the farm. This subsidy is also available to the Group's beef and pork processing facilities.

Government grants related to selection and genetics programs in breeding

Two of the Group companies received grants from the state budget for the purpose of financing selection and genetics programs in poultry breeding. This subsidy is provided to the Group's breeding farms in the form of compensation of expenses in connection with selection and genetics poultry breeding. The eligibility, application and tender procedures related to the grants are carried out by the Ministry of Agrarian Policy of Ukraine and Ukrainian Agricultural Academy of Sciences.

Government grants on fruits and vine cultivation

In accordance with the Law "On State Budget of Ukraine" two companies of the Group were entitled to receive grants for the years ended 31 December 2007 and 2006 for creation and cultivating of orchards, vines and berry-fields (these companies were acquired in the second quarter of 2006).

24. GOVERNMENT GRANTS INCOME (Continued)

Other government grants

Other government grants recognized as income during the years ended 31 December 2007 and 2006 mainly comprise of subsidies related to crop growing. In 2006, Starynska and Zernoproduct began receiving subsidies in connection with their crop growing activities. This subsidy is calculated based on the number of hectares sowed with a particular crop.

In addition to the government grant income recognized by the Group, the Group receives a grant to compensate agricultural producers for costs used to finance the operations. Agricultural producers are entitled to compensation of finance costs incurred on bank borrowings in accordance with the Law "On State Budget of Ukraine" during the years ended 31 December 2007, 2006 and 2005. The eligibility, application and tender procedures related to the grants were defined and controlled by the Ministry of Agrarian Policy of Ukraine.

These grants were recognized as a reduction in the associated finance costs and during the years ended 31 December 2007, 2006 and 2005 were UAH 10,812 thousand, UAH 2,265 thousand and UAH 3,969 thousand, respectively (Note 31).

25. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Operating environment—The principal business activities of the Group are within Ukraine. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes and the Group's assets and operations could be at risk if there are any adverse changes in the political and business environment.

Taxation—Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukraine laws and regulations can lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

Legal issue—The Group is involved in litigations and other claims that are in the ordinary course of its business activities. Management believes that the resolution of such matters will not have a material impact on its financial position or operating results.

Contractual commitments on purchase of raw materials and biological asset—During the year ended 31 December 2007, MHP became a party to several forward contracts for the purchase of sunflower seeds and biological assets with specified period, quantity, and price.

As of 31 December 2007, purchase commitments on forward contracts amounted to UAH 545,875 thousand (2006: UAH 47,730 thousand; 2005: UAH 46,616 thousand).

As of 31 December 2007, purchase commitments on acquisition of biological assets from a foreign supplier amounted to UAH 44,108 thousand (2006: UAH 418 thousand; 2005: UAH 4,860 thousand).

Contractual commitments on purchase of property, plant and equipment—During the years ended 31 December 2007, 2006 and 2005, 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 2007, purchase commitments on such contracts amounted to UAH 19,446 thousand (2006: UAH 142,726 thousand; 2005: UAH 340,730 thousand).

(in Ukrainian Hryvnias and in thousands)

25. CONTINGENCIES AND CONTRACTUAL COMMITMENTS (Continued)

Contractual commitments on sales of sunflower oil—As of 31 December 2007, commitments of the Group on sunflower oil sales to a foreign customer comprised UAH 64,990 thousand (2006: UAH 41,950 thousand; 2005: UAH 9,577 thousand).

Contractual commitments on purchase of additional shares—In November 2007, MZVKK made a decision to increase its share capital by UAH 36,090 thousand. The Group committed to purchase additional shares in MZVKK valued at UAH 1,424 thousand. These shares not have not yet been registered and as a result the amount has not yet been recorded. The Group purchased these shares in February 2008 resulting in an increase in its ownership interest in MZVKK of 3.6% to 88.3%.

In April 2007, the Group entered into an agreement to acquire minority shareholders' interest in Zernoproduct-Lypivka. As of 31 December 2007 the transaction was subject to registration with Ukrainian state authorities. The Group committed to purchase additional shares in Zernoproduct-Lypivka valued at UAH 2,180 thousand. Completion of the transaction is expected to result in an increase of the Group's effective interest in Zernoproduct-Lypivka to 92.8%.

Commitments on operating lease of land—The Group has the following non-cancelable contractual obligations as to the operating lease of land as of 31 December 2007, 2006 and 2005:

	2007	2006	2005
Within one year	29,633	23,720	6,273
In the second to the fifth year inclusive	109,832	90,932	23,984
Thereafter	234,111	215,768	58,917
Total	**373,576**	**330,420**	**89,174**

26. RISK MANAGEMENT POLICIES

Capital risk management—The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holders through maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through new share issues and as the issue of new debt or the redemption of existing debt.

The Group's target is to achieve the leverage ratio of not higher than 3.25 up to 31 December 2007, 3.0 up to 31 December 2008, 2.5 thereafter, determined as the proportion of debt to adjusted operating profit. As of 31 December 2007, 2006 and 2005 the leverage ratio was a follows:

	2007	2006	2005
Debt	2,360,278	2,124,308	485,399
Operating profit	548,992	590,810	665,158
Adjustments for:			
Depreciation expense	226,312	120,407	77,525
Loss on impairment of property, plant and equipment	51,704	—	—
Gain from change in accounting estimates in respect to valuation of biological assets	(760)	(34,028)	—
Adjusted operating profit	826,248	677,189	742,683
Debt to adjusted operating profit	**2.86**	**3.14**	**0.65**

(in Ukrainian Hryvnias and in thousands)

26. RISK MANAGEMENT POLICIES (Continued)

For the purposes of leverage ratio, debt is defined as long- and short-term interest-bearing liabilities, as detailed in Notes 19, 20 and 21. Adjusted operating profit is defined as operating profit as adjusted for the depreciation expense and non-recurring losses and gains.

Major categories of financial instruments

	2007	2006	2005
Financial assets:			
Cash and cash equivalents	50,942	224,297	32,984
Trade accounts receivable, net	102,832	89,523	40,821
Government grants receivable (Note 14)	21,170	26,924	—
Bank deposits with original maturity over three months (Note 14)	50,780	10,100	7,175
Loans to employees (Notes 11 and 14)	8,746	6,829	8,755
Other receivables (Note 14)	11,284	3,576	901
Non-current accounts receivable due from related parties	—	—	128,174
Total financial assets	**245,754**	**361,249**	**218,810**

	2007	2006	2005
Financial liabilities:			
Bank borrowings	705,655	565,811	433,764
Bonds issued	1,430,198	1,421,588	—
Finance lease and vendor financing obligations	224,425	136,909	51,635
Accounts payable for property, plant and equipment	48,611	59,826	25,996
Interest accrued	20,717	19,448	2,446
Trade accounts payable	126,837	69,310	30,419
Other long-term payables	10,129	7,445	5,552
Other payables and accruals (Note 23)	67,642	40,499	20,062
Total financial liabilities	**2,634,214**	**2,320,836**	**569,874**

The main risks inherent to the Group's operations are those related to credit risk exposures, market movements in interest rates and foreign exchange rates, potential negative impact of bird flu, and commodity price and procurement 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 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 at 5–21 days; sales to other customers are performed on prepayment terms.

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts receivable from the customers for recoverability starting from 30 and 60 days for receivables on sales of poultry meat and receivables on other sales, respectively. No assessment is performed immediately from the date credit period is expired.

Of the trade accounts receivable balance as of 31 December 2007, the Group's five largest customers represent 26% of the outstanding balance.

***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

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26. RISK MANAGEMENT POLICIES (Continued)

budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

The Group's target is to maintain its current ratio, defined as a proportion of current assets to current liabilities, at the level of 1.1–1.2. As of 31 December 2007, 2006 and 2005, the current ratio was as follows:

	2007	2006	2005
Current assets	1,350,053	1,297,598	572,141
Current liabilities	932,208	525,683	335,639
Current ratio	**1.4**	**2.5**	**1.7**

The summaries of maturity profile of the Group's financial liabilities as of 31 December 2007, 2006 and 2005 based on contractual terms are presented in Notes 19, 20 and 21.

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, at the same time the management of the Group sets limits on the level of exposure by currencies.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as of 31 December 2007 are as follows:

	USD-denominated	EUR-denominated
Assets		
Trade accounts receivable	1,758	—
Cash and cash equivalents	25,254	3
Total assets	**27,012**	**3**
Liabilities		
Trade accounts payable	7,356	19,712
Accounts payable for property, plant and equipment	596	16,241
Bank borrowings	54,540	437,315
Bonds issued	1,230,198	—
Finance lease and vendor financing obligations	22,638	118,546
Total liabilities	**1,315,328**	**591,814**

The below details the Group's sensitivity to strengthening of the Ukrainian Hryvnia against US Dollar and EURO by 10%. 10% is the sensitivity rate which represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	USD-denominated	EUR-denominated
Profit or loss*	128,832	59,181

* The effect of foreign currency sensitivity on shareholders' equity is equal to that on profit or loss.

During the year ended 31 December 2007, the Ukrainian Hryvnia depreciated against EURO by 11.6%. The exchange rate of the Ukrainian Hryvnia against US Dollar did not fluctuate during the year ended 31 December 2007.

(in Ukrainian Hryvnias and in thousands)

26. RISK MANAGEMENT POLICIES (Continued)

Interest rate risk—Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Group borrows on both a fixed and variable rate basis. The primary sources of the Group's funds are loans tied to LIBOR, EURIBOR and NBU discount rate.

The below details the Group's sensitivity to increase or decrease of floating rate by 1%. The analysis was applied to loans and borrowings (financial liabilities) based on the assumptions that the amount of liability outstanding as of the balance sheet date was outstanding for the whole year.

	LIBOR	EURIBOR	NBU discount rate	Total
Profit or loss*	545	4,845	250	5,640

* The effect of interest rate sensitivity on shareholders' equity is equal to that on profit or loss.

The management of the Group does not consider this risk to be significant to the Group.

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 disease, which is highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its chicken operations. These diseases and many other types could result to mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk. The Group's 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 accumulates sufficient commodity stock at each balance sheet date to support at least one quarter of operations, and uses commodity forward purchase contracts.

27. REVENUE

Revenue for the years ended 31 December 2007, 2006 and 2005 was as follows:

	2007	2006	2005
Poultry and related operations segment			
Revenue from sales of chicken meat	1,433,366	1,063,301	1,114,469
Revenue from sunflower oil sales	338,490	193,476	150,230
Revenue from other poultry related sales	171,711	84,620	81,483
	1,943,567	1,341,397	1,346,182
Other agricultural operations segment			
Revenue from sales of other meat	174,343	106,930	—
Other agricultural sales	99,847	53,175	—
	274,190	160,105	—
Grain growing segment			
Revenue from sales of grains and sugar beets	194,376	87,436	—
Total revenue from continuing operations	**2,412,133**	**1,588,938**	**1,346,182**

(in Ukrainian Hryvnias and in thousands)

28. COST OF SALES

Cost of sales for the years ended 31 December 2007, 2006 and 2005 was as follows:

	2007	2006	2005
Poultry and related operations	1,439,290	846,828	753,521
Other agricultural operations	307,516	155,110	—
Grain growing operations	122,940	82,191	—
Total	**1,869,746**	**1,084,129**	**753,521**

For the years ended 31 December 2007, 2006 and 2005, cost of sales comprised the following:

	2007	2006	2005
Costs of raw materials and other inventory used	1,223,222	734,741	580,129
Payroll and related expenses	301,555	164,080	77,457
Depreciation expense	207,068	108,380	69,540
Other costs	137,901	76,928	26,395
Total	**1,869,746**	**1,084,129**	**753,521**

By-products arising from the agricultural production process are measured at net realizable value, and this value is deducted from the cost of the main product.

29. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2007, 2006 and 2005 were as follows:

	2007	2006	2005
Payroll and related expenses	82,347	51,401	27,440
Advertising expenses	48,612	36,802	19,581
Representative costs and business trips	39,955	31,530	9,014
Services	34,869	22,963	12,339
Fuel and other materials used	22,576	16,230	10,722
Depreciation expense	19,244	12,027	7,985
Insurance expenses	5,708	2,241	2,801
Bank services and conversion fees	4,163	1,869	5,968
Other	3,099	2,063	379
Total	**260,573**	**177,126**	**96,229**

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30. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2007, 2006 and 2005 were as follows:

	2007	2006	2005
Change in allowance for irrecoverable amounts and direct write-offs	14,023	4,159	1,273
Change in allowance for irrecoverable VAT and direct write-offs	12,312	9,220	2,809
Non-production materials write-off	4,126	6,481	677
(Gain)/loss on disposal of property, plant and equipment	(3,335)	2,153	—
Non-recurring legal and accounting fees	—	5,757	—
Other	9,611	4,577	759
Total	**36,737**	**32,347**	**5,518**

31. FINANCE COSTS, NET

Finance costs for the years ended 31 December 2007, 2006 and 2005 were as follows:

	2007	2006	2005
Interest on corporate bonds	165,542	22,381	—
Interest on bank borrowings	53,757	84,597	29,866
Interest on obligations under finance leases	21,396	9,579	6,081
Interest on grain purchases financing arrangements	12,794	3,743	9,676
Bank commissions and other charges	2,200	11,565	4,390
Interest on vendor financing arrangements	94	1,009	3,030
Other finance costs	4,914	1,545	1,225
Early repayment fine on IFC loans	—	52,250	—
Government grants as compensation of the finance costs for agricultural producers (Note 24)	(10,812)	(2,265)	(3,969)
Total	**249,885**	**184,404**	**50,299**

In December 2006, MHP repaid all amounts outstanding under its loan agreements with IFC ahead of schedule with a portion of the proceeds from the offering of the Senior Notes in November 2006 (Note 20). During the year ended 31 December 2006, the Group paid early repayment fine to IFC in the amount of UAH 52,250 thousand.

Interest on corporate bonds for the years ended 31 December 2007 and 2006 includes amortization of premium and debt issue costs on bonds issued in the amounts of UAH 8,610 thousand and UAH 770 thousand, respectively.

32. PENSIONS AND RETIREMENT PLANS

The employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund are recorded in the income statement on the accrual basis. The Group companies are not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses. During the year ended 31 December 2007, the Group

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32. PENSIONS AND RETIREMENT PLANS (Continued)

companies remitted 33.2% and 13.3% for CIT and FAT payers, respectively, of the aggregate employees' salaries to the State Pension Fund subject to the following limits:

Period	Limit per employee per month, UAH
01 January 2005–31 March 2005	1,312
01 April 2005–31 December 2005	1,324
01 January 2006–31 March 2006	1,536
01 April 2006–30 September 2006	1,577
01 October 2006–31 December 2006	1,606
01 January 2007–31 March 2007	2,614
01 April 2007–30 September 2007	2,794
01 October 2007–31 December 2007	2,828

The Group's contributions to the State Pension Fund during the year ended 31 December 2007 amounted to UAH 51,267 thousand (2006: UAH 34,305 thousand; 2005: UAH 14,656 thousand).

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosure of financial instruments is made in accordance with the requirements of International Financial Reporting Standard 7 "Financial Instruments: Disclosure". 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.

As of 31 December 2007, 2006 and 2005, the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

The fair value is estimated to be the same as the carrying value for cash and cash equivalents, trade and other accounts receivable (including promissory notes receivable), trade and other accounts payable, short-term finance lease obligations and short-term borrowings due to the short-term nature of the financial instruments.

The fair value of long-term bank borrowings is estimated to approximate the total carrying value of UAH 332,686 thousand as the majority of these borrowings bear a floating interest rate tied to LIBOR, EURIBOR or NBU discount rate. The fair value of long-tern finance lease and vendor financing obligations is estimated to approximate the total carrying value of UAH 154,215 thousand as these borrowings were drawn on terms and conditions which did not differ from market ones and similar terms and conditions were also available to the Group as of 31 December 2007.

The fair value of bonds is estimated at UAH 1,482,001 thousand compared to the carrying value of UAH 1,430,198 thousand. The fair value was estimated based on market quotations.

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34. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

	2007	2006	2005
Profit for the year attributable to equity holders of the Parent	206,393	507,774	573,874
Loss/(profit) for the year from discontinued operations used in calculation of earnings per share from discontinued operations	514	(26,076)	(1,385)
Earnings used in calculation of earnings per share from continuing operations	**206,907**	**481,698**	**572,489**

	2007	2006	2005
Weighted average number of shares outstanding	100,020,000	100,020,000	100,020,000

Due the change in the capital structure resulting from the Corporate Reorganization, the earnings per share for the years ended 31 December 2005 and 2006 has been based on the weighted average number of shares after the Corporate Reorganization. The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

35. SUPPLEMENTAL CASH FLOW INFORMATION

Operating, investing and financing transactions that did not require the use of cash or cash equivalents were as follows in the years ended 31 December:

	2007	2006	2005
Additions of property, plant and equipment under finance leases and vendor financing arrangements	143,504	102,166	23,483
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor	140,638	259,138	55,181
Contributions of fixed assets to share capital	—	2,416	—
Property, plant and equipment purchased for credit	48,611	59,826	25,996
Transaction costs accrued but not paid	—	10,635	—

36. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Board of Directors of MHP S.A. on 7 April 2008.

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REGISTERED OFFICE OF THE COMPANY

MHP S.A.
8-10, rue Mathias Hardt
L-1717 Luxembourg
Luxembourg

JOINT GLOBAL CO-ORDINATORS AND JOINT BOOKRUNNERS

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

LEGAL ADVISERS TO THE COMPANY

As to U.S. and English Law

Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA
United Kingdom

As to Ukrainian Law

Baker & McKenzie - CIS, Limited
24 Vorovskoho Street
Kyiv 01054
Ukraine

As to Luxembourg Law

Arendt & Medernach
14, rue Erasme
B.P. 39
L-2010 Luxembourg
Luxembourg

LEGAL ADVISERS TO THE SELLING SHAREHOLDER

As to English Law

Ashurst LLP
Broadwalk House
5 Appold Street
London EC2 2HA
United Kingdom

As to Cyprus Law

Mouaimis & Mouaimis
16-18 Zinas Kanther Street
3035 Limassol
Cyprus

LEGAL ADVISERS TO THE MANAGERS

As to U.S. and English Law

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS
United Kingdom

As to Ukrainian Law

Sayenko Kharenko
10 Muzeyny Provulok
Kyiv 01001
Ukraine

INDEPENDENT AUDITORS

ZAT "Deloitte and Touche USC"
Business Center "Kyiv-Donbass"
42/4 Pushkinska Street
Kyiv 01004
Ukraine

CUSTODIAN

BNY (Nominees) Limited
One Canada Square
London E14 5AL
United Kingdom

DEPOSITARY

The Bank of New York
101 Barclay Street
22 floor West
New York, NY 10286
United States of America

Merrill Corporation Ltd, London
08ZBG11901