



PRESS RELEASE

August 18, 2011, Kyiv, Ukraine

MHP S.A.

Unaudited Financial Results for the Second Quarter and Six Months Ended 30 June 2011

MHP S.A. ("MHP" or the "Company", LSE ticker: "MHPC"), one of the leading agro-industrial companies in Ukraine, focusing on the production of poultry and the cultivation of grain, today announces its unaudited results for the second quarter and the six months ended 30 June 2011.

Key operational highlights

Poultry and related operations

- During the first half of the year all the Company's chicken production facilities continued to operate at full capacity.
- Consumer demand for chicken remained high and the Company was able to sell close to 100% of the chicken meat produced.
- The Company's share of industrially produced chicken in Ukraine in H1 2011 was around 50%.
- The volume of chicken meat sales to external customers in H1 2011 increased by 8% year-on-year to 182,100 tonnes due to more effective use of existing capacity.
- The average chicken meat price for Q2 2011 was 9% higher compared to Q1 2011, and increased slightly by 1% to UAH 13.97 compared to Q2 2010. In H1 2011 the chicken meat price increased by 2% to UAH 13.44 compared to UAH 13.13 in H1 2010.
- The average price of sunflower oil in H1 2011 increased by 57% to US\$ 1,303 per tonne (H1 2010: US\$ 830 per tonne).

Grain growing

- In total, in 2011 the Company expects to harvest crops from 60% more land in its grain growing segment compared with 2010.
- MHP's current yields of wheat (5.0 tonnes per hectare) and rape (2.8 tonnes per hectare) are close to twice Ukraine's average.

Other agriculture

- Sausage and cooked meat production volumes increased from 14,200 tonnes in H1 2010 to 17,300 tonnes in H1 2011. The substantial volume growth was driven

by increased production at Ukrainian Bacon in accordance with the Company's strategy of growing its meat processing operations.

- The Company's market share of Ukraine's sausage and cooked meat products in Ukraine was around 10%.

Vinnytsia – new green field expansion project

- Construction work on the Vinnytsia project, which commenced as announced previously in May 2010, is running to schedule and on budget.
- Production of Phase 1 is expected to be launched in the beginning of 2013 and reach its full capacity of 220,000 tonnes of poultry per annum in 2015.

Key financial highlights

Q2 2011 highlights

- Revenue increased by 26% to US\$ 281 million (Q2 2010: US\$ 223 million).
- EBITDA increased by 21% to US\$ 101 million (Q2 2010: US\$ 84 million).
- Consolidated EBITDA margin increased quarter-by-quarter from 23% in Q1 2011 to 36% in Q2 2011, but remained quite stable year-on-year (Q2 2010: 37%).
- Net income remained stable at US\$ 67 million despite the operating profit growth due to effect of non-cash foreign exchange losses/gains driven by increase in Euro to Dollar exchange-value correlation.

H1 2011 highlights

- Revenue increased by 25% to US\$ 527 million (H1 2010: US\$ 423 million).
- EBITDA increased by 19% to US\$ 158 million (H1 2010: US\$ 133 million)
- Consolidated EBITDA margin remained high at 30%, at approximately same level compared to the same period last year (H1 2010: 31%).
- Net income decreased by 16% to US\$ 86 million (H1 2010: US\$ 102 million) despite the operating profit growth due to effect of non-cash foreign exchange losses/gains driven by increase in Euro to Dollar exchange-value correlation.

Commenting on the results, Yuriy Kosiuk, Chief Executive Officer of MHP, said:

"I am very happy to be able to say that the Company has continued to perform strongly in the first half of 2011, with robust revenue and EBITDA growth and the maintenance of our sector-leading margins. Once again, we have reaped the benefits of our vertically integrated business model, where we combine poultry production with grain growing, as we have remained protected against grain price inflation.

Poultry prices growth in H1 2011 was rather modest, nevertheless, in line with world poultry price dynamics. Now our prices for chicken meat are steadily increasing again. Our expectations regarding grain segment results are favorable due to the significant land expansion in 2010 and strong grain prices.

I am also pleased to provide you today with an update on this year's harvests. The harvest of early crops, such as rape and wheat proceeded well and resulted in good yields, which, as usual, are much higher than the Ukrainian average. Meanwhile, initial observations indicate that our sunflower and corn harvests will also produce good yields.

I am also delighted that during the period Yuriy Logush joined the business as Vice President of our Consumer Products Division. Yuriy Logush has a wealth of relevant experience, having been on Kraft's Board of Management for Central and Eastern Europe, Middle East,

Africa for nine years, and he will focus on optimising our marketing strategy both in Ukraine and abroad.

Looking ahead, the quality of our products continues to attract consumers and demand remains high. We are therefore confident of that we will continue to expand in line with our strategy and produce strong results.”

- end -

MHP's management will host a conference call for investors and analysts followed by a Q&A session. The dial-in details are:

Date:	Thursday, 18 August 2011
Time:	09.00 New York / 14.00 London / 16.00 Kyiv / 17.00 Moscow
Title:	MHP – Q2 and H1 2011 Financial Results
International/UK Dial in:	+44 (0) 1452 555 566
USA free call:	+1 866 966 9439
Russia free call	8108 002 097 2044
Conference ID	88832692

A live webcast of the presentation will be available at:

<https://webconnect.webex.com/webconnect/onstage/g.php?t=a&d=664617113>

Alternative URL:

<https://webconnect.webex.com/>

Click on “Unlisted Events”

Event number: 664 617 113

Event password: N/A

For further information please contact:

For investor relations enquiries

Anastasiia Sobotiuk (Kyiv)

Kyiv: +38 044 207 99 58

a.sobotyuk@mhp.com.ua

For media enquiries

Marc Cohen (London)

Oleg Leonov (Moscow)

London: +44 20 7831 3113

Moscow: +7 495 795 06 23

Financial overview

		Q2 2011	Q2 2010	% change*	H1 2011	H1 2010	% change*
Revenue	US\$, m	281	223	26%	527	423	25%
IAS 41 standard gains	US\$, m	26	14	88%	18	10	83%
Gross profit	US\$, m	100	78	28%	156	125	25%
<i>Gross margin</i>	%	36%	35%	1%	30%	30%	-
Operating profit	US\$, m	87	69	26%	129	105	23%
<i>Operating margin</i>	%	31%	31%	-	24%	25%	-1%
EBITDA	US\$, m	101	84	21%	158	133	19%
<i>EBITDA margin</i>	%	36%	37%	-1%	30%	31%	-1%
Net income	US\$, m	67	67	-	86	102	-16%
<i>Net income margin</i>	%	24%	30%	-6%	16%	24%	-8%

* Delta in percentage for ratios (% indicators) is calculated as a difference between the ratio in the current reporting period and the ratio in the previous reporting period

Q2 2011 Consolidated Financial Results

Revenue increased by 26% to US\$ 281 million (Q2 2010: US\$ 223 million) mostly as a result of chicken volume growth, sunflower oil prices increase, and increase both in prices and volumes of processed meat.

EBITDA increased by 21% to US\$ 101 million (Q2 2010: US\$ 84 million) compared to the same period last year, while EBITDA remained relatively stable at 36% (Q2 2010: 37%).

Net income from continuing operations remained stable at US\$ 67 million despite the operation profit growth due to the net effect of non-cash foreign exchange losses/gains of US\$ 16 million (US\$ 3 million foreign exchange losses in Q2 2011 versus US\$ 13 million foreign exchange gains in Q2 2010) related to Euro/USD exchange rate.

H1 2011 Consolidated Financial Results

The dynamics of H1 2011 consolidated financial results are those seen over Q2 2011 period. Revenue increased by 25% to US\$ 527 million (H1 2010: US\$ 423 million). The reasons of revenue growth are the same as for Q2 2011: increase of chicken volumes, sunflower oil prices increase, increase both in volumes and prices for meat processing products.

EBITDA increased by 19% to US\$ 158 million (H1 2010: US\$ 133 million), EBITDA margin remained fairly stable at 30% (H1 2010: 31%).

Net income decreased to US\$ 86 million (H1 2010: US\$ 102 million) despite the operating profit growth due to the net effect of non-cash foreign exchange losses/gains of US\$ 34 million (US\$ 9 million foreign exchange losses in H1 2011 versus a US\$ 25 million foreign exchange gains in H1 2010) related to Euro/USD exchange rate.

Poultry and related operations

		Q2 2011	Q2 2010	% change	H1 2011	H1 2010	% change
Revenue	US\$, m	237	198	20%	446	375	19%
- Poultry and other	US\$, m	187	160	17%	336	296	13%
- Sunflower oil	US\$, m	50	38	31%	110	79	40%
IAS 41 standard gains	US\$, m	1	0	302%	6	3	106%
Gross profit	US\$, m	59	62	-5%	112	106	5%
Gross margin	%	25%	31%	-6%	25%	28%	-3%
EBITDA	US\$, m	64	70	-8%	121	120	1%
EBITDA margin	%	27%	35%	-8%	27%	32%	-5%
EBITDA per 1 kg	US\$	0,66	0,81	-19%	0,67	0,71	-7%

Q2 2011 Poultry and related operations segment financial results

Poultry		Q2 2011	Q2 2010	% change	H1 2011	H1 2010	% change
Sales volume, third parties tonnes		97,800	85,500	14%	182,100	168,500	8%
Price per 1 kg net VAT, UAH		13.97	13.82	1%	13.44	13.13	2%
Sunflower oil							
Sales volume, third parties tonnes		38,600	46,600	-17%	84,500	95,200	-11%
Price per 1 tonne net VAT, US\$		1,301	811	60%	1,303	830	57%

In Q2 2011, chicken meat sales volumes to external consumers on an adjusted-weight basis increased by 14% to 97,800 tonnes (Q2 2010: 85,500 tonnes) as a result of production growth due to more effective use of existing capacity as well as due to decrease in stocks.

The average chicken meat sales price increased slightly by 1% to UAH 13.97 per kg (Q2 2010: UAH 13.82 per kg). In Q2 2011 sunflower oil were sold mainly for export and average sunflower oil price increased by 60% to US\$ 1,301 per tonne (Q2 2010: US\$ 811 per tonne).

Demand for chicken meat remained high and the Company sold close to 100% of the chicken produced. Therefore, the segment revenue increased by 20% to US\$ 237 million (Q2 2010: US\$ 198 million).

Poultry production costs in Q2 2011 rose by approximately 15% compared to Q2 2010 mostly due to the increase in the market price of grain harvested in 2010 and increase in production cost of sunflower meal due to higher sunflower seeds prices. Gross profit decrease by 5% to US\$ 59 million (Q2 2010: US\$ 62 million), as well as gross profit margin fall from 31% in Q2 2010 to 25% in Q2 2011.

Segment EBITDA decreased by 8% to US\$ 64 million (Q2 2010: US\$ 70 million), whilst EBITDA margin decreased too (27% in Q2 2011 compared to 35% in Q2 2010). The reason

for negative EBITDA dynamic in poultry segment was lower than expected chicken prices growth during the reported quarter, which we expect to be improved in the second half of the year.

H1 2011 Poultry and related operations segment financial results

Chicken meat sales volumes to the third parties on an adjusted-weight basis increased by 8% to 182,100 tonnes in H1 2011 compared to 168,500 tonnes in H1 2010. The average chicken meat sales price increased by 2% to UAH 13.44 per kg (H1 2010: UAH 13.13 per kg). Average sunflower oil prices increased by 57% to US\$ 1,303 per tonne (H1 2010: US\$ 830 per tonne).

Poultry and related operations segment revenue rose by 19% to US\$ 446 million compared to US\$ 375 million in H1 2010.

In line with the Company's expectations the increase of poultry production costs in H1 2011 was approximately 10% year-on-year mainly driven by grain prices increase. Gross profit increased by 5% to US\$ 112 million (H1 2010: US\$ 106 million), while gross profit margin decreased from 28% in H1 2010 to 25%.

Poultry segment EBITDA remained respectively stable US\$ 121 million (H1 2010: US\$ 120 million). EBITDA margin decreased from 32% in H1 2010 to 27% in H1 2011 as a consequence of poor dynamic of chicken meat prices during the Q2 2011.

Grain growing operations

		Q2 2011	Q2 2010	% change	H1 2011	H1 2010	% change
Revenue	US\$, m	9	1	1371%	16	3	426%
IAS 41 standard gains	US\$, m	26	14	85%	15	8	89%
Gross profit	US\$, m	38	16	139%	39	16	135%
EBITDA	US\$, m	39	16	143%	39	16	137%

The Company's grain growing segment revenue in H1 2011 was mostly generated by the sale of grain, mainly wheat that has already been revalued to market prices in 2010. Due to the harvest cycle, there is a significant seasonality in this division and higher revenue is expected in the second half of the year.

In 2011 MHP expects to harvest by 60% more land (additional 100,000 hectares under control) compared to 2010, which will significantly increase the volumes available for external grain sales. The Company continues to focus on growing 4 main crops: corn, sunflower, wheat and rape.

The financial result in grain growing segment in H1 2011 is mostly related to revaluation of crops in fields according to IAS 41 standard. The principal reason in higher returns anticipated from grain growing operations is due to larger land plots to be cropped in 2011 compared to 2010.

Other agricultural operations

		Q2	Q2	%	H1	H1	%
--	--	-----------	-----------	----------	-----------	-----------	----------

		2011	2010	change	2011	2010	change
Revenue	US\$, m	34	24	41%	66	45	46%
- Meat processing	US\$, m	25	18	41%	45	33	35%
- Other	US\$, m	10	7	41%	21	12	76%
IAS 41 standard gains	US\$, m	-1	0	n/a	-2	-1	n/a
Gross profit	US\$, m	3	1	371%	6	2	166%
Gross margin	%	10%	3%	7%	9%	5%	4%
EBITDA	US\$, m	4	1	402%	8	3	145%
EBITDA margin	%	12%	3%	9%	12%	7%	5%
		Q2	Q2	%	H1	H1	%
Meat processing products		2011	2010	change	2011	2010	change
Sales volume, third parties tonnes		9,400	8,000	18%	17,300	14,200	22%
Price per 1 kg net VAT, UAH		19.50	17.08	14%	18.91	17.03	11%

Revenue from Other Agricultural Operations in Q2 2011 increased by 41% to US\$ 34 million compared to US\$ 24 million in Q2 2010 due to growth of meat processing products revenue as well as fruit and milk sales. In H1 2011 segmental revenue increased by 46% from US\$ 45 million to US\$ 66 million.

Sales volumes of sausage and cooked meat products increased by 18% to 9,400 tonnes in Q2 2011 compared to Q2 2010 and increased by 22% to 17,300 tonnes in H1 2011 compared to H1 2010 mainly due to Ukrainian Bacon production growth and the increasing consumer demand.

The average sausage and cooked meat prices increased greatly, increased by 14% in Q2 2011 (UAH 19.50 per kg excluding VAT in Q2 2011 compared to UAH 17.08 per kg in Q2 2010) and 11% in H1 2011 (UAH 18.91 per kg in H1 2011 compared to UAH 17.03 per kg in H1 2010).

The gross profit of the segment was US\$ 3 million in Q2 2011 (Q2 2010: US\$ 1 million) and US\$ 6 million in H1 2011 (H1 2010: US\$ 2 million). EBITDA also increased considerably, it was US\$ 4 million in Q2 2011 (Q2 2010: US\$ 1 million) and US\$ 8 million in H1 2011 (H1 2010: US\$ 3 million). EBITDA margin greatly increased to 12% in Q2 2011 as well as in H1 2011. The key driver for this strong performance was the growth in the amount of meat processing.

MHP is a market leader in meat processing in Ukraine with market share of about 10%. More than 50% of the meat required for sausage production is internally produced chicken meat.

Current Group financial position, cash flow and liquidity

Cash Flows US\$, m	Q2 2011	Q2 2010	H1 2011	H1 2010
Cash from operations	40	59	103	106
Change in working capital	(2)	(21)	(28)	(42)
Net Cash from operating	38	38	75	64

activities				
Cash from investing activities	(59)	(40)	(106)	(58)
Non-cash investments	(22)	(2)	(32)	(2)
CAPEX	(81)	(42)	(138)	(60)
<i>Cash from financing activities</i>	(14)	186	(59)	179
<i>Non-cash financing</i>	22	2	32	2
Deposits	52	(164)	119	(163)
Total financial activities	60	24	92	18
Total change in cash	17	20	29	22

Cash flow from operations before working capital changes was US\$ 103 million in H1 2011 (H1 2010: US\$ 106), therefore it remained stable compared to the same periods 2010.

The total increase in working capital in H1 2011 was US\$ 28 million. The main contributor to the change in working capital was the cost of the annual grain sowing campaign in the grain growing segment.

Total CAPEX in H1 2011 of US\$ 138 million was mostly related to the capital intensive Vinnitsia project. Since the start of construction in May 2010, approximately US\$ 220 million has been invested in this project.

Vinnitsia – new green field project

Construction work on the Vinnitsia project, which commenced as announced previously in May 2010, is running to schedule and on budget. Significant progress has already been made with the poultry farm, fodder complex and infrastructure at the Vinnitsia site. All equipment required for Phase 1 is already contracted and is being dispatched now.

Poultry Farm

- Construction of the hatchery is 70% complete
- 2 brigades (chicken rearing zones) with 38 chicken houses in each are 55% complete
- Construction of the slaughter house for Phase 1 (220,000 tonnes of poultry per annum) is 65% complete

Installation of the equipment will commence in September 2011.

Fodder Plant and Grain Storage Facilities

- Construction of the sunflower seeds silo (200,000 m³) is 95% complete, installation of the equipment is 95% complete
- Construction of the grain silo (200,000 m³) is 95% complete, installation of the equipment is 85% complete
- Construction of Fodder Plant and Sunflower Crushing Plant is in progress now

Infrastructure and Social Responsibility

The construction of electric power substation with a capacity of 110 mW is 95% complete, the transmission networks are 80% complete, system of gas supply (45 km) is 80% complete. The construction of water supply systems (60 km) and water treatment station with a capacity of 15 thousand m³ of water per day has been started.

The construction of two independent electric power substations is 95% complete. In addition, as part of the facility, MHP will be constructing 45km of new roads (over 50% complete), 260

new residential apartments, a hostel with a capacity for 800 people and a kindergarten with a capacity for 260 children.

As announced earlier in June 2010, the Company is building additional sites at its Shakhtarska breeding farm for 300 million hatchery eggs production per annum to satisfy Vinnytsia poultry complex needs.

MHP has set up a section on its website dedicated to Project Vinnystia where regular updates will be provided, as well as photographs documenting the stages of the project: <http://www.mhp.com.ua/en/node/1082/>.

Debt Structure

Debt	30.06.2011	31.03.2011	31.12.2010
Total Debt US\$, m	818	805	832
Cash and bank deposits	84	118	174
Net Debt	734	687	658
LTM EBITDA	350	332	325
<i>Net Debt /LTM EBITDA</i>	<i>2.10</i>	<i>2.07</i>	<i>2.03</i>

As of June 30, 2011, the Company's total debt was US\$ 818 million with an average weighted cost of debt around 9%. Approximately 70% of the Company's total debt is the Eurobond that matures in April 2015. The Company's total debt is mainly denominated in US dollars.

At the end of H1 2011, MHP had US\$ 84 million in cash and short-term bank deposits.

The Net Debt/EBITDA ratio at the end of the period was 2.10 (Eurobond covenant: 2.5).

As a hedge for currency risks, revenue from the export of sunflower oil, sunflower husks and chicken meat are denominated in US Dollars, fully covering debt service expenses.

Outlook

Consumer demand for poultry meat continues to remain high and current chicken prices are around 14% higher compared to the same period of the previous year.

This year the Company expects to harvest crops from 60% more land (an additional 100,000 hectares) compared to 2010. This is expected to lead to a significant increase in our grain production external sales volumes and profitability for the current year.

We continue to increase production volumes of sausages and cooked meat that we produce, whilst also producing a wider range of value-added products at our meat processing plants. Due to the investments made in 2010, the Company increased the meat processing capacity at its Ukrainian Bacon facility and will continue to reap the production benefits during 2011.

The CAPEX program in 2011 is mostly related to construction and beginning of equipment installation on the new Vinnitsa poultry production complex, where the construction is on schedule.

We are confident that we will be able to continue to implement our strategy and keep on delivering strong financial results cementing our position as one of the leading agro-industrial companies in Ukraine and the region.

- End -

Notes to Editors:

About MHP

MHP is the leading producer of poultry products in Ukraine with the greatest market share and highest brand recognition for its products. MHP owns and operates each of the key stages of chicken production processes, from feed grains and fodder production to egg hatching and grow out to processing, marketing, distribution and sales (including through MHP's franchise outlets). Vertical integration reduces MHP's dependence on suppliers and its exposure to increases in raw material prices. 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. 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 also has a leading grain cultivation business growing corn to support the vertical integration of its chicken production and increasingly other grains, such as wheat and rape, for sale to third parties. MHP leases agricultural land located primarily in the highly fertile black soil regions of Ukraine.

Since May 15, 2008, MHP has traded on the London Stock Exchange under the ticker symbol MHPC.

Forward-Looking Statements

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

**MHP S.A.
AND ITS SUBSIDIARIES**

**Condensed Consolidated Interim Financial
Statements**

For the six months
ended 30 June 2011

MHP S.A. AND ITS SUBSIDIARIES

TABLE OF CONTENTS

	Page
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011	
Condensed consolidated interim balance sheet	2
Condensed consolidated interim statement of comprehensive income	3
Condensed consolidated interim statement of changes in shareholders' equity	4
Condensed consolidated interim statement of cash flows	5-6
Notes to the condensed consolidated interim financial statements	7-16

MHP S.A. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET****AS OF 30 JUNE 2011***(in US Dollars and in thousands)*

	Notes	30 June 2011	31 December 2010
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment, net	4	850,207	744,965
Land lease rights, net		24,175	23,216
Deferred tax assets		7,824	5,190
Long-term VAT recoverable, net		20,880	24,017
Non-current biological assets		45,348	43,288
Other non-current assets		15,728	14,251
Total non-current assets		<u>964,162</u>	<u>854,927</u>
CURRENT ASSETS			
Inventories		116,006	113,491
Biological assets	6	273,288	135,410
Agricultural produce	5	50,402	113,850
Other current assets, net		13,688	21,331
Taxes recoverable and prepaid, net		102,104	107,824
Trade accounts receivable, net		58,076	53,395
Short-term bank deposits		15,265	134,460
Cash and cash equivalents		68,429	39,321
Total current assets		<u>697,258</u>	<u>719,082</u>
TOTAL ASSETS		<u>1,661,420</u>	<u>1,574,009</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital		284,505	284,505
Treasury shares		(40,555)	(40,555)
Additional paid-in capital		179,565	179,565
Revaluation reserve		18,781	18,781
Cumulative translation differences		(238,726)	(237,751)
Retained earnings		516,102	436,439
		<u>719,672</u>	<u>640,984</u>
NON-CONTROLLING INTEREST		<u>36,032</u>	<u>29,384</u>
Total equity		<u>755,704</u>	<u>670,368</u>
NON-CURRENT LIABILITIES			
Long-term bank borrowings	7	69,968	58,426
Bonds issued	8	564,888	562,886
Long-term finance lease obligations	9	36,134	36,988
Other long-term payables		326	401
Deferred tax liabilities		5,247	2,502
Total non-current liabilities		<u>676,563</u>	<u>661,203</u>
CURRENT LIABILITIES			
Trade accounts payable		21,146	19,012
Other current liabilities		39,911	33,646
Accounts payable for property, plant and equipment		10,035	4,396
Short-term bank borrowings and current portion of long-term bank borrowings	7	110,277	140,092
Current portion of bonds issued	8	9,931	9,892
Interest accrued		11,519	11,573
Current portion of finance lease obligations	9	26,334	23,827
Total current liabilities		<u>229,153</u>	<u>242,438</u>
TOTAL LIABILITIES		<u>905,716</u>	<u>903,641</u>
CONTINGENCIES AND CONTRACTUAL COMMITMENTS	10		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,661,420</u>	<u>1,574,009</u>
On behalf of the Board			

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages 7 to 16 form an integral part of these condensed consolidated financial statements.

MHP S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

(in US Dollars and in thousands, except per share data)

	Notes	Six months ended 30 June	
		2011	2010
REVENUE		527,380	422,945
Net change in fair value of biological assets and agricultural produce		18,113	9,897
COST OF SALES		<u>(389,126)</u>	<u>(308,004)</u>
GROSS PROFIT		156,367	124,838
Selling, general and administrative expenses		(51,024)	(43,696)
VAT refunds and other government grants income		30,828	28,774
Other operating expenses, net		<u>(7,620)</u>	<u>(5,096)</u>
OPERATING PROFIT		<u>128,551</u>	<u>104,820</u>
Finance income		4,525	4,157
Finance costs		(35,302)	(30,675)
Foreign exchange (losses)/gains, net		(8,911)	24,503
Other (expenses)/income		<u>(68)</u>	<u>(66)</u>
OTHER EXPENSES, NET		<u>(39,756)</u>	<u>(2,081)</u>
PROFIT BEFORE TAX		88,795	102,739
Income tax (expense)/benefit		<u>(2,484)</u>	<u>(505)</u>
PROFIT FOR THE PERIOD	13	<u>86,311</u>	<u>102,234</u>
<i>Other comprehensive income/(loss)</i>			
Cumulative translation differences		(975)	4,737
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>85,336</u>	<u>106,971</u>
PROFIT ATTRIBUTABLE TO:			
Equity holders of the Parent		79,663	98,642
Minority interest		6,648	3,592
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent		78,688	103,379
Minority interest		6,648	3,592
EARNINGS PER SHARE			
Basic and diluted (USD per share):		0.74	0.90

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages 7 to 16 form an integral part of these condensed consolidated financial statements.

MHP S.A. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

(in US Dollars and in thousands)

	Attributable to Equity Holders of the Parent						Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Additional paid-in capital	Revaluation reserve	Cumulative translation differences	Retained earnings			
1 January 2010	284,505	-	178,815	18,781	(238,521)	231,044	474,624	19,784	494,408
Profit for the period	-	-	-	-	-	98,642	98,642	3,592	102,234
Other comprehensive income	-	-	-	-	4,737	-	4,737	-	4,737
Total comprehensive income for the period	-	-	-	-	4,737	98,642	103,379	3,592	106,971
Acquisition of treasury shares	-	(30,951)	-	-	-	-	(30,951)	-	(30,951)
30 June 2010	284,505	(30,951)	178,815	18,781	(233,784)	329,686	547,052	23,376	570,428
1 January 2011	284,505	(40,555)	179,565	18,781	(237,751)	436,439	640,984	29,384	670,368
Profit for the period	-	-	-	-	-	79,663	79,663	6,648	86,311
Other comprehensive loss	-	-	-	-	(975)	-	(975)	-	(975)
Total comprehensive income for the period	-	-	-	-	(975)	79,663	78,688	6,648	85,336
30 June 2011	284,505	(40,555)	179,565	18,781	(238,726)	516,102	719,672	36,032	755,704

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages 7 to 16 form an integral part of these condensed consolidated financial statements.

MHP S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2011

(in US Dollars and in thousands)

	Six months ended 30 June	
	2011	2010
OPERATING ACTIVITIES		
Profit before income tax	88,795	102,739
Adjustments to reconcile profit to net cash provided by operations		-
Depreciation and amortization expense	29,211	27,919
Finance costs, net	35,302	30,675
Finance income	(4,525)	(4,157)
Net change in fair value of biological assets and agricultural produce	(18,113)	(9,897)
Foreign exchange losses/(gains), net	8,911	(24,503)
Change in allowance for irrecoverable amounts and direct write-offs	(422)	3,089
Loss on disposal of property, plant and equipment	71	128
	<u>139,230</u>	<u>125,993</u>
Operating profit before working capital changes		
	<u>139,230</u>	<u>125,993</u>
(Increase)/decrease in inventories	(2,632)	15,100
Increase in biological assets	(89,340)	(40,384)
Decrease in agricultural produce	42,710	25,583
Decrease in other current assets	7,914	3,293
Decrease/(increase) in taxes recoverable and prepaid	10,501	(11,382)
Increase in trade accounts receivable	(4,822)	(5,019)
(Decrease)/increase in other long-term payables	(173)	819
Increase/ (decrease) in trade accounts payable	1,983	(20,769)
Increase/ (decrease) in other current liabilities	5,479	(9,465)
	<u>110,850</u>	<u>83,769</u>
Cash generated by operations		
	<u>110,850</u>	<u>83,769</u>
Finance costs paid	(39,356)	(22,254)
Interest received	4,714	3,522
Income tax paid	(1,227)	(876)
	<u>74,981</u>	<u>64,161</u>
Net cash generated by operating activities		
	<u>74,981</u>	<u>64,161</u>
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(99,379)	(44,977)
Purchases of other non-current assets	(4,763)	(10,146)
Proceeds from disposals of property, plant and equipment	127	178
Purchases of non-current biological assets	(2,495)	(2,820)
Investments in short-term deposits	(15,298)	(164,801)
Withdrawals of short-term deposits	134,663	1,584
Loans provided to employees, net	(213)	(886)
	<u>12,642</u>	<u>(221,868)</u>
Net cash generated by/(used in) investing activities		
	<u>12,642</u>	<u>(221,868)</u>

The notes on pages 7 to 16 form an integral part of these condensed consolidated financial statements.

MHP S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2011

(in US Dollars and in thousands)

	Six months ended 30 June	
	2011	2010
FINANCING ACTIVITIES		
Acquisition of treasury shares	-	(30,951)
Proceeds from loans received	40,970	196,059
Repayment of bank loans	(89,230)	(295,520)
Proceeds from corporate bonds issued, at par	-	330,000
Premium related to corporate bonds issued	-	4,792
Transaction costs related to corporate bonds issued	-	(10,087)
Finance lease payments	(10,262)	(8,675)
Repayment of other financing	-	(6,498)
	<u> </u>	<u> </u>
Net cash used in financing activities	(58,522)	179,120
	<u> </u>	<u> </u>
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	29,101	21,413
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>39,321</u>	<u>22,248</u>
Effect of translation to presentation currency and exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	7	(31)
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>68,429</u>	<u>43,630</u>

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages 7 to 16 form an integral part of these condensed consolidated financial statements.

MHP S.A. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

(in US Dollars and in thousands)

1. DESCRIPTION OF THE BUSINESS

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 PJSC “Myronivsky Hliboproduct” (“MHP”) and its subsidiaries. Hereinafter, MHP S.A. and its subsidiaries are referred to as the “MHP S.A. Group” or the “Group”. The registered address of MHP S.A. is 5, rue Guillaume Kroll, L-1822 Luxembourg.

The principal business activities of the Group are poultry and related operations, grain growing, as well as other agricultural operations (meat processing, cultivation and selling fruits and producing beef and meat products ready for consumption). 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. Grain growing comprises the production and sale of grains. Other agricultural operations comprise the production and sale of cooked meat, sausages, beef, milk, goose meat, foie gras, fruits and feed grains. During the six months ended 30 June 2011, the Group employed over 22,000 people.

During the year ended 31 December 2010 the Group substantially increased its agricultural land bank as part of its vertical integration and diversification strategy through acquisitions of land lease rights.

During the year ended 31 December 2010 the Group also commenced construction of the greenfield Vinnytsya poultry complex.

The Group’s operational facilities are located in different regions of Ukraine, including Kyiv, Cherkasy, Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Vinnytsya, Kherson, Sumy, Khmelnytsk regions and Autonomous Republic of Crimea.

The primary subsidiaries and the principal activities of the companies forming the Group as of 30 June 2011 and 31 December 2010 were as follows:

Operating entity	Country of registration	Year established/ acquired	Principal activity	Effective ownership interest*, %	
				30 June 2011	1 December 2010
MHP S.A.	Luxembourg	2006	Holding company	Parent	Parent
Raftan Holding Limited (“RHL”)	Republic of Cyprus	2006	Sub-holding Company	100	100
MHP	Ukraine	1998	Management, marketing and sales	99.9	99.9
Myronivsky Zavod po Vygotvlennyu Krup i Kombikormiv (“MZVKK”)	Ukraine	1998	Fodder and sunflower oil production	88.5	88.5
Peremoga Nova (“Peremoga”)	Ukraine	1999	Chicken farm	99.9	99.9
Druzhba Narodiv Nova (“Druzhba Nova”)	Ukraine	2002	Chicken farm	99.9	99.9
Oril-Leader (“Oril”)	Ukraine	2003	Chicken farm	99.9	99.9

Operating entity	Country of registration	Year established/ acquired	Principal activity	Effective ownership interest*, %	
				30 June 2011	1 December 2010
Tavriysky Kombikormovy Zavod (“TKZ”)	Ukraine	2004	Fodder production	99.9	99.9
Ptahofabryka Shahtarska Nova (“Shahtarska”)	Ukraine	2003	Breeder farm	99.9	99.9
Myronivska Pticefabryka (“Myronivska”)	Ukraine	2004	Chicken farm	99.9	99.9
Starynska Ptahofabryka (“Starynska”)	Ukraine	2003	Breeder farm	94.9	94.9
Ptahofabryka Snyatynska Nova (“Snyatynska”)	Ukraine	2005	Geese breeder farm	99.9	99.9
Zernoproduct	Ukraine	2005	Fodder grain cultivation	89.9	89.9
Katerynopilsky Elevator	Ukraine	2005	Fodder production and grain storage, sunflower oil production	99.9	99.9
Druzhba Narodiv (“Druzhba”)	Ukraine	2006	Cattle breeding, plant cultivation	99.9	99.9
Crimean Fruit Company (“Crimean Fruit”)	Ukraine	2006	Fruits and fodder grain Cultivation	81.9	81.9
NPF Urozhay (“Urozhay”)	Ukraine	2006	Fodder grain cultivation	89.9	89.9
Agrofort (“AGF”)	Ukraine	2006	Fodder grain cultivation	86.1	86.1
Urozhayna Krayina	Ukraine	2010	Fodder grain cultivation	99.9	99.9
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9	79.9

* 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.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The condensed consolidated interim financial statements are prepared on the basis of accounting policies as set forth in the Group’s consolidated financial statements as at and for the year ended 31 December 2010. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been condensed or omitted. However, such information reflects all adjustments (consisting of normal recurring adjustments), which are, in the opinion of the Group management, necessary to fairly state the results of interim periods. Interim results are not necessarily indicative of results to be expected for the full year. The 31 December 2010 balance sheet was derived from the audited consolidated financial statements.

The functional currency of the Group is the Ukrainian Hryvnia (“UAH”). 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 statement of financial position date. All realized and unrealized gains and losses arising on exchange differences are included in the consolidated statement of comprehensive income for the period.

These condensed consolidated interim financial statements are presented in US Dollars (“USD”), which is the Group’s presentation currency.

The results and financial position of the Group are translated into the presentation currency using the following procedures:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate as of the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of the transactions;
- All resulting exchange differences are recognized as a separate component of equity.

The following exchange rates were used:

Currency	Closing rate as of 30 June 2011	Average for 6 months ended 30 June 2011	Closing rate as of 31 December 2010	Average for 6 months ended 30 June 2010
UAH/USD	7.9723	7.9580	7.9617	7.9549
UAH/EUR	11.5000	11.1649	10.5731	10.5831

3. RELATED PARTY BALANCES AND TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related if one party controls, is controlled by, or is under common control with the other party, or exercises significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties.

Transactions with related parties under common control – The Group enters into transactions with related parties in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing arrangements.

The 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 transactions with the related parties during the six months ended 30 June 2011 and 30 June 2010 were as follows:

	30 June 2011	30 June 2010
Sales of goods to related parties	4,800	3,269
Sales of services to related parties	28	23
Purchases from related parties	58	70

During the six months ended 30 June 2011 the Group's sales to related parties mainly consisted of sales of poultry production related products.

The balances owed to and due from related parties were as follows as of 30 June 2011 and 31 December 2010:

	30 June 2011	31 December 2010
Trade accounts receivable	10,512	7,756
Advances received	200	200
Short-term advances, finance aid and promissory notes	2,304	2,304

Compensation to key management personnel

Total compensation of the Group's key management personnel (including compensation to Mr. Yuriy Kosyuk), which consist of contractual salary and performance bonuses amounted to USD 2,958 thousand and USD 3,260 thousand for the six months ended 30 June 2011 and 2010, respectively.

4. PROPERTY, PLANT AND EQUIPMENT, NET

Capital expenditure during the six months ended 30 June 2011 related mostly to the construction of Vinnytsya poultry complex. The construction of Vinnytsya poultry complex commenced in 2010 and is being constructed according to the schedule.

During the six months ended 30 June 2011, the Group's additions to property, plant and equipment amounted to USD 118,340 thousand.

There have been no significant disposals of property, plant and equipment during the six months ended 30 June 2011.

5. CHANGES IN AGRICULTURAL PRODUCE

Agricultural produce balances have decreased as of 30 June 2011 compared to 31 December 2010 mainly due to the internal consumption of corn and sale of wheat.

6. BIOLOGICAL ASSETS

Increase of current biological assets balances during the six months ended 30 June 2011 is primarily attributable to crops balances. The increase refers to the costs incurred with respect to future harvest, reflecting seasonality element inherent in the grain growing segment.

The balances of current biological assets were as follows as of 30 June 2011 and 31 December 2010:

	30 June 2011		31 December 2010	
	Thousand units	Carrying amount	Thousand units	Carrying amount
Breeders held for hatchery eggs production, units	2,384	<u>43,962</u>	2,360	<u>39,530</u>
Total bearer current biological assets		<u>43,962</u>		<u>39,530</u>
Broiler poultry, units	26,544	50,521	26,371	43,287
Hatchery eggs, units	21,242	6,290	20,179	5,724
Crops in fields, hectare	255	162,622	76	36,940
Cattle and pigs, units	63	9,253	61	9,118
Other current consumable biological assets		<u>640</u>		<u>811</u>

Total consumable current biological assets	<u>229,326</u>	<u>95,880</u>
Total current biological assets	<u>273,288</u>	<u>135,410</u>

7. BANK BORROWINGS

The following table summarizes bank loans and credit lines held by the Group as of 30 June 2011 and 31 December 2010:

Bank	Currency	Weighted average interest rate	30 June 2011	Weighted average interest rate	31 December 2010
Foreign banks	USD	6.14%	28,985	5.52%	78,642
Foreign banks	EUR	3.27%	<u>73,589</u>	3.12%	<u>56,712</u>
Ukrainian banks	USD	5.92%	64,500	6.25%	36,750
Ukrainian banks	UAH	7.29%	<u>13,171</u>	7.75%	<u>26,414</u>
Total bank borrowings			<u>180,245</u>		<u>198,518</u>
<i>Less:</i>					
Short-term borrowings and current portion of long-term borrowings			<u>(110,277)</u>		<u>(140,092)</u>
Total long-term bank borrowings			<u>69,968</u>		<u>58,426</u>

The following table summarizes bank loans and credit lines with respect to the type of interests charged held by the Group as of 30 June 2011 and 31 December 2010:

	30 June 2011	31 December 2010
Fixed interest rate	21,977	39,768
Floating interest rate	<u>158,268</u>	<u>158,750</u>
Total	<u>180,245</u>	<u>198,518</u>

Bank loans and credit lines as of 30 June 2011 were repayable as follows:

	30 June 2011		
	Foreign	Ukrainian	Total
Within one year	32,606	77,671	110,277
In the second year	21,770	-	21,770
In the third to fifth year inclusive	35,480	-	35,480
With maturity over five years	<u>12,718</u>	<u>-</u>	<u>12,718</u>
Total	<u>102,574</u>	<u>77,671</u>	<u>180,245</u>

Bank loans and credit lines as of 31 December 2010 were repayable as follows:

	31 December 2010		
	Foreign	Ukrainian	Total
Within one year	76,928	63,164	140,092
In the second year	22,001	-	22,001
In the third to fifth year inclusive	31,377	-	31,377
With maturity over five years	<u>5,048</u>	<u>-</u>	<u>5,048</u>
Total	<u>135,354</u>	<u>63,164</u>	<u>198,518</u>

As of 30 June 2011, the Group had borrowings of USD 4,350 thousand that were secured. These borrowings were secured by property, plant and equipment with the carrying amount of USD 4,949 thousand.

As of 30 June 2011, the Group had available borrowings on undrawn facilities totaling USD 208,642 thousand. These undrawn facilities expire until June 2020.

8. BONDS ISSUED

Bonds issued and outstanding as of 30 June 2011 and 31 December 2010 were as follows:

	30 June 2011	31 December 2010
10.25% Senior Notes due in 2011	9,967	9,967
10.25% Senior Notes due in 2015	584,767	584,767
Unamortized premium on bonds issued	4,224	4,640
Unamortized debt issue cost	<u>(24,139)</u>	<u>(26,596)</u>
Total	<u>574,819</u>	<u>572,778</u>
Less: Current portion of bonds issued	<u>(9,931)</u>	<u>(9,892)</u>
Total long-term portion of bonds issued	<u>564,888</u>	<u>562,886</u>

On 29 April 2010, MHP S.A. issued USD 330,000 thousand 10.25% Senior Notes due in 2015 for an issue price of 101.452% of principal amount.

In addition, as of 13 May 2010 the MHP S.A. exchanged 96.01% (USD 240,033 thousand) of USD 250,000 thousand of the existing 10.25% Senior Notes due in 2011 for the new Notes due 2015. As a result of exchange, new Notes were issued for the total par value USD 254,767 thousand.

Proceeds from the issues are intended to finance short-term debt, a new green field project - fully-integrated chicken complex at Vinnytsya and extension of grain growing operations.

9. FINANCE LEASE OBLIGATIONS

The finance lease obligations represent amounts due under agreements for lease of trucks, agricultural machinery and equipment with Ukrainian and foreign companies. The following are the minimum lease payments and present value of minimum lease payments under the finance lease agreements as of 30 June 2011:

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Payable within one year	30,565	28,350	26,334	23,827
Payable in the second year	18,793	18,775	16,540	16,304
Payable in the third to fifth year inclusive	21,115	22,353	19,594	20,684
	<u>70,473</u>	<u>69,478</u>	<u>62,468</u>	<u>60,815</u>
<i>Less:</i>				
Future finance charges	<u>(8,005)</u>	<u>(8,663)</u>	<u>-</u>	<u>-</u>
Present value of finance lease obligations	<u>62,468</u>	<u>60,815</u>	<u>62,468</u>	<u>60,815</u>
<i>Less:</i>				
Current portion			<u>(26,334)</u>	<u>(23,827)</u>
Finance lease obligations, long-term			<u>36,134</u>	<u>36,988</u>

10. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Operating environment – The principal business activities of the Group are within Ukraine. Emerging markets such as Ukraine are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Ukraine and the Ukraine’s economy in general.

Improving situation in external environment and recovering domestic consumption continued to favor Ukraine’s economic recovery during the six months ended 30 June 2011. Industrial production growth has been driven mainly by machine building, with food-processing sector demonstrating moderate growth. Ukrainian economy experienced a 4,2% GDP growth in 2010 and further growth is expected in 2011.

The Ukrainian Hryvnia has been relatively stable during the six months 2011. During the six months ended 30 June 2011 EUR strengthened against Ukrainian Hryvnia reflecting global strengthening of EUR against USD.

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 Ukrainian 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.

In December 2010, the Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions took effect later (such as, Section III dealing with corporate income tax, came into force from 1 April 2011). Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for agricultural industry from 1 January 2018, the Tax Code also changes various other taxation rules.

The Group’s management believes the enactment of the Tax Code of Ukraine will not have a significant negative impact on the Group’s financial results in the foreseeable future.

Legal issues – 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 property, plant and equipment – During the six months ended 30 June 2011 and the year ended 31 December 2010, 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 30 June 2011, purchase commitments on such contracts were primarily related to construction of Vinnytsya poultry complex and amounted to USD 95,934 thousand (31 December 2010: USD 79,746 thousand).

11. FOREIGN CURRENCY EXCHANGE RATE CHANGE

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 30 June 2011 and 31 December 2010 were as follows:

30 June 2011		31 December 2010	
USD	EUR	USD	EUR
denominated	denominated	denominated	denominated

Total assets	50,096	9,210	104,557	128
Total liabilities	739,490	113,761	754,892	91,083

During the six months ended 30 June 2011, the official exchange rate of UAH to USD has not changed significantly, and the official exchange rate of UAH to EUR has increased by 8.8%.

12. SEGMENT INFORMATION

The following is an analysis of revenue, results for the period and gain/(loss) arising on fair value recognition of biological assets and agricultural produce by the Group's primary basis of segmentation:

	Six months ended 30 June 2011			Consolidated	Six months ended 30 June 2010			Consolidated
	Poultry and related operations	Grain growing	Other agricultural		Poultry and related operations	Grain growing	Other agricultural	
REVENUES								
Total revenue	461,862	70,774	67,352	599,988	387,151	35,476	45,371	467,998
Inter-segment eliminations	(16,177)	(54,998)	(1,433)	(72,608)	(12,422)	(32,475)	(156)	(45,053)
Sales to external customers	445,685	15,776	65,919	527,380	374,729	3,001	45,215	422,945
Segment results	96,566	38,873	4,571	140,010	96,917	16,393	416	113,726
Unallocated corporate expenses				(11,459)				(8,906)
Other expenses, net				(39,756)				(2,081)
Profit before tax				88,795				102,739
Depreciation and amortization*	24,535	-	3,061	27,596	23,521	-	2,699	26,220
Effect of fair value adjustments	5,870	14,619	(2,376)	18,113	2,853	7,744	(700)	9,897

*Depreciation and amortization attributable to grain segment for the six months ended 30 June 2011 amount USD 9,677 thousand (six months ended 30 June 2010: USD 4,331 thousand).

*Depreciation and amortization for the six months ended 30 June 2011 includes unallocated depreciation and amortization in the amount of USD 1,615 thousand (six months ended 30 June 2010: USD 1,699 thousand).

13. PROFIT FOR THE PERIOD

The Group's operating profit for the six months ended 30 June 2011 increased compared to the six months ended 30 June 2010. The principal reason is high returns anticipated from grain growing operations, mainly due to larger land plots cropped.

Despite increase of operating profit, the net profit decreased primarily due to the unrealized foreign exchange losses (loss USD 8,911 thousand), mainly non-cash, during the six months ended 30 June 2011, while during the six months ended 30 June 2010 the Group recognized foreign exchange gain (gain USD 24,503 thousand). During the six months ended 30 June 2011 EUR strengthened against Ukrainian Hryvnia, which caused recognition of unrealized foreign exchange losses on EUR-denominated part of debt.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Operating, investing and financing transactions that did not require the use of cash or cash equivalents were as follows:

	Six months ended 30 June	
	2011	2010
Additions of property, plant and equipment under finance leases and vendor financing arrangements	7,808	2,020
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor	24,171	-
Property, plant and equipment purchased for credit	10,035	3,925

15. AUTHORIZATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors of MHP S.A. on 16 August 2011.