IMPORTANT NOTICE

This document has been prepared solely in connection with the proposed offering (the "**Offering**") of U.S.$750,000,000 Senior Notes due 2020 (the "**Notes**") of MHP S.A. (the "**Issuer**").

THE OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**") IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") PROVIDED BY RULE 144A OR (2) OUTSIDE OF THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access.

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 THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs (within the meaning of Rule 144A under the Securities Act) or (2) addressees outside the United States. This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) you and the electronic mail address that you gave us and to which this e-mail has been delivered are not located in the United States and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum 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 Offering Memorandum 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 underwriter or any affiliate of the underwriter is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Memorandum 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 J.P. Morgan Securities plc, Morgan Stanley & Co. International plc or VTB Capital plc (collectively, the "**Initial Purchasers**") or any person who controls them, nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

MHP S.A.

(incorporated in Luxembourg as a company with limited liability)

8.25% Senior Notes due 2020

Guaranteed on a senior basis by certain of MHP S.A.'s Ukrainian subsidiaries

MHP S.A. (the "**Issuer**") is offering (the "**Offering**") U.S.$750,000,000 aggregate principal amount of its 8.25% Senior Notes due 2020 (the "**Notes**").

The Notes will bear interest at a rate of 8.25% per annum. Interest will be payable on 2 April and 2 October of each year, beginning on 2 October 2013. The Notes will mature on 2 April 2020. At any time prior to 2 April 2020, the Issuer may redeem the Notes in whole or in part at a redemption price equal to 100% of the principal amount of the Notes redeemed plus a "make whole" premium. In addition, at any time prior to 2 April 2016, the Issuer may redeem up to 35% of the Notes with the net proceeds from one or more equity offerings.

The Notes will be senior obligations of the Issuer and (a) will be secured by first-ranking assignments of (i) the Issuer's rights under intercompany loan agreements with Eledem Investments Limited ("**Eledem**") for an amount equal to the gross proceeds of the Offering and (ii) Eledem's rights under intercompany loan agreements with certain of the Guarantors (as defined below), acting as co-obligors, for an amount equal to the gross proceeds of the Offering and (b) except as set out herein, will be secured by first-ranking assignments of the Issuer's and Eledem's rights under intercompany loan agreements with terms corresponding to the Issuer's Senior Notes due 2015 (the "**Existing Notes**"), to the extent that the Existing Notes remain outstanding (the "**Remaining Existing Notes**"), following the Issuer's tender offer for the Existing Notes announced on 6 March 2013 (the "**Tender Offer**"). The Remaining Existing Notes also will have a first ranking claim over such security. The Notes will rank equally in right of payment to all existing and future senior indebtedness of the Issuer (including any Remaining Existing Notes) and senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes. The Notes will be fully and unconditionally guaranteed (each, a "**Guarantee**") on a senior unsecured basis, jointly and severally by the following of the Issuer's Ukrainian subsidiaries: Agrofort, Druzhba, Druzhba Nova, MFC, Myronivka, Katerynopolsky Elevator, Oril Leader, Peremoga, PJSC MHP, Starynska, Shahtarska, Urozhay, Vinnytsia and Zernoproduct (each, a "**Guarantor**"). Each Guarantee will rank equally in right of payment to all existing and future senior unsecured indebtedness (including any Remaining Existing Notes) of such Guarantor.

This offering memorandum (the "**Offering Memorandum**") includes information on the terms of the Notes and the Guarantees, including redemption and repurchase prices, covenants and transfer restrictions.

Application has been made to the Irish Stock Exchange for the approval of this document as listing particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. This document constitutes the listing particulars in respect of the admission Notes to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange.

The Notes will be offered and sold in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes are expected to be rated B by Fitch Ratings Ltd ("**Fitch**") and B by Standard and Poor's Credit Market Services Europe Limited ("**S&P**"). Each of Fitch and S&P is established in the European Community and registered under Regulation (EC) No. 1060/2009 on credit rating agencies (the "**CRA Regulation**"). The list of credit rating agencies registered in accordance with the CRA Regulation is available on the European Securities and Market Authority's website (http://www.esma/europa.eu/popup2/php?id=7692). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves a high degree of risk. Please see the section entitled "Risk Factors" beginning on page 15.

Neither the Notes nor the Guarantees thereof have been, or will be, registered under the U.S. federal securities laws or the securities laws of any other jurisdiction. The Notes and the Guarantees are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and in transactions outside the United States in accordance with Regulation S under the U.S. Securities Act. Please see the sections entitled "Notice to Investors" and "Plan of Distribution" for additional information about eligible offerees and transfer restrictions.

Price: 100%

Bookrunners

J.P. Morgan **Morgan Stanley** **VTB Capital**

The date of this Offering Memorandum is 25 March 2013

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

The contents of the websites of the Issuer and its subsidiaries do not form any part of this Offering Memorandum.

No person is authorised to give any information or to make any representation in connection with the offering or sale of the Notes other than as contained in this Offering Memorandum, and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of J.P. Morgan Securities plc, Morgan Stanley & Co. International plc or VTB Capital plc (each a "**Manager**" and collectively, the "**Managers**"). This Offering Memorandum is being furnished by the Issuer solely for the purpose of enabling a prospective investor to consider the purchase of the Notes.

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 Offering Memorandum, and nothing contained in this Offering Memorandum 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 Offering Memorandum, 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 Notes is prohibited, except to the extent that such information is otherwise publicly available. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer 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 Offering Memorandum, agrees to the foregoing.

This Offering Memorandum does not constitute an offer to sell, or a solicitation by or on behalf of the Issuer or any Manager to any person to subscribe for or purchase any of the Notes in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The distribution of this Offering Memorandum and the offering or sale of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Offering Memorandum may come are required by the Issuer and the Managers to inform themselves about and to observe such restrictions. No action has been taken by the Issuer or the Managers that would permit, otherwise than under the Offering, an offer of the Notes, or possession or distribution of this Offering Memorandum or any other offering material or application form relating to the Notes in any jurisdiction where action for that purpose is required. This Offering Memorandum 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 Notes is set forth under "Plan of Distribution".

In their capacity as joint book running lead managers to the Issuer in connection with the Offering and dealer managers in connection with the Tender Offer, the Managers are acting exclusively for the Issuer and no one else in connection with the Offering or the Tender Offer and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Offering or the Tender Offer and will not be responsible to any other person for providing the protection afforded to their clients or for providing advice in relation to the Offering or the Tender Offer or any matter referred to in this document.

In connection with the Offering, J.P. Morgan Securities plc (the "**Stabilising Manager**") or any person acting on behalf of the Stabilising Manager may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

In connection with the Offering, the Managers and any of their affiliates acting as an investor for its or their own accounts may subscribe for and/or acquire the Notes and the Existing Notes and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own accounts in the Notes and the Existing Notes, any other securities of the Issuer or other related investments in connection with the Offering or otherwise. Accordingly, references in this Offering Memorandum to the Notes being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, the Managers and any of its affiliates acting as an investor for its or their own accounts. The Managers 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.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the terms of this Offering Memorandum, including the risks involved.

The contents of this Offering Memorandum should not be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

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 OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Offering Memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the FSMA does not apply. The Notes may not be offered or sold to any person in the United Kingdom, other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom.

Each Manager severally represents, warrants and agrees that it has not and will not, offer or sell the Notes to the public in Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any offering circular, prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available in, or from or published in, Luxembourg, except in circumstances which do not require the publication by the Issuer of a prospectus pursuant to article 5 of the Luxembourg act dated 10 July 2005, as amended, and do not constitute an offer of securities to the public pursuant to the provisions of the Luxembourg act dated 10 July 2005 relating to prospectuses for securities, as amended.

Under Ukrainian law, the Notes are securities of a foreign issuer. The Notes are not eligible for initial offering and public circulation in Ukraine. Neither the issue of the Notes nor a prospectus in respect of the Notes 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 Notes in Ukraine.

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 LICENSED 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum 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

Issuer's control that could cause the actual results, performance or achievements of the Issuer 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 Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. Amongst the important factors that could cause the Issuer's actual results, performance or achievements to differ materially from those expressed in such forward-looking statements are those included in "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Offering Memorandum. These forward-looking statements speak only as at the date of this Offering Memorandum. The Issuer 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 Issuer'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 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 Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer 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 "**U.S. 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 U.S. Securities Act (or any successor provision thereto).

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is incorporated under the laws of Luxembourg. Certain persons referred to herein are residents of Ukraine, and certain entities referred to herein are organised under the laws of Ukraine, Cyprus or Luxembourg. All or a substantial portion of the assets of such persons, entities and the Issuer are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons in the United States or to enforce against them or the Issuer judgments obtained in United States courts predicated upon the civil liability provisions of U.S. securities laws.

A judgment obtained against the Issuer in the courts of a member state of the European Union (each a "**Member State**") in any suit, action or proceedings with respect to the Notes would be enforced by the Luxembourg courts subject to the applicable enforcement *(exequatur)* procedure under the European Parliament and European Council Regulation (EU) No. 1215/2012 of 12 December 2012 on jurisdiction and the recognition and enforcement of judgment in civil and commercial matters (the "**Regulation 1215/2012**") and, when applicable pursuant to the transitional provisions under Regulation 1215/2012, the European Council Regulation (EC) No. 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgment in civil and commercial matters, as amended (the "**Council Regulation 44/2001**") and provided the recognition of the judgment may not be refused on the grounds specified in article 45 of the Regulation 1215/2012 and in articles 34 and 35 of the Council Regulation 44/2001, respectively.

A judgment obtained against the Issuer with respect to the Notes in a court other than the court of a Member State or a contracting state to a multilateral or bilateral treaty with Luxembourg, such as, for instance, a court of competent jurisdiction in the United States, in any suit, action or proceedings with respect to the Notes would be enforced by a Luxembourg court pursuant to article 678 et seq. of the

Luxembourg *Nouveau Code de Procédure Civile* and subject to compliance with the enforcement conditions as applied by Luxembourg case law, being notably:

- the U.S. Court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. Court has acted in accordance with its own procedural laws;
- the U.S. Court order or judgment must not have been rendered subsequent to an evasion of Luxembourg law ("*fraude à la loi*");
- the U.S. Court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognised by Luxembourg private international and local law;
- the judgment is enforceable in the jurisdictions where the decision is rendered;
- the judgment was granted following proceedings where the counterparty had the opportunity to appear, was granted the necessary time to prepare its case, and if it appeared, could present a defense; and
- the considerations of the foreign order as well as the judgment do not contravene international public policy as understood under the laws of Luxembourg or has been given in proceedings of a criminal nature.

If an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law if its application contravenes Luxembourg's international public policy. In an action brought in Luxembourg on the basis, for instance, of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

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 a Member State and enforceable in that state shall be enforceable in Cyprus on application to the Cypriot court for a declaration of enforceability in accordance with Council Regulation 44/2001, provided such judgments were given in legal proceedings instituted before 10 January 2015, and which fall within the scope of the Council Regulation 44/2001. Judgments given in a Member State which are enforceable in that state and which were given in legal proceedings instituted on or after 10 January 2015, shall be enforced in Cyprus subject to the enforcement procedure under Regulation 1215/2012, without any declaration of enforceability being required. Recognition and enforcement of a judgment may only be refused on the grounds specified in articles 34 and 35 of the Council Regulation 44/2001 or on the grounds specified in article 45 of the Regulation 1215/2012, as may be applicable. If there is no such bilateral treaty or convention entered into between Cyprus and the foreign country and the latter is not a 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 arbitral 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 Parliament exists between Ukraine and the relevant country. If there is such a treaty, 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 or enforcement are sought. Furthermore, Ukrainian legislation may be changed by way of, amongst other things, adding further grounds allowing refusal of recognition and/or enforcement of foreign judgments in Ukraine. There is no such treaty in effect between Ukraine, on the one hand, and any of the United States or Luxembourg, on the other.

In the absence of such international treaty providing for the recognition and enforcement of judgments in civil cases, the Ukrainian courts may only recognise and enforce a foreign court judgment on the basis of the principle of reciprocity. Ukrainian legislation provides that unless proven otherwise, the reciprocity is deemed to exist in relations between Ukraine and the country where the judgment was rendered. However, Ukrainian legislation does not provide for any clear rules on the application of the principle of reciprocity and there is no official interpretation or established court practice of these provisions of Ukrainian legislation. Accordingly, there can be no assurance that the Ukrainian courts will recognise or enforce a judgment rendered by the United States or Luxembourg courts on the basis of the principle of reciprocity. Furthermore, the Ukrainian courts might refuse to recognise or enforce a foreign court judgment on the basis of the principle of reciprocity on the grounds provided in Ukrainian legislation in effect on the date on which such recognition or enforcement is sought.

The United States, 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**"). Arbitral awards in relation to disputes rendered in the United States 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. 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 and, consequently, an arbitral award from an arbitral tribunal in the United States 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 the qualifications set out therein and compliance with applicable Ukrainian or, as the case may be, Luxembourg legislation (including that all the requirements of the enforcement procedure provided for in articles 1250 et seq. of the Luxembourg *Nouveau Code de Procédure Civile* have been fulfilled and satisfied).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain Defined Terms in this Offering Memorandum:

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

"**PJSC MHP**" means Public Joint Stock Company "Myronivsky Hliboproduct" or, as the context requires, its legal predecessors;

"**MHP**" or the "**Group**" means the Issuer together with its subsidiaries and the other companies consolidated in its consolidated IFRS financial statements at the relevant time; and

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

"**Agrofort**" means PrJSC Agrofort; "**Crimea Fruit**" means PrJSC Crimean Fruit Company; "**Druzhba**" means ALLC Druzhba Narodiv; "**Druzhba Nova**" means PrJSC Druzba Narodiv Nova; "**Katerynopolsky Elevator**" means LLC Katerinopolskiy Elevator; "**Lypivka**" means LLC Zernoproduct-Lypivka; "**MFC**" means PJSC Myronivsky Plant of Manufacturing Feeds and Groats (PJSC Myronivskiy Zavod po Vygotovlennyu Krup i Kombikormiv); "**MMPP**" means Myronivsky Meat Processing Plant "LEHKO"; "**Myronivka**" means PrJSC Myronivska Pticefabrika; "**Oril Leader**" means PrJSC Oril-Leader; "**Peremoga**" means SE Peremoga Nova; "**RHL**" means Raftan Holding Limited; "**Shahtarska**" means SE Ptahofabryka Shahtarska Nova; "**Snyatynska**" means LLC Ptahofabryka Sniatynska Nova; "**Starynska**" means ALLC Starynska Ptahofabryka; "**TKZ**" means LLC Tavriysky Kombikormovy Zavod; "**Ukrainian Bacon**" means PrJSC Ukrainian Bacon, "**Urozhay**" means PrJSC Research and Production Company Urozhay; "**Vinnytsia**" means LLC Vinnytska Ptahofabryka; and "**Zernoproduct**" means PrJSC Zernoprodukt MHP.

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 Offering Memorandum. 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 MHP as of and for the years ended 31 December 2010, 2011 and 2012 (together, the "**Audited Consolidated Financial Statements**") included in this Offering Memorandum have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("**IFRS**"). MHP's Audited Consolidated Financial Statements are presented in U.S. dollars, which is the Group's presentation currency. The functional currency of the entities within the MHP Group is the Ukrainian hryvnia. The results and financial position of the Group are translated into the presentation currency using the following procedures: a) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate as of the reporting date of that statement of financial position; b) income and expenses for each consolidated statement of comprehensive income are translated at exchange rates at the dates of the transactions; c) all resulting exchange differences are recognised as a separate component of equity. For practical reasons, the Group translates items of income and expenses for each period presented in the financial statements using the quarterly average rates of exchange, if such translations reasonably approximate the results translated at exchange rates prevailing at the dates of the transactions. See "Exchange Rate Information". For a discussion of MHP's functional currency and its presentation currency, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Functional and Presentation Currency."

The U.S.$ amounts have been derived from the following sources: (a) certain numbers are derived from MHP's Audited Consolidated Financial Statements, (b) certain numbers not derived from MHP's Audited Consolidated Financial Statements are derived from IFRS consolidation accounting system from the underlying accounting records of MHP and (c) other information (other than numbers derived from MHP's IFRS consolidation accounting system or the MHP's Audited Consolidated Financial Statements) are derived from the underlying accounting records of MHP in UAH and are translated into U.S.$ for items relating to assets and liabilities balances at the closing rate as of the reporting date, and income and expenses using the quarterly average rates of exchange, if such translations reasonably approximate the results translated at exchange rates prevailing at the dates of the transactions.

The percentages related to financial indicators and changes therein included in this Offering Memorandum are derived from U.S. dollar amounts, as MHP's financial statements are presented in U.S. dollars. Certain percentages related to changes in certain amount of balances and turnovers are calculated based on U.S. dollar amounts, which are derived from the underlying accounting records of MHP in UAH and are retranslated into U.S.$ by the method used for translation of amounts from UAH into U.S.$ obtained from underlying accounting records described above.

All figures included in this Offering Memorandum and set out in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section are discussed on the basis of continuing operations.

Use of Non-IFRS Measures of Financial Performance

MHP has included certain measures in this Offering Memorandum that are not measures of performance under IFRS, including earnings before interest, taxation, depreciation and amortisation ("**EBITDA**") and Adjusted EBITDA both at a consolidated and at a segment level. The Group's segment measure in the Audited Consolidated Financial Statements is defined as "segment result" and represents operating profit by segment before unallocated corporate expenses, being the segment measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Within the Offering Memorandum, Management further adjusts the reported segment result for the amount of depreciation and amortisation per segment in order to present "**Segment Adjusted EBITDA**" to external users, which Management feels is a more commonly-used external metric familiar to investors. Such measures presented in this Offering Memorandum may not be comparable to similarly titled measures of performance presented by other companies, and it should not be considered as substitutes for the information contained in the financial statements included in this Offering Memorandum.

EBITDA, Adjusted EBITDA, and Segment Adjusted EBITDA

MHP defines EBITDA as profit for the year before income tax expense, finance costs, finance income, depreciation and amortisation expense. Depreciation and amortisation expense are components of both cost of sales and selling, general and administrative expenses in the Audited Consolidated Financial Statements. Adjusted EBITDA is derived by adjusting EBITDA for foreign exchange (loss)/gain, net, and other expenses, net. As noted above, Segment Adjusted EBITDA is segment result adjusted for depreciation and amortisation. MHP has made these adjustments to EBITDA and segment result 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.

EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA are presented in this Offering Memorandum because the Issuer considers them to be important supplemental measures of the Issuer's financial performance. Additionally, the Issuer believes these measures are frequently used by investors, securities analysts and other interested parties to evaluate the efficiency of a group's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA each have limitations as an analytical tool and should not be considered in isolation, or as a substitute for the Issuer's operating results as reported under IFRS. Some of these limitations are as follows:

- EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA do not reflect the impact of significant interest expense or the cash requirements necessary to service interest or principal payments in respect of any borrowings, which could further increase if MHP incurs more debt.
- EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA do not reflect the impact of income tax expense on the Company's operating performance.
- EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA do not reflect the impact of depreciation and amortisation of assets on MHP's performance. The assets of MHP's business which are being depreciated and amortised will have to be replaced in the future and such depreciation and amortisation expense may approximate the cost to replace these assets in the

future. By excluding this expense from EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA, neither EBITDA, nor Adjusted EBITDA nor Segment Adjusted EBITDA reflect MHP's future cash requirements for these replacements.

- EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA do not reflect MHP's cash expenditures or future requirements for capital expenditure or contractual commitments.
- EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA do not reflect changes in or cash requirements for MHP's working capital needs.
- EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA do not reflect the impact of certain significant non-cash items, including foreign exchange impacts,
- Other companies in MHP's industry may calculate EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA differently or may use them for different purposes than MHP does, limiting their usefulness as a comparative measure.

MHP compensates for these limitations by relying on its IFRS results for its operational analysis and using EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA only as supplemental measures.

EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA are measures of MHP's operating performance that are not required by, or presented in accordance with IFRS. EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA are not measurements of MHP's operating performance under IFRS and should not be considered as an alternative to profit for the year, operating profit, segment result or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of MHP's liquidity. In particular, EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA should not be considered as measures of discretionary cash available to MHP to invest in the growth of its business.

The financial information included in this Offering Memorandum is not intended to comply with SEC reporting requirements. Compliance with such requirements would require modification or exclusion of certain financial measures, including EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA.

All figures included in this Offering Memorandum and set out in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section are discussed on the basis of continuing operations, save where expressly stated otherwise. There is no impairment for any of the three years presented, and, as a result there is no operating profit before impairment in any year. References to "**operating profit**" are to the line item in the Audited Consolidated Financial Statements "operating profit".

Market and Industry Data

Certain information in this Offering Memorandum, 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 Statistics Service of Ukraine ("**SSSU**"), the Ministry of Economic Development and Trade of Ukraine ("**MEDTU**"), the Ministry of Agrarian Policy and Food of Ukraine ("**Agrarian Ministry**"), the Food and Agricultural Policy Research Institute ("**FAPRI**"), 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, the European Banking Federation, Ipsos Research ("**IPSOS**") and Poultry Producers Union of Ukraine. The Issuer 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 may not be reliable".

Where information in this Offering Memorandum has been sourced from a third party, this information has been accurately reproduced and, so far as the Issuer 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 Offering Memorandum, references to weight of chicken products are, unless otherwise stated, to the adjusted 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 Offering Memorandum 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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OVERVIEW

This overview highlights selected information contained elsewhere in this Offering Memorandum and does not contain all of the information that you should consider before investing in the Notes. The following overview should be read in conjunction with and is qualified in its entirety by the more detailed information included elsewhere in this Offering Memorandum. You should carefully read the entire Offering Memorandum to understand MHP's business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the more detailed information in the financial information and the related notes included elsewhere in this Offering Memorandum, before making an investment decision. Please see the section entitled "Risk Factors" for factors that you should consider before investing in the Notes and the section entitled "Cautionary Note Regarding Forward Looking Statements" for information relating to the statements contained in this Offering Memorandum that are not historical facts.

Overview

MHP is one of the leading agro-industrial companies in Ukraine, focusing on the production of chicken meat and the cultivation of various grains. MHP is the leading poultry company in Ukraine, accounting for approximately 50% of all chicken meat industrially produced in Ukraine in 2012, according to SSSU. MHP also has an important and expanding grain operation with what Management believes to be one of the largest agricultural land portfolios in Ukraine. During 2012 MHP increased its land bank from 280,000 hectares to approximately 285,000 hectares, of which approximately 255,000 hectares are used in the grain growing segment for grain production and approximately 30,000 hectares are used in the other agricultural segment as pasture for cattle and pigs, to grow grain for fodder for cattle and pigs and for fruit orchards. In addition, MHP produces and sells sunflower oil as a by-product of its fodder production, as well as sausages, cooked meats, convenience food products, goose meat, foie gras, beef and fruit.

In 2012, MHP had revenues of U.S.$1,407.5 million and profit of U.S.$310.9 million. Chicken meat and grain sales accounted for approximately 57.1% and 12.0%, respectively, of MHP's revenues in 2012. MHP has grown significantly in recent years. As at 31 December 2012, MHP's total assets were U.S.$2,488.1 million as compared to assets of U.S.$1,944.4 million as at 31 December 2011.

MHP's business is divided into the following three segments: poultry and related operations, grain growing operations and other agricultural operations. MHP's facilities are amongst the most technologically advanced in Ukraine:

- *Chicken production and distribution facilities.* MHP operates vertically integrated chicken production facilities comprising five chicken farms, which produced approximately 404,000 tonnes of chicken meat in 2012 as compared to approximately 384,000 tonnes in 2011. The chicken farms are serviced by two breeder farms (at which hatching eggs are produced), four fodder mills and 11 distribution centres. Management believes this vertical integration allows MHP to reduce production and transportation costs, better coordinate and control 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, grownout and processed within the same chicken farm, providing a significant biosecurity advantage over other industrial producers which acquire eggs or chicks from third parties for growout and processing. In line with industry practice, MHP acquires its breeder flocks from a specialist producer in Germany.

  In 2004, MHP commenced the construction of the Myronivka chicken farm in the Cherkasy region. MHP completed the first phase of the Myronivka project in October 2007, resulting in an annual production capacity of 110,000 tonnes of chicken meat at that farm. After the completion of the second phase of the Myronivka project in June 2009, the Myronivka chicken farm became fully operational with an annual production capacity of approximately 220,000 tonnes of chicken meat at that farm. Management believes that the Myronivka chicken farm is currently one of the largest chicken meat production facilities by volume in Ukraine and one of the largest chicken meat production facilities in Europe.

  In 2010, MHP commenced the construction of the Vinnytsia Complex in the Vinnytsia region. The Vinnytsia Complex incorporates different production sites such as a fodder plant, a sunflower crushing plant, a hatchery, rearing sites, a slaughter house as well as infrastructure and social responsibility projects. The total capacity of the Vinnytsia Complex is 440,000 tonnes of chicken meat per annum. The construction of the Vinnytsia Complex comprises the development of two phases of 220,000 tonne production capacity of chicken meat each. In the middle of 2012, the first phase was launched in trial mode and began industrial production by the end of 2012. In 2012, the Vinnytsia Complex produced around 20,000 tonnes of chicken meat. MHP expects that the first phase will become fully operational in the middle of 2014. The construction of the second phase is scheduled to begin in 2015 with an industrial launch during 2017-2018. When both phases of the Vinnytsia Complex are completed, MHP is expected to double its current production of chicken meat to 800,000 tonnes. As a result of its expansion programme, MHP expects to achieve further economies of scale, decrease its per unit operating costs and further develop its export opportunities.

In line with MHP's strategy of developing its customer base in Ukraine and worldwide, during the last three years MHP has been gradually increasing its export sales to the CIS, the Middle East, Central Asia and Africa. In 2012 MHP exported approximately 58,000 tonnes of chicken meat, which represents an increase of more than 65% compared to 2011 and accounts for approximately 15% of MHP's total chicken sales volumes.

Pursuant to the EU Regulation No. 88/2013 of 31 January 2013, Ukraine has received permission for export of poultry products into EU countries and several of MHP's production sites were pre-certified by the EU Commission in 2010. Upon the completion of various formalities and final accreditation of MHP's facilities by the EU Commission, this development is expected to present the opportunity for MHP to increase its chicken meat export sales in the near future. See "Risk Factors—MHP may be unsuccessful in its attempt to increase market share in export markets for its chicken meat products".

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 255,000 hectares of land at its five principal grain growing facilities where it cultivates corn and sunflowers in support of its chicken operations and, to an increasing extent, other grains such as wheat and rape for sale to third parties. In 2012, MHP produced approximately 1.6 million tonnes of grain with yields per hectare significantly higher than Ukraine's average. See "—Business—Products—Grains". Since 2008, MHP has been self-sufficient in corn, which is its main fodder ingredient. MHP intends to expand its grain growing capacities in Ukraine in the near future up to a total of 450,000 hectares, concentrating on fertile "black soil" areas.
- *Other agricultural facilities.* MHP operates facilities for the production of sausages, cooked meats, goose meat, beef, foie gras and fruit. These facilities utilise approximately 30,000 hectares of leased land. This land is primarily used by MHP to farm pigs and cattle and to grow various fodder crops, including corn, wheat and barley. According to SSSU, MHP is the leader in a highly fragmented meat-processing market in Ukraine, accounting for approximately 10% of all sausages and cooked meats produced in Ukraine in 2012.

MHP distributes its chicken products through its branded franchise points of sale and on a wholesale basis directly to retailers, including supermarkets and hypermarkets, foodservice businesses and industrial producers. In 2012, MHP sold approximately 40% of its chilled chicken through "Nasha Riaba" branded franchise outlets, 40% to supermarkets and other retail chains and 20% to other retailers, including traditional independent shops and convenience stores. MHP currently exports its frozen chicken and convenience food products primarily to the CIS, as well as to the Middle East, Central Asia and Africa, which together account for approximately 15% of its 2012 volumes of poultry meat sold. MHP sells most of its chicken products under the "Nasha Riaba" 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 and cooked meat products under the "Druzhba Narodiv", "Baschinsky" and "Europroduct" brands. MHP's other meat products are sold principally to retailers and supermarkets.

Most of the corn and sunflowers produced by MHP is used internally at MHP's fodder production facilities in order to be self-sufficient in feed, while the remainder of crops such as wheat, rapeseed and soybeans was sold to domestic and international traders. In 2012 MHP sold all of the rapeseed it produced, approximately 90% of the wheat and approximately 12% of the corn it produced to Ukraine-based traders for export using forward-dated contracts denominated in U.S. dollars, with the remaining portion of wheat sold through the spot markets in Ukraine and insignificant amounts used for fodder production.

In 2012 the first fermenter of a biogas station in the "Oril-Leader" poultry farm commenced operations as a pilot project generating 1MW of power per hour. During 2013 MHP expects to gradually launch the project into full operation. MHP expects that the station will generate 5MW of power per hour once fully operational. MHP is also currently preparing for the launch of other fermenters, which are scheduled to become operational in 2013. It is anticipated that each year the biogas station will consume a substantial amount of raw materials, including chicken manure, poultry wastewater and silage, which will improve MHP's resources utilisation, minimise energy consumption and contribute to MHP's strategy of becoming self-sufficient in heat, gas and electricity and moving towards a more environmentally friendly and cost efficient agriculture operation.

Competitive Strengths

Management believes that MHP benefits from the following competitive strengths:

- *Leading market position in a large and growing market for poultry products*
- *Vertically integrated operations which reduce costs and enhance quality control*
- *Expanding grain operations allow MHP to benefit from increases in grain prices*
- *Strong brands*
- *Diversified sales structure*
- *Developed distribution and sales 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 agro-industrial companies both within Ukraine and across Europe and CIS by strengthening its position as the leading Ukrainian poultry production company, developing its grain cultivation operations and acquiring companies in the agricultural sector in Europe and CIS. Key elements of its strategy include:

- *Expanding chicken production capacity*
- *Expanding capacity for grain production*
- *Expanding its operations outside of Ukraine*
- *Strengthening vertical integration*
- *Continuing to develop MHP's distribution network and customer base in Ukraine and worldwide*
- *Continuing development of value-added products*

Risk Factors

An investment in the Notes 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 Notes and the markets on which they are expected to be traded, including the risks associated with the following matters:

- *As MHP's principal activity involves producing chicken products, its business and financial results are very dependent on demand and price levels for chicken products in Ukraine*
- *Fluctuations in prices of grains and related products may materially affect MHP's results of operations*
- *State support from which MHP currently benefits is significant and could be discontinued*
- *As a producer of agricultural products, MHP currently benefits from tax exemptions which could be discontinued*
- *MHP is exposed to currency exchange rate risk*
- *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*

- *MHP has been and will continue to be controlled by a majority shareholder and depends on his services as Chief Executive Officer*
- *Failure of IT systems could materially affect MHP's business*
- *Competition in the meat industry could adversely affect MHP's business*
- *Poor growing conditions may adversely affect MHP's grain production*
- *MHP may be unsuccessful in its attempt to increase market share in export markets for its chicken meat products*
- *MHP's strategy of expanding its business through targeted acquisitions in the agricultural sector in Europe and CIS is subject to risks*
- *Insufficient access to quality seeds may adversely affect MHP's grain production*
- *An increase in MHP's production costs, including energy and labour costs, could materially and adversely affect its profitability*
- *If MHP needs to raise additional capital or refinance its debt, its business could be harmed if it were unable to do so on acceptable terms*
- *Failure to generate or raise sufficient capital may hamper MHP's development strategy*
- *Outbreaks of bird flu and other livestock diseases could have a material adverse effect on MHP's business*
- *Any interruption to supplies of breeding flocks could have a material adverse effect on MHP's business*
- *MHP's accounting and reporting systems, accounting personnel and its internal controls and procedures do not have a long history of preparing IFRS financial statements*
- *If MHP's products become contaminated, it may be subject to product liability claims and product recalls*
- *Seasonality in the demand for chicken products affects the market price for chicken products and MHP's sales and earnings*
- *MHP is dependent on qualified personnel*
- *Any failure to protect its brand names and other intellectual property could adversely affect MHP's business*
- *Increased costs for or disruptions in the supply of gas and fuel could adversely affect MHP's business and financial results*
- *MHP may be unable to identify suitable franchising opportunities or successfully manage its franchisee network*
- *MHP's reliance on independent retailers could adversely affect its business, results of operations, financial condition and prospects*
- *MHP could be subject to liabilities if it is determined that past actions violated Ukrainian corporate laws or regulations*
- *MHP's operations may be limited by antitrust regulations*
- *MHP may be subject to claims and liabilities under environmental, health, safety, sanitary, veterinary and other laws and regulations which could be significant*
- *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 could be adversely affected if detrimental price controls are introduced for MHP's key products*
- *MHP's insurance coverage may be inadequate*
- *MHP's intragroup transactions and other related party transactions are subject to Ukrainian transfer pricing regulations*

- *MHP may be limited in its ability to obtain full ownership rights to land*
- *MHP has multiple leases, its rights to its land plots may be challenged, and MHP may not be able to renew its lease agreements*
- *The payments under MHP's land lease agreements may increase*
- *MHP is exposed to operational risks*
- *Certain Guarantors are involved in legal proceedings with the Ukrainian tax authorities in respect of disallowance of certain amounts of VAT refunds*
- *The Issuer may become tax resident in a jurisdiction other than Luxembourg*
- *The Issuer is a holding company and is therefore financially dependent on receiving distributions from its subsidiaries: such distributions are subject to certain taxes*
- *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 Issuer becoming tax resident in a jurisdiction other than Cyprus*
- *Risks relating to Ukraine*
- *Risks relating to the Notes and the Trading Market*

Use of Proceeds from the Offering

The gross proceeds to MHP of the Offering of the Notes will be U.S.$750.0 million. The Issuer intends to use the proceeds from the Offering to fund the Tender Offer for, and concurrent consent solicitation (the "**Consent Solicitation**") in respect of, the Existing Notes with the balance of such proceeds being used for the repayment of certain other debt, for general corporate purposes and to finance the expansion and diversification of the Issuer's poultry and grain businesses.

The Tender Offer

On 6 March 2013, the Issuer launched the Tender Offer and the Consent Solicitation with respect to the Existing Notes.

Recent Trends and Developments

MHP expects to produce at least 60,000 additional tonnes of chicken meat in 2013 as a result of the Vinnytsia Complex coming into operation.

As a result of increasing production, MHP will continue to increase its domestic sales of poultry products as well as export sales through developing new markets.

The price for chicken meat in Ukraine in January and February 2013 remained broadly the same as in the same period in 2012 and the fourth quarter of 2012, notwithstanding the higher production costs faced by all meat producers (See "Management's Discussion and Analysis of Financial Condition and Results of Operations—External Factors Affecting MHP's Results of Operations"). MHP production costs for January and February 2013 increased as compared to the same period in 2012, mainly due to the increase in grain prices during the fourth quarter of 2012. This increase in production costs resulted in lower Adjusted EBITDA margin for MHP's poultry and related operations segment as compared to 2012. Management expects that following the increase in price of grain, prices for chicken meat will increase in 2013.

Winter crops are progressing well and the 2013 spring sowing campaign is underway with all the required seeds and fertilisers already purchased. Management expects the current high grain prices to benefit MHP's grain growing segment.

During forthcoming years, and in line with its vertical integration and diversification strategy, MHP expects to gradually increase its land bank through acquisitions of land lease rights and interests in a number of entities engaged in grain growing activities.

In 2013 MHP expects its capital investments to be lower than in prior years as a substantial part of the equipment, required for the first phase of the Vinnytsia Complex, has been purchased and the completed production facilities have been operational since the end of 2012. MHP's capital investments in 2013 will be mostly related to the construction of additional rearing sites at the Vinnytsia Complex. With decreasing capital investments and increasing sales volume, MHP intends to improve its cash flows creating a sound platform to continue its growth strategy.

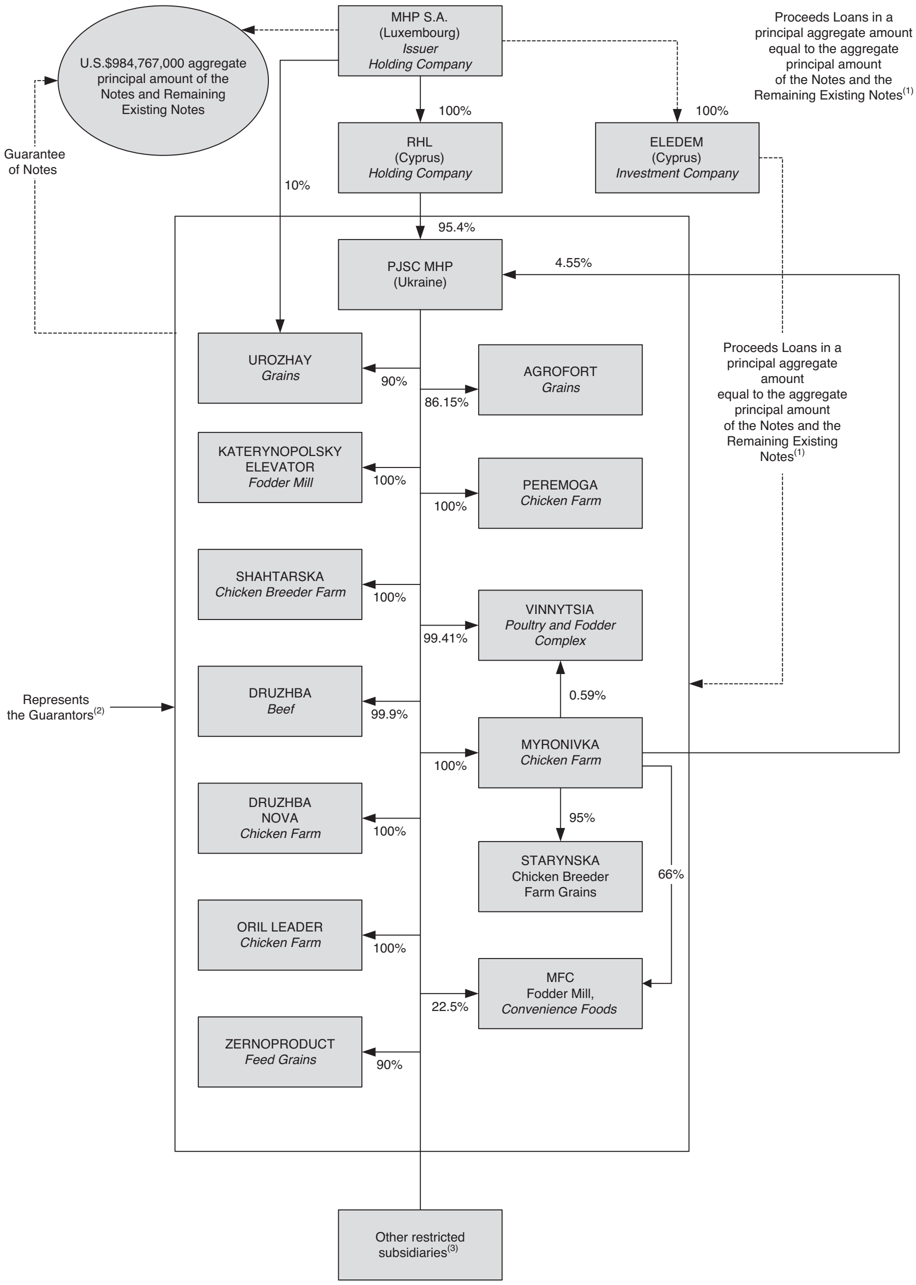
On 4 March 2013 the Board of Directors of the Issuer approved the adoption of a dividend policy and the payment of the dividend of U.S.$1.13 per share, equivalent to approximately U.S.$120 million. The dividend is conditional upon the finalisation of the Issuer's interim accounts reflecting distributions of profit by subsidiaries and is expected to be declared and paid as an interim dividend in 2013.

MHP is currently considering a potential acquisition of certain farming assets in Russia, comprising around 40,000 hectares of land, over 200,000 tonnes of storage facilities and certain agricultural machinery. Should MHP decide to proceed with the acquisition, it will need to obtain relevant clearances from competition authorities in Russia and Ukraine.

The hryvnia/U.S. dollar exchange rate remained stable and consistent in January 2013 relative to the exchange rate at 31 December 2012 and the Euro slightly strengthened against the hryvnia. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Functional and presentation currency" and "Exchange Rate Information" below.

Summary Corporate Structure and Financing

The following diagram summarises the corporate structure and financing arrangements of the Issuer and its subsidiaries immediately after the Offering and the Tender Offer (assuming U.S.$350 million aggregate principal amount of the Existing Notes are purchased in the Tender Offer) and the application of proceeds of the Offering as described in "Use of Proceeds". For more information regarding the existing indebtedness of such subsidiaries, see "Description of Other Indebtedness".



Notes:

(1) First-ranking assignments of the Proceeds Loans (as defined below) will be in effect in favour of holders of the Notes. The interests created by these assignments will be shared with the holders of any Remaining Existing Notes.

(2) As of 31 December 2012, on a pro forma basis after giving effect to the Offering and the Tender Offer, the Guarantors would have had approximately U.S.$501.1 million of Indebtedness (other than the Guarantees and the guarantees of the Existing Notes), all of which would have consisted of bank borrowings, U.S.$50.0 million of which is secured and would be effectively senior to the Guarantees. In addition, the Group would have had U.S.$67.4 million of finance leases that would effectively rank senior to the Notes and Guarantees. See "Description of Other Indebtedness".

(3) As of 31 December 2012, on a pro forma basis after giving effect to the Offering and the Tender Offer, the Other Restricted Subsidiaries would not have had any bank borrowings. See "Description of Other Indebtedness".

OVERVIEW OF THE OFFERING

*The overview below describes the principal terms of the indenture governing the Notes (the "**Indenture**"). Certain terms and conditions described below are subject to important limitations and exceptions. The "Description of Notes" section in this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain capitalised terms used but not defined in this summary*

Issuer	MHP S.A.
Notes	U.S.$750,000,000 aggregate principal amount of 8.25% Senior Notes due 2020.
Additional Notes	The Issuer may issue Additional Notes from time to time after this Offering. The Additional Notes will rank *pari passu* with the Notes and will have the same payment terms as the Notes.
Guarantees	The Notes will be fully and unconditionally guaranteed on a senior basis, jointly and severally by Agrofort, Druzhba, Druzhba Nova, MFC, Myronivka, Katerynopolsky Elevator, Oril Leader, Peremoga, PJSC MHP, Starynska, Shahtarska, Urozhay, Vinnytsia and Zernoproduct. The Guarantees are subject to limitation and release in certain circumstances described herein. (See "Description of Notes—Guarantees") The Guarantees will constitute suretyships under Ukrainian law and will be governed by a separate suretyship agreement (the "**Suretyship Agreement**"). Payment of amounts due under the Guarantees will require compliance with certain Ukrainian currency control regulations. See "—Risk Factors—Risks relating to Ukraine—The Guarantees will constitute suretyships under Ukrainian law and could be challenged" and "—Risk Factors—Risks Relating to the Notes and the Trading Market—Ukrainian currency control regulations may impact the Guarantors' ability to make payments under the Guarantors' Proceeds Loans and under the Guarantees" in "Risk Factors—Risks Relating to the Notes and the Trading Market".
Additional Guarantees	The Issuer may from time to time designate a Restricted Subsidiary as an additional guarantor of the Notes (an "**Additional Guarantor**") by causing it to execute and deliver to the Trustee a supplemental Suretyship Agreement (and on opinion of counsel addressed to the Trustee as to the enforceability of its Guarantee), pursuant to which such Restricted Subsidiary will become a Guarantor. MHP will be required to designate as an Additional Guarantor any Restricted Subsidiary whose assets, at the end of any fiscal quarter, determined on an unconsolidated basis in accordance with IFRS account for more than 10% of MHP's total assets determined on a consolidated basis in accordance with IFRS.
Proceeds Loans	The Notes will be secured by pledges and assignments of proceeds loans (the "**Proceeds Loans**") between (i) the Issuer as lender and Eledem, as borrower, and (ii) Eledem, as lender, and certain of the Guarantors, as borrowers, in each case, with an aggregate principal amount equal to the aggregate principal amount of the Notes and the Remaining Existing Notes. The Guarantors that are party to the Proceeds Loans, as co-obligors, will be jointly and severally liable for the payment of all amounts due to Eledem under their Proceeds Loans. Interest on the Proceeds Loans will have a maximum interest rate of up to 11%,

	the maximum amount currently permitted by the NBU. Regularly accruing interest on the Proceeds Loans will be payable semi-annually not less than two business days and not more than five business days before each interest payment date in respect of the Notes. The Proceeds Loans will be senior obligations that will rank *pari passu* in right of payment to all existing and future unsecured Indebtedness of Eledem and each of the Guarantors party thereto, respectively. The Guarantors' payments under the Proceeds Loan with Eledem may be subject to Ukrainian withholding tax under certain circumstances and may be restricted or limited by certain Ukrainian laws and regulations. See "Risk Factors—Risks Relating to the Notes and the Trading Market".
Ranking of the Notes and the Guarantees	The Notes will be senior obligations that will rank (a) *pari passu* in right of payment to all existing and future senior unsecured Indebtedness of the Issuer (including any Remaining Existing Notes), (b) senior in right of payment to all existing and future Indebtedness of the Issuer that is expressly subordinated to the Notes, (c) effectively subordinated to all existing and future secured Indebtedness of the Issuer and the Guarantors to the extent of the assets securing such Indebtedness, and (d) structurally subordinated to all existing and future indebtedness of Subsidiaries of the Issuer that are not Guarantors or Additional Guarantors. Each Guarantee will rank *pari passu* in right of payment to all existing and future senior unsecured indebtedness of that Guarantor (including its guarantees of the Remaining Existing Notes). As of 31 December 2012, on a *pro forma* basis after giving effect to the Offering and the Tender Offer, (i) the Issuer would have had no Indebtedness other than the Notes and the Remaining Existing Notes, (ii) the Guarantors would have had approximately U.S.$451.1 million of unsecured Indebtedness (other than the Guarantees and guarantees of the Existing Notes), all of which would have consisted of bank borrowings that would rank *pari passu* with the Guarantees, (iii) the Guarantors would have had approximately U.S.$50.0 million of bank borrowings that were secured and would effectively rank senior to the Guarantees and (iv) Subsidiaries that are not Guarantors would not have had any bank borrowings. In addition, at 31 December 2012, the Group would have had U.S.$67.4 million of finance leases that would effectively rank senior to the Notes and Guarantees. The Issuer is a holding company with no revenue-generating operations of its own. In order to make payments on the Notes or to meet other obligations, the Issuer will be dependent on receiving payments from its subsidiaries, including under the Proceeds Loans.
Security	The Notes will be secured by a first-ranking assignment of the Issuer's and Eledem's rights under their respective Proceeds Loans. The Remaining Existing Notes will also have a first ranking assignment of such Proceeds Loans.
Maturity Date	The Notes will mature on 2 April 2020.
Interest	The Notes will accrue interest at a rate equal to 8.25% per annum.

Yield	The yield of the Notes is 8.25% per annum calculated on the basis of the issue price of 100% and as at the date of this Offering Memorandum.
Interest Payment Dates	Interest on the Notes will be payable semi-annually in arrears on 2 April and 2 October, commencing 2 October 2013, to holders of record on the immediately preceding 18 March and 18 September, respectively.
Optional Redemption	At any time prior to 2 April 2016, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture at a redemption price of 108.25% (principal amount plus coupon) of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Equity Offerings; provided that: (1) at least 65% of the aggregate principal amount of the Notes (excluding Notes held by the Issuer and its Affiliates) remains outstanding immediately after the occurrence of such redemption; and (2) the redemption occurs within 90 days of the date of the closing of such Equity Offering. At any time prior to the maturity date of the Notes, upon not less than 30 nor more than 60 days' notice, the Issuer may redeem some of the Notes in whole at any time or in part from time to time, at a redemption price equal to 100% of principal amount thereof plus a make-whole premium as of, and accrued and unpaid interest up to, the redemption date. For a description of how to calculate the make-whole premium, see "Description of Notes—Redemption—Optional Redemption".
Redemption for Changes in Withholding Taxes	The Issuer may, at its option, redeem all (but not less than all) of the Notes then outstanding at 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, if the Issuer becomes subject to payment of any Additional Amounts as a result of a change in law. See "Description of Notes—Redemption—Optional Redemption—Tax Redemption".
Change of Control	Upon certain change of control events, the Issuer must offer to repurchase all or part of the Notes at 101% of the principal amount of Notes repurchased plus accrued and unpaid interest. See "Description of Notes—Repurchase at the Option of Holders—Change of Control".
Asset Sales	In certain circumstances, the Issuer must offer to repurchase the Notes at a purchase price of 100% of the principal amount of Notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, following the sale of, and with the proceeds from, certain assets. See "Description of Notes—Repurchase at the Option of Holders—Asset Sales".
Certain Covenants	The Indenture will contain certain covenants that, amongst other things, limit the ability of the Issuer and certain of its subsidiaries to: • incur additional indebtedness or issue preference shares; • make certain restricted payments and investments; • transfer or sell assets;

- create or incur certain liens;
- enter into sale and leaseback transactions;
- issue or sell shares of the Issuer's restricted subsidiaries;
- create restrictions on the ability of the Issuer's restricted subsidiaries to pay dividends or make other payments to the Issuer;
- merge, consolidate, amalgamate or combine with other entities;
- issue guarantees of 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 a permitted business.

Each of the covenants is subject to a number of important exceptions and qualifications. See "Description of Notes—Certain Covenants".

Transfer Restrictions	The Notes have not been and will not be registered under the U.S. Securities Act or under any other national, state or local securities laws and, as such, are subject to restrictions on transfer. See "Notice to Investors".
Listing	Application has been made to the Irish Stock Exchange for the approval of this document as listing particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. No assurance can be given that the application will be granted.
Governing Law	The Indenture, the Notes, the Suretyship Agreement and the Proceeds Loans are each governed by, and will be construed in accordance with, the laws of the State of New York. The Proceeds Loan Assignment of MHP's Proceeds Loans to Eledem will be governed by, and construed in accordance with the laws of Luxembourg (with certain provisions relating to perfection and enforcement matters being governed by the relevant laws of Cyprus or subsidiarily the laws of the State of New York to the extent possible) and Eledem's Proceeds Loan Assignment of its Proceeds Loans to the Guarantors will be governed by the laws of Cyprus.
Amendment and Modification	With the written consent of holders of at least 90% of the aggregate principal amount of the outstanding Notes, the Notes may be amended to change the maturity or decrease the interest rate or change the redemption provisions. With the written consent of holders of at least a majority of the principal amount of the outstanding Notes, any other provision of the Notes or the Indenture may be amended, modified or waived.
Ratings	The Notes are expected to be rated B by Fitch Ratings Limited ("**Fitch**") and B by Standard and Poor's Credit Market Services Europe Limited ("**S&P**").
Trustee	Citibank, N.A., London Branch (the "**Trustee**").

Security Trustee	Deutsche Bank Trust Company Americas will act as security trustee (the "**Note Security Agent**") for the holders of the Notes.
Paying Agent	Citibank, N.A., London Branch (the "**Paying Agent**")
Transfer Agent	Citibank, N.A., London Branch (the "**Transfer Agent**")
Registrar	Citigroup Global Markets Deutschland AG (the "**Registrar**")
CUSIPs	Regulation S: L6366M AC7 Rule 144A: 55302T AC9
ISINs	Regulation S: USL6366MAC75 Rule 144A: US55302TAC99
Common Codes	Regulation S: 078395044 Rule 144A: 078395079

OVERVIEW OF THE SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected historical consolidated financial information as of 31 December 2010, 2011 and 2012 and for the years then ended, set forth below has been derived without material adjustments from the Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum, prepared on the basis of International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). This section should be read together with the Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum, as well as together with "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Year ended 31 December		
	2010	**2011**	**2012**
	U.S.$ (in thousands, except ratios)		
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE:			
Revenue	**944,206**	**1,229,090**	**1,407,522**
Net change in fair value of biological assets and agricultural produce	29,014	21,288	16,734
Cost of sales	(680,637)	(889,127)	(1,001,909)
Gross profit	**292,583**	**361,251**	**422,347**
Selling, general and administrative expenses	(102,107)	(106,447)	(120,485)
VAT refunds and other government grants income	82,058	87,985	102,369
Other operating expenses, net	(15,750)	(22,045)	(23,648)
Operating profit	**256,784**	**320,744**	**380,583**
Finance income	13,309	6,356	3,350
Finance costs	(62,944)	(65,918)	(59,311)
Foreign exchange gain/(loss), net	10,965	2,318	(3,285)
Other expenses, net	(793)	(1,385)	(2,633)
Other expenses, net	**(39,463)**	**(58,629)**	**(61,879)**
Profit before tax	**217,321**	**262,115**	**318,704**
Income tax expense	(1,873)	(2,760)	(7,788)
Profit for the year	**215,448**	**259,355**	**310,916**
Profit attributable to:			
Equity holders of the parent	205,395	243,376	297,104
Non-controlling interest	10,053	15,979	13,812
Earnings Per Share:			
Basic and diluted earnings per share (USD per share)	1.88	2.26	2.80
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AS OF PERIOD END):			
Property, plant and equipment	744,965	1,008,923	1,339,687
Cash and cash equivalents	39,321	94,758	94,785
Total assets	**1,574,009**	**1,944,360**	**2,488,108**
Equity attributable to equity holders of the Parent	640,984	881,320	1,159,655
Non-controlling interests	29,384	44,489	39,008
Total equity	**670,368**	**925,809**	**1,198,663**
Long-term bank borrowings	58,426	109,108	199,483
Long-term bonds issued	562,886	567,000	571,515
Long-term finance lease obligations	37,389	32,558	45,955
CASH FLOW DATA:			
Net cash flows from operating activities	96,580	197,661	198,134
Net cash flows used in investing activities	(329,728)	(121,137)	(260,406)
Net cash flows from/(used in) financing activities	250,150	(21,114)	62,279
OTHER MEASURES:			
EBITDA(1)	334,858	402,018	461,800
Adjusted EBITDA(1)	324,686	401,085	467,718
Capital expenditures and acquisition of subsidiaries(2)(3)	223,009	333,182	385,897

Notes:

(1) EBITDA and Adjusted EBITDA are not measures of performance under IFRS. The Issuer defines EBITDA as profit for the year before income tax expense, finance costs, finance income, depreciation and amortisation expense. Adjusted EBITDA is derived by adjusting EBITDA for foreign exchange (loss)/gain, net, and other expenses, net. The Issuer has made these adjustments to EBITDA as Management believes that these line items are not operational in nature and do not reflect the true nature of the business and/or these line items are either non-recurring or unusual in nature. The Issuer 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 in MHP's business operations to, amongst 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. See "Presentation of Financial and Other Information".

EBITDA and Adjusted EBITDA 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 MHP's future cash requirements. EBITDA and Adjusted EBITDA are not measures of profitability because, in the case of EBITDA or Adjusted EBITDA, the measures do not include costs and expenses for depreciation and amortisation, net finance costs and income taxes and, in the case of Adjusted EBITDA, it does not include foreign exchange gains and losses (net), other expenses and other income. Also, because EBITDA and Adjusted EBITDA 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 is as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	U.S.$ (in thousands, except ratios)		
Profit for the year	215,448	259,355	310,916
Income tax expense	1,873	2,760	7,788
Finance costs	62,944	65,918	59,311
Finance income	(13,309)	(6,356)	(3,350)
Depreciation and amortisation expense	67,902	80,341	87,135
EBITDA	**334,858**	**402,018**	**461,800**
Adjustments:			
Other expenses, net	793	1,385	2,633
Foreign exchange (gain)/loss, net	(10,965)	(2,318)	3,285
Adjusted EBITDA	**324,686**	**401,085**	**467,718**

(2) Capital expenditures refer to purchases of property, plant and equipment, including those purchased through finance lease and direct bank-lender payments to the vendor, acquisition of land lease rights, purchases of non-current biological assets and other non-current assets.

(3) Acquisition of subsidiaries comprised U.S.$52,067 thousand in 2010, and U.S.$ nil in 2011 and 2012.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors in the Notes should carefully consider the risks described below and the other information contained in this Offering Memorandum before making a decision to invest in the Notes. Any of the following risks could adversely affect MHP's or any of the Guarantors' business, results of operations, financial condition and prospects, in which case the trading price of the Notes could decline, resulting in the loss of all or part of an investment in the Notes, and the Issuer's ability to pay all or part of the interest or principal on the Notes could be negatively affected. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Risks Relating to MHP

As MHP's principal activity involves producing chicken products, its business and financial results are very dependent on demand and price levels for chicken products in Ukraine

Sales of chicken meat, principally chilled chicken, account for a significant portion of MHP's total revenues (59.6%, 56.4%, 57.1% for 2010, 2011 and 2012, respectively). 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, amongst 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), the supply of and prices for other meats, contamination of meat during processing or distribution and macroeconomic conditions in Ukraine. In addition, the price of chicken meat in Ukraine tends to correlate to the U.S. dollar-denominated world price for chicken meat and, as a result, is susceptible to fluctuations in both exchange rates and the world price of chicken meat. 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, financial condition and prospects.

MHP's revenues and operating results may be significantly affected by fluctuations in prices for chicken products, which can occur even in circumstances where demand is 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. Furthermore, monthly prices are volatile and it is difficult to forecast them with accuracy.

If prices for chicken products drop, especially for prolonged periods, such a decrease could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

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

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 of 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 either at all or in requisite quantities and/or at acceptable prices. 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 also depress selling prices for grains sold by MHP or increase MHP's operating costs. Any of these events and consequences could materially affect MHP's business, results of operations, financial condition and prospects.

A significant portion of the cost of producing MHP's chicken and other meat products is currently impacted by the price of sunflower seeds and corn for use in fodder production. Even though MHP is self-sufficient in corn for its chicken production, the inter-segment sales of grain by the grain growing segment to the poultry and related operations segment for fodder production reflect the market price for grain. Inter-segment sales can experience significant fluctuations attributable to corresponding increases and decreases in grain prices, along with greater demand for internally produced grain as a result of expanding internal chicken farm operations. By volume, in the 2011/2012 agricultural year, MHP produced its entire corn requirement and 16% of its sunflower seed requirements, 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 the price of sunflower oil, which MHP produces as a by-product for sale. MHP has therefore historically been vulnerable to price volatility and breaks in the supply chain for feed grains inputs. In the past, MHP and other meat producers globally have been affected by sharp increases in the price of feed grains. Despite the use of forward contracts and self-sufficiency in corn, 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.

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 grain 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, leases of land. In addition, prices for grain and grain related products (such as sunflower oil) may be influenced by government regulation, including the 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 revenue for MHP's grain cultivation or related businesses or any disruptions in the supply chain or the grain markets could materially affect MHP's business, results of operations, financial condition and prospects.

State support from which MHP currently benefits is significant and could be discontinued

The Ukrainian government provides various types of financial support to agricultural producers, including MHP. The amount and nature of such financial support varies from year to year but has in the past accounted for a significant proportion of MHP's operating profit before loss on impairment of property, plant and equipment.

According to the Tax Code of Ukraine, dated 2 December 2010, as amended (the "**Tax Code**"), effective from 1 January 2011, the value added tax ("**VAT**") subsidy provisions for agricultural companies, which were received by MHP in 2010, 2011 and 2012, will apply until 1 January 2018. These provisions allow agricultural producers in Ukraine, including MHP, to retain the difference between the VAT that they charge on their agricultural products (currently at the rate of 20% and to be decreased to 17% after 1 January 2014) and the input VAT that they pay on items purchased for their operations, rather than remitting such amounts to the state budget. Such retained amounts have to be transferred to and accumulated in special bank accounts of the company and can be used for any production purposes of the company. Under the current law, the subsidy will increase or decrease in line with sales of the relevant products. The value of this benefit to MHP amounted to U.S.$101.6 million in 2012.

As long as MHP is entitled to retain VAT from the sales of its agricultural products, any reduction of the VAT 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 output or retention benefit received by MHP in such period. The cessation of the VAT subsidy or 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, financial condition and prospects.

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, the conduct of selection programmes in chicken and beef breeding and crop and orchard growing, as well as partial compensation for finance costs under loans and finance lease agreements. The amount of these government grants received by MHP in 2010, 2011 and 2012 was insignificant.

There is no guarantee that the government grants, including the VAT subsidy, will not be discontinued in the future, and any cancellations or limitations of the state support mechanisms discussed above 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 the 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.

As a producer of agricultural products, MHP currently benefits from tax exemptions which could be discontinued

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 Tax Code, 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 75% of their gross revenue or more. FAT is paid in lieu of corporate income tax, land tax, duties for special use of water resources and duty for certain types of entrepreneurial activity. The amount of FAT payable is calculated as a percentage of the deemed value of all land plots (determined as of 1 July 1995) used for agricultural production that are leased or owned by a taxpayer, at the rate of 0.15%. In accordance with the Tax Code, MHP elected to pay FAT in lieu of other taxes, and currently a number of the Issuer's subsidiaries pay FAT. In 2012, MHP paid FAT in an aggregate amount equivalent to approximately 0.1% of its net profit in hryvnia terms which was broadly constant compared to 2010 and 2011. According to the Tax Code, the FAT regime was set on the permanent basis; however, there is no guarantee that the FAT regime will not be discontinued in the future, which could have a material adverse effect on MHP's business, results of operations, financial conditions and prospects.

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, MHP's foreign currency revenues, which consist principally of revenues from export sales of sunflower oil and related products, grain and chicken meat, have been increasing over time and together accounted for 25.4%, 28.8% and 34.1% of MHP's total sales in 2010, 2011 and 2012, respectively. MHP's foreign currency expenditures consist principally of the cost of purchasing breeder flocks, non-grain components for mixed fodder, production equipment and finance costs. From a cash flow perspective, MHP's exposure to currency exchange rate fluctuations as a result of its foreign currency payments is partially offset by its U.S. dollar revenues from export sales of sunflower oil and grain, which have been sufficient to cover foreign currency denominated finance costs, loans repayments and import purchases for operational activities, including breeder flocks and non grain components for mixed fodder but not MHP's foreign currency denominated capital expenditure requirements. 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. 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, financial condition and prospects.

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 December 2012, MHP had total short and long-term bank borrowings of U.S.$501.1 million.

In 2010, the Issuer issued U.S.$584,767,000 10.25% senior guaranteed notes due 2015 (the "**Existing Notes**"). The Issuer's obligations on the Existing Notes are guaranteed by the same guarantors as the Notes, namely MHP's principal operating subsidiaries Agrofort, Druzhba, Druzhba Nova, MFC, Myronivka, Katerynopolsky Elevator, Oril Leader, Peremoga, PJSC MHP, Starynska, Shahtarska, Urozhay, Vinnytsia and Zernoproduct.

The indentures governing the Notes and the Existing 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, amongst 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 Issuer's ability to finance the future operations or capital needs of the Issuer or its subsidiaries and/or to incur additional debt or to engage in other business activities that may be in the best interests of the Issuer or its subsidiaries. This may also limit MHP's ability to pursue its growth strategy and development of its business.

In addition, any breach of the terms of the Notes, the Existing Notes or the covenants associated with any of MHP's other debt obligations could cause a default under the terms of MHP's 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, results of operations, financial condition and prospects. If MHP's indebtedness were to be accelerated, MHP might not have sufficient funds to satisfy such obligations, and even if it did meet the requirement, to make such payments could materially and adversely affect MHP's business, results of operations, financial condition and prospects.

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

Mr. Kosyuk, the Issuer's Chief Executive Officer, beneficially owns approximately 60% of the Issuer's shares. Save for those matters which require the unanimous consent of all shareholders, such as a change of the nationality of the Issuer and increasing the liability of the shareholders, Mr. Kosyuk has the ability to control any action requiring shareholder approval, including electing the majority of the Issuer's Board of Directors and determining the outcome of most corporate matters. 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 the Notes ("**Holders**" or "**Noteholders**"). Mr. Kosyuk and the Issuer have entered into a relationship agreement aimed at, amongst other things, protecting the Issuer'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 Noteholders. For example, the Issuer'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. Any such conflicts of interest could have a material adverse effect on MHP's business, results of operations, financial condition and prospects. See "Directors, Corporate Governance and Management—Corporate Governance" and "Significant 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 in respect of Mr. Kosyuk. The loss of Mr. Kosyuk's services could have a material and adverse effect on MHP's business, results of operations, financial condition and prospects.

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, financial condition and prospects.

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 and from illegal imports. During 2012, 2011 and 2010 MHP's share of the Ukrainian market for industrially produced poultry was around 50%, according to SSSU. 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 has increased following Ukraine's accession to the WTO 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. 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 and/or could result in the Group being unable to maintain and/or increase its profit margins in line with its growth strategy, any of which could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

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 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 harvest and its cost. 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 the variable growing conditions of these regions, and the resulting impact on the production of grains. MHP's ability to deliver grains to third parties and to its own operations in a timely manner and in sufficient quantities may be affected by weather conditions, including, amongst others, drought, flood, snow or frost. Growing conditions can also be impacted by the availability and cost of fertilisers. Although MHP is partially self-sufficient in fertilisers, fertiliser purchases account for a material part of MHP's cost of sales for its grain growing segment. Prices for fertilisers in Ukraine are highly influenced by global prices on fertilisers. The relationship between fertiliser price and grain price determines the optimal amount of fertilisers that could be used on land based upon the optimal amount of fertilisers needed on any particular land to maximise yields. Depending upon this relationship, MHP may not be able to maximise yields by optimising its use of fertilisers and/or if it does so, completely or in part, its costs may be materially adversely affected. Such factors could materially adversely affect MHP's grain output and, as a result, MHP's business, results of operations, financial condition and prospects.

MHP may be unsuccessful in its attempt to increase market share in export markets for its chicken meat products

There is no guarantee that MHP will be commercially successful in its attempt to break into new export markets for its chicken meat products or that it will be able to achieve a significant market share in such markets or secure reliable sales channels. Furthermore, Ukraine may introduce quotas and/or export tariffs in connection with the sales of chicken meat products outside Ukraine. In addition, other countries may prohibit imports from Ukraine for various reasons, including due to outbreaks of livestock diseases in Ukraine or changes in the political or economic environment, and/or impose import tariffs on Ukrainian poultry products. Any of the foregoing could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

Pursuant to the EU Regulation No. 88/2013 of 31 January 2013, Ukraine has received permission for export of poultry products into EU countries and several of MHP's production sites were pre-certified by the EU Commission in 2010. Upon the completion of various formalities and final accreditation by the EU Commission of MHP's facilities, this development is expected to present the opportunity for MHP to increase its chicken meat export sales in the near future. MHP cannot provide any assurance that Ukraine or the Group will be successful in finalising such accreditation or, if obtained, such accreditation will not be subsequently recalled or that the Group will be able to comply with any new EU requirements in the future. Furthermore, a requirement to comply with the terms of accreditation or any other requirements and legislation of the EU may make exporting products into the EU economically unfeasible for the Group and the Group would not then access the EU market which, in turn, could have a material adverse effect on the Group's business, results of operations and financial condition.

MHP's strategy of expanding its business through targeted acquisitions in the agricultural sector in Europe and CIS is subject to risks

In addition to MHP's strategy of continued organic growth in Ukraine, MHP intends to examine opportunities for targeted acquisitions of companies in Europe and CIS in the agricultural sector, to the extent they may lead to synergies and cost savings and contribute to revenues. However, MHP's ability to execute this strategy involves a number of risks, including:

- it may not be able to identify suitable target companies or to acquire them on favourable terms;
- it may experience increasing competition to acquire suitable agricultural companies, which may result in a decrease in the availability of such companies for acquisition and an increase in the price MHP will have to pay for such acquisitions; and

- it may not have the necessary financial resources or be able to obtain the necessary financing, on commercially acceptable terms or at all, to finance such acquisitions.

Moreover, MHP will need to successfully integrate any acquired companies in an efficient and effective manner. This will be subject to a number of challenges and uncertainties, including:

- the diversion of Management's attention from other business concerns and potential disruption to MHP's ongoing business;
- the potential necessity of coordinating geographically separated facilities;
- the incurrence of unanticipated expenses;
- the consolidation of functional areas;
- adapting MHP's business model and practices to different jurisdictions and any newly acquired companies' practices and policies to those of MHP; and
- possible inconsistencies in standards, controls, procedures and policies, operating systems and business culture.

No assurance can be made that MHP will be successful in further expanding its business in accordance with its strategy or that it will be able to successfully integrate such acquisitions which may have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

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 quality seeds for a number of reasons, including the following: (i) 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 reluctance of foreign suppliers to sell seeds into Ukraine due to the lack of adherence to intellectual property rights. While MHP internally produces 85% to 90% of its wheat and soybeans seeds, it 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, financial condition and prospects.

An increase in MHP's production costs, including energy and labour costs, could materially and adversely affect its profitability

MHP's main production costs other than grain are principally utilities to operate production facilities, labour costs, equipment, breeder flocks, imported fodder additives and land fertilisers. Increased production costs could result from a number of factors beyond MHP's control, including increased global prices for any of the principal costs of production and, to the extent purchased in currencies other than UAH, the prices may effectively be increased due to a further devaluation of UAH (See also "—MHP is exposed to currency exchange rate risk" above). There can be no assurance that MHP will be able to pass on any increase in production costs to its customers and, as a result, this could materially and adversely affect MHP's profitability, business, and results of operations, financial condition and prospects.

If MHP needs to raise additional capital or refinance its debt, its business could be harmed if it were unable to do so on acceptable terms

If, in the long term, MHP is unable to generate and maintain positive operating cash flows and operating income, it may need additional funding. There can be no guarantee that MHP will be able to do so either at all or on acceptable terms. If additional capital was needed in the longer term, MHP's inability to raise capital on favourable terms could lead to a default on its payment obligations and could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

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

MHP's cash flow from operations and MHP's cash balances may not be sufficient to finance the planned capital expenditures and acquisitions that are part of MHP's development strategy 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 and the Existing 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 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 and maximum interest rates established by 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 operations, financial condition and prospects.

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

Outbreaks of livestock disease 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. Bird flu is highly contagious among birds and can cause sickness or death of some domestic poultry, including chickens, geese, ducks and turkeys. In 2010, bird flu was reported at a poultry farm in Romania near the Ukrainian border, which resulted in the Ukrainian state authorities prohibiting import of poultry from Romania. 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.

Although, as of the date of this Offering Memorandum, 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 cases have occurred in regions 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;
- requirements for MHP to destroy one or more of its flocks; or
- placing MHP's facilities in quarantine until the threat of disease spreading is eliminated.

Insurance to cover the consequences of livestock diseases, including those cited above is generally unavailable on the Ukrainian market. 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 certain 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 reaction 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, financial condition and prospects.

Any interruption to supplies of breeding flocks could have a material adverse effect on MHP's business

MHP currently sources its breeding flocks from a single supplier in Germany. While there have been reports of bird flu in Germany in the last three years, with the latest report in December 2012 in Tangstedt, Schleswig-Holstein, affecting 1,522 farm birds, none of these instances affected MHP's supplier, however 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. There can be no assurance that any such alternative supplies would be readily available to meet MHP's requirements or at all. In addition, supplies of breeder flocks have in the past and may in the future be interrupted by adverse weather conditions impacting deliveries and custom and border delays. Any significant interruption to supplies of breeding flocks due to bird flu, other diseases, adverse weather conditions or custom problems and increased costs associated with sourcing alternative supplies, would have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

MHP's accounting and reporting systems, accounting personnel and its internal controls and procedures do not have a long history of preparing IFRS financial statements

Similar to many other companies that operate in emerging markets, MHP's accounting and reporting systems are not as sophisticated 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.

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 and preparation of annual or interim IFRS consolidated financial statements may require more time for MHP than it does for companies in more developed countries. While MHP prepares complete quarterly and annual IFRS financial statements, MHP's senior Management largely bases its operational decisions on sales, cost figures, demand and price trends rather than complete IFRS monthly financial statements.

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

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 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 cannot 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. Any shipment of contaminated products is a violation of law and may lead 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, financial condition and prospects. See "—MHP's insurance coverage may be inadequate" below. On 18 October 2011, the Federal Service for Veterinary and Phytosanitary Surveillance of Russia ("**Rosselkhoznadzor**") imposed restrictions on the supply of chicken products by MHP on the basis of allegations regarding the presence of listeria bacteria in its frozen chicken imported into Russia. Although Rosselkhoznadzor subsequently lifted the restrictions on 2 February 2012 and Management believes that MHP's chicken products did not contain listeria at the time of shipping from Ukraine as evidenced by the results of the examination of the products at MHP's premises, there can be no assurance that such import restrictions will not be imposed in the future.

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. Though MHP maintains product liability insurance with respect to products of animal origin, any such third party claim for damages could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

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 manage inventories to address seasonal changes in demand effectively, which could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

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. 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 operations, financial condition and prospects.

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, in particular "Nasha Riaba", "Lehko!", "Europroduct" and "Baschinsky". 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, results of operations, financial condition and prospects. Moreover, MHP's products may be imitated or copied, or retailers may seek to market products produced by other companies as MHP's products.

The legal system in Ukraine generally offers a lower level of intellectual property rights protection and enforcement than the legal systems of many 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, financial condition and prospects.

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 or re-brand any affected products. This could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

Increased costs for or disruptions in the 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. 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, financial condition and prospects. See "Risk Factors—Risks Relating to Ukraine—Ukraine's economy relies heavily on its trade with Russia and certain other CIS countries and any major change in relations with Russia could have adverse effects on the economy".

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

In 2012, the share of MHP's revenue from its franchise network was approximately 40% of MHP's total revenue from the sales of chicken meat, as compared to 40% in 2011 and 2010, respectively. As of 31 December 2012, MHP had 2,779 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. 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, financial condition and prospects.

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

In 2010, 2011 and 2012, MHP's sales to independent retailers such as supermarkets accounted for approximately 40% of MHP's total revenue from the sales of chicken products, with one of the supermarket chains, accounting for approximately 9% of MHP's sales in 2012. 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. Additionally, supermarkets typically insist on longer payment periods for sales to them. The Group typically allows between 5 and 30 days for payments of invoices for sales to supermarkets and this results in a high level of trade accounts receivables. If retailers give higher priority to other brands, purchase less of, or even refuse to buy, MHP's products, seek substantial discounts, devote inadequate promotional support to MHP's products or fail to pay for sales in a timely manner, this could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

MHP could be subject to liabilities if it is determined that past actions violated Ukrainian corporate laws or regulations

Ukrainian corporate laws and regulations have developed considerably since Ukraine's transition to a market economy. Some of these laws and regulations contain ambiguities, imprecisions and inconsistencies which make compliance with them difficult. As a result MHP's prior transactions may not have complied with all corporate formalities. In particular, MHP may not have complied with all the technical requirements of Ukrainian corporate law. Non-compliance with these applicable requirements may result in fines, warnings from governmental authorities, orders to remedy the violations, mandatory winding-up or reorganisation proceedings or requests to unwind a previous transaction. Although, to date, MHP has not received any notice of violation from any third party or governmental authority, and it does not expect that any party would seek to review or modify any of these transactions or challenge these irregularities, there can be no assurance that this will not occur in the future. Any successful challenge to prior transactions due to non-compliance with certain corporate laws could materially adversely affect MHP's business, results of operations and financial condition.

MHP's operations may be limited by antitrust regulations

MHP is one of the leading producers of chicken in Ukraine with estimated domestic market share for industrially produced poultry of 50% by production volume in 2012, according to SSSU. Although MHP believes that its operations are in compliance with applicable Ukrainian antitrust 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 Antimonopoly Committee ("**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 in a given market and prohibit the acquisition. Such a decision could adversely affect MHP's ability to expand through acquisitions.

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

MHP's operations are subject to various environmental, health, safety, sanitary, veterinary and other laws and regulations, including those governing fire and labour safety, sanitary compliance, 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, MHP's failure to successfully manage relations with local authorities and other unanticipated events could give rise to expenditures and liabilities, including the suspension, or the decommission of work and usage of the legal entity or its equipment and buildings, fines and/or penalties which could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

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 and/or relevant legislation. 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.

Ukrainian law requires that companies which operate artesian wells obtain permits for special water use. If daily water supply intake equals or exceeds 300 cubic meters, then companies which operate artesian wells must obtain permits for sub-soil use in addition to permits for special water use. Although MHP is in compliance with the requirement for water use permits, a limited number of the Group companies have not obtained a valid permit for sub-soil use. Although MHP intends to comply with this requirement, as of the date of this Offering Memorandum, MHP has not obtained all of the necessary permits for sub-soil use. MHP could ultimately be penalised for such non-compliance with a suspension of its production facilities which are operated without the required permit for sub-soil use.

In addition, under Ukrainian 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. 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. Although MHP believes that it has all the permits it needs and that there are no grounds for the revocation of its operational permits or that, in practice, it will be prevented from operating its facilities, as a strict legal matter, without such permits, MHP will not be permitted to produce, process, store or transport its meat products and fodder.

Under Ukrainian law, the implementation of new or refurbished production or other facilities, or the lease of any premises, without obtaining the relevant permits from the sanitary and epidemiological supervision authorities ("**Sanitary Approval on Operation**") and the fire safety supervision authorities ("**Fire Permit**") is prohibited. Certain MHP companies have no Fire Permit while Vinnytsia is yet to obtain the Sanitary Approval on Operation. The violation of the above requirements may result in the suspension, or decommission of the legal entity or its equipment and buildings and/or the relevant authority may confiscate produced goods, equipment, and raw materials of the infringing MHP company. Under Ukrainian law fodder mills are required to obtain operational permits. MHP's fodder mills have such permits in place. 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.

Failure to obtain, maintain or renew necessary licences or permits, could have a material adverse effect on MHP's business, results of operations, financial condition and prospects.

MHP operates the butchering unit at Vinnytsia Complex, the first line of which has been formally commissioned. The second line of this unit is in the process of receiving the final commissioning approval, which will be based on a number of already received approvals of the relevant state authorities. However, technically, until formally commissioned, newly constructed properties may not be operated in Ukraine. Violation of this requirement may subject MHP to fines in the amount of up to 10% of the cost of construction works for this specific unit. Management believes that the relevant Ukrainian authorities are unlikely to pursue this course of action based on previous practice in similar cases. However, if imposed, this fine could be significant, and MHP's business, results of operations, financial condition and prospects could be materially adversely affected.

MHP's business could be adversely affected if detrimental price controls are introduced for MHP's key products

Under Ukrainian legislation, local state authorities regulate prices of certain food products, including chicken meat, pork and beef. Before increasing wholesale prices for such products by more than 1% in any given month producers of certain food products, including chicken meat, pork and beef, must obtain the conclusion of the State Prices Inspection that the calculation of expenses in the course of price determination was economically justified. After MHP obtains such conclusion of the State Prices Inspection it must inform the local state authorities about the respective change in wholesale prices. Furthermore, the Cabinet of Ministers of Ukraine introduced a procedure for the determination of prices of food products which are subject to state regulation. This procedure provides a formula for the calculation of wholesale prices of food products. Management believes that the approach MHP uses for determining the wholesale prices for MHP's products is in line with the applicable legislation. The procedure introduced by the Cabinet of Ministers of Ukraine also provides a formula for calculation of profits from sales of food products. However, as of the date of this Offering Memorandum the profitability coefficient for calculation of profit margin has not yet been approved by state authorities. If the profitability coefficient is approved by the state authorities, it would limit the profit margin charged on MHP's products, which could materially adversely affect MHP's business, results of operations and financial condition.

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 several forms of insurance protection common in more economically developed countries are not yet available in Ukraine on comparable terms or at all, 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. PJSC MHP maintains product liability insurance with respect to products of animal origin (as a producer and seller of such products).With the exception of Myronivka, the companies in the Group do not have full coverage against losses arising from the interruption of their 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 disease, for the loss of future grain harvest at some of its grain growing facilities, nor does it maintain product liability insurance with respect to the use of pesticides and agrochemicals due to general unavailability of such insurance on the Ukrainian market. See "—Outbreaks of bird flu and other diseases could have a material adverse effect on MHP's business". In addition, there is no guarantee that MHP will be able to obtain insurance that is available 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, financial condition and prospects could be materially adversely affected.

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

Ukrainian transfer pricing rules require that for tax purposes prices in transactions between related parties and, under certain circumstances, between unrelated parties (for example, all cross-border transactions) should be set on an arm's length basis. Ukrainian tax authorities may make transfer pricing adjustments and assess additional taxes in respect of transactions between related parties and, as applicable, unrelated parties if the transaction prices differ from arm's length prices by more than 20%. The effective Ukrainian transfer pricing rules came into force on 1 January 2013. These rules provide for new methods and procedures for determining arm's length prices that are generally based on OECD principles. These rules also allow a broader range of sources of information to be used for transfer pricing purposes. However, these rules are vaguely drafted and leave a wide scope for interpretation by Ukrainian tax authorities and courts. In addition, to date, there is no guidance as to how to apply these rules. 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 counterparty in the transaction that is subject to adjustment.

Furthermore, the new edition of the transfer pricing rules is currently being developed by the Ukrainian tax authorities and is expected to be considered by the Ukrainian parliament (the "**Parliament**"). According to statements made by state officials, the new regulations might enter into force later in 2013 or early in 2014.

The new rules provide for a more detailed explanation of the applicable transfer pricing methods and leave a narrower place for interpretation of such rules. These rules also provide for offsetting adjustments, establish significant threshold for controlled transactions, and are expected to significantly improve the administration of the transfer prices. However, they also introduce strict transfer pricing documentation and reporting requirements. Therefore, the existing practice of applying arm's length prices could change in material respects.

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 companies it later acquired. 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, financial condition and prospects.

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 sales of agricultural land currently in force in Ukraine. If this moratorium is lifted, MHP would consider acquiring ownership of land, including to the land plots it currently leases, which it may be able to purchase pursuant to existing pre-emptive rights. However, there can be no assurance that the owners of these land plots would agree to sell their land to MHP on 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. In particular, the draft legislation on the land market in Ukraine, which is under consideration with Parliament, if adopted, may adversely affect MHP's ability to obtain full ownership rights to agricultural 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. Under Ukrainian law MHP is entitled to continue using land under a lease if the owner of the relevant land plot changes, unless otherwise provided in the lease agreement; however, a new owner may be less likely to sell under the lease purchase option or renew the lease on expiry. 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, financial condition and prospects.

MHP has multiple leases, 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 grain. In aggregate, MHP leases approximately 285,000 hectares of land for its operations, of which approximately 255,000 hectares are used in the grain growing segment for grain production and approximately 30,000 hectares are used in the other agricultural segment primarily as pasture for cattle and pigs, to grow grain for fodder for cattle and pigs, and for fruit orchards. 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. 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. Furthermore, certain leases may not contain all of the mandatory provisions required under Ukrainian law. This creates a risk that the validity of such lease agreements may be invalidated by a court.

In addition, MHP's land lease agreements are entered into for varied periods 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 the original lease, the lessors' willingness to continue leasing the land and the absence of any other potential lessees offering better terms, there can be no assurance that all lease agreements will be renewed upon their expiration. In addition, Ukrainian legislation requires the lease rights to 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, financial condition and prospects.

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 valuation of a particular land plot is carried out at least once every five to seven years for the land plots located within city limits and for agricultural land located outside of municipalities, while for non-agricultural lands located outside municipalities such valuation is carried out at least every seven to ten years. 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, financial condition and prospects.

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. Employees experience accidents at MHP's facilities and in 2012 we had 15 accidents and no fatalities related to operational activities. 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. 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 other than in respect of Myronivka. 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, financial condition and prospects.

Certain Guarantors are involved in legal proceedings with the Ukrainian tax authorities in respect of disallowance of certain amounts of VAT refunds

Certain of the Guarantors are currently involved in ongoing litigation with the Ukrainian tax authorities in respect of disallowance of certain amounts of VAT refunds claimed by such Guarantors. According to the assessment performed by Management on a case by case basis, the maximum total exposure to such risks as of 31 December 2012 amounted to US$30,729 thousand. Out of this amount, US$29,533 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Guarantors.

Although the Guarantors will continue contesting such disallowance of VAT refund claims in the Ukrainian courts, there can be no guarantee that such proceedings will be successful. To the extent the claims of the Guarantors are not successful, MHP's business, results of operations, financial condition and prospects could be materially adversely affected.

The Issuer may become tax resident in a jurisdiction other than Luxembourg

The Issuer is incorporated in Luxembourg and is currently considered Luxembourg resident for tax purposes. Generally, in order to maintain Luxembourg tax residence, management and control of the Issuer must take place in Luxembourg. If management and control of the Issuer were to be conducted in a jurisdiction other than Luxembourg, the existing tax residence of the Issuer could be jeopardised. Consequently, the Issuer must meet all applicable requirements for Luxembourg tax residence under Luxembourg and applicable international tax legislation and the provisions of its Articles. Under these requirements, *inter alia*, 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 Issuer takes place in another jurisdiction, or strategic or significant operational decisions or other management activities take place in that jurisdiction, the Issuer 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 Issuer in a jurisdiction other than Luxembourg could materially adversely affect the Issuer's financial condition and prospects.

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

The Issuer 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, financial condition and prospects.

Dividends paid by a Ukrainian company are normally taxed by way of Advance Corporate Income Tax ("**Advance CIT**") in Ukraine. Advance CIT is not a withholding tax on dividends, but in general represents an advance payment of Ukrainian CIT triggered by the distribution of dividends. Advance CIT is charged on the dividend amount subject to distribution at the general corporate income tax ("**CIT**") rate (19% in 2013, 16% in 2014) and is due prior to or at the time of the payment of the distribution. Advance CIT is a domestic tax which applies to dividend distributions by Ukrainian companies even if the recipient shareholders are not resident for tax purposes in Ukraine. This tax may not be reduced or eliminated under a double tax treaty. The paid Advance CIT may be offset against future corporate income tax liabilities of the Ukrainian subsidiaries and may be carried forward to future tax periods without limitation.

This tax has been implemented as an anti-avoidance measure to eliminate the situations when accounting profits are significantly higher than the taxable income.

Currently, a number of MHP's subsidiaries are subject to a special regime of taxation applicable to producers of agricultural products and pay FAT instead of corporate income tax (See "—As a producer of agricultural products, MHP currently benefits from tax exemptions which could be discontinued"). The Tax Code provides that FAT-payers are not subject to the Advance CIT. Apart from the dividends paid by FAT-payers, certain other dividends are also exempt from Advance CIT, including, the dividends distributed by PJSC MHP to RHL, as PJSC MHP will be re-distributing the dividends it receives from the Ukrainian subsidiaries in which it owns equity stakes. However, there are certain ambiguities in the Tax Code which potentially may result in the Ukrainian tax authorities challenging non-inclusion of dividend income received by PJSC MHP from its Ukrainian subsidiaries into the taxable base for CIT purposes.

In addition to the Advance CIT on payments of dividends, starting from January 2013 companies subject to CIT in Ukraine, whose income in the previous year exceeded UAH10 million and who did not generate tax losses, must pay monthly advance corporate income tax payments ("**Monthly ACIT**") in the amount of 1⁄12 of the CIT due for the previous tax year. According to the clarification of the State Tax Service of Ukraine, Monthly ACIT and Advance CIT may not be offset against each other. Therefore, if the CIT liable company pays dividends during the year, it should pay the Advanced CIT and continue paying Monthly ACIT. Any overpayment in the amount of CIT incurred due to payment of two types of the advance payments may be set off against CIT liabilities of the current year (in the annual return) or of any subsequent year. However, if the amount of CIT due from the company during the year does not exceed the aggregate of the Monthly ACIT and Advance CIT, the company will have no outstanding tax liabilities to set off against the amounts of CIT paid in advance. Moreover, the receipt of cash refund for the overpaid CIT is virtually impossible in practice.

Although MHP believes that the advance payments will not be applicable to most companies of the Group, it is possible that certain entities of the Group will cease to qualify as FAT payers in the future. Furthermore, if PJSC MHP pays dividends out of its own profits rather than out of the dividend income received from its underlying subsidiaries, CIT advance payments may apply. Also, while Management believes that, based on provisions of the Tax Code, dividend income received by PJSC MHP is specifically exempt from CIT, it is possible that the tax authorities may claim accrual of additional charges on such dividend income. Management believes that the amount of such charges would, however, not be significant to MHP's results of operations and financial position.

As all of the Issuer's subsidiaries are held indirectly through the Issuer's wholly-owned subsidiary RHL, which is incorporated in Cyprus, the ability of the Issuer 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. In particular, RHL or RHL's Ukrainian subsidiaries are required to submit documents evidencing RHL's investment in shares of its Ukrainian subsidiaries. As a general rule, a 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 (as defined below). Under the New Convention (as defined below), dividends paid by Ukrainian subsidiaries to RHL would be taxable at source in Ukraine at 5% of the gross amount of dividends, provided that the beneficial owner of the dividends holds at least 20% of the capital of the Company paying the dividends or has invested in the acquisition of the shares or other rights of the Company equivalent of at least EUR 100,000. In all other cases, the withholding tax on dividends will be 15%.

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 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. Furthermore, any additional obligations on payment of advance CIT or withholding taxes in the subsequent years would negatively impact the cash liquidity of the Group, which could materially adversely affect MHP's business, results of operations and financial position. 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 Issuer becoming tax resident in a jurisdiction other than Cyprus" below.

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 Issuer becoming tax resident in a jurisdiction other than 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 Issuer'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 currently 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 Issuer's Cypriot subsidiaries, including RHL, were to be challenged and it was held that such Cypriot subsidiary had failed to observe the Cyprus tax residence requirements of, or such company was unable to ensure or establish that it qualified as, a Cypriot tax resident, such company could be subject to tax in its place of tax residency wherever that might be and 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.

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 "New Convention")was signed on 8 November 2012 and will become effective as from 1st of January of the year following the year in which the New Convention is ratified by Cyprus and Ukraine. The Double Tax Treaty will be terminated on the date the New Convention becomes effective. To date, the New Convention has not been ratified either by Cyprus or Ukraine. In contrast to the Double Tax Treaty, which exempts dividends, capital gains, interest payments, and royalty payments from Ukrainian withholding tax, under the New Convention, dividends paid by PJSC MHP to its Cyprus parent company would be taxable at source in Ukraine at 5% of the gross amount of dividends, provided that the beneficial owner of the dividends holds at least 20% of the capital of the Company paying the dividends or has invested in the acquisition of the shares or other rights of the Company equivalent of at least EUR 100,000. In all other cases, the withholding tax on dividends will be 15%. The New Convention also provides for taxation at source in Ukraine of interest at 2% of the gross amount of the interest if the beneficial owner of the interest is a resident of Cyprus. In addition, the New Convention introduces the beneficial ownership test, in order to qualify for the tax benefits thereunder.

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 Issuer 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, financial condition and prospects.

The economic and financial condition of Cyprus could have an adverse affect on the Group, the value of the Notes or the Group's ability to make payments on certain of the Proceeds Loans.

All of the Issuer's subsidiaries are held indirectly through the Issuer's wholly-owned subsidiary RHL, which is incorporated in Cyprus. The Issuer also has a wholly-owned investment subsidiary, Eledem Investments Limited, which is incorporated in Cyprus and is both a lender and a borrower under the Proceeds Loans.

In June 2012, the Cyprus government applied for financial assistance from the EU and the IMF. On 15 March 2013, the Cypriot government and the EU held lengthy negotiations with respect to the provision of a finance package to support Cyprus which included, as a condition to the granting of such assistance, an economic adjustment program, which was subsequently rejected by the Cypriot Parliament. A new EUR10 billion bailout plan was agreed by Cyprus with international lenders on 25 March 2013, which contemplates a restructuring of Cyprus' two largest banks, Laiki Bank and Bank of Cyprus and will not require the approval of the Cypriot Parliament. Deposits over EUR100,000 held in both banks as well as junior and senior bondholders of Laiki Bank are likely to suffer significant losses.

It is not possible to predict the effect of the Cypriot banking crisis or the bailout plan on the economic, political, social and regulatory environment in Cyprus.

To the extent the ability of the Group to receive or disburse funds in or through RHL or Eledem is affected, this could have an adverse effect on the Group, the value of the Notes or the Group's ability to make payments on the Proceeds Loans between Eledem and the Issuer.

Risks Relating to Ukraine

The Guarantors and the significant subsidiaries of the Issuer are Ukrainian companies and their assets are located in Ukraine. Investments in Ukraine carry certain region-specific risks. 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. The EU granted Ukraine market economy status at the end of 2005. The United States granted Ukraine market economy status in February 2006. Ukraine joined the World Trade Organisation (the "**WTO**") in 2008. 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 the continuing disagreement amongst the Government, the Parliament and the President of Ukraine. Furthermore, the Ukrainian economy was severely affected by the global economic recession in late 2008 and 2009. In 2009, Ukraine's real gross domestic product ("**GDP**") decreased by 14.8% compared to 2008. Ukraine's real GDP growth started to recover in 2010, reaching 4.1% in 2010 compared to 2009 and 5.2% in 2011 compared to 2010. However, largely due to the crisis in the euro zone and its effect on global economic growth and Ukraine's exports, Ukraine's real GDP growth slowed in 2012, running at 2.2% in the first quarter of 2012 and 3.0% in the second quarter and decreasing by 1.3% in the third quarter and by 2.5% in the fourth quarter. According to the SSSU, Ukraine's real GDP growth amounted to 0.2 per cent. in 2012. There can be no assurance that Ukraine's real GDP will not continue to decline.

Set forth below is a brief description of some of the risks incurred by investing in Ukraine.

Investments in emerging markets, such as Ukraine, carry additional risks not typically associated with risks in more mature markets

An investment in a country such as Ukraine, which achieved independence slightly more than 20 years ago and whose economy is in transition, is subject to substantially greater risks than an investment in a country with a more developed economy and more mature political and legal systems. As a consequence, an investment in Ukraine carries risks that are not typically associated with investing in more mature markets. Moreover, financial turmoil in any emerging market tends to adversely affect prices in the debt and equity markets of all emerging markets, as investors move their money to more stable developed markets. In the second half of 2008, financial problems caused by the global economic slowdown and an increase in the perceived risks associated with investing in emerging economies dampened foreign investment in Ukraine, resulting in an outflow of capital and an adverse effect on the Ukrainian economy. In addition, in the second half of 2012 the hryvnia depreciated in currency markets against the U.S. dollar by 0.3%. This negative trend was stopped by administrative intervention measures taken by the NBU, which enabled the U.S. dollar/hryvnia exchange rate to return to pre-depreciation levels. There is a risk that the negative trend of hryvnia depreciation may resume and continue further. Moreover, Ukraine may become subject to heightened volatility due to regional economic, political or military conflicts.

As a result of continuing turmoil in global credit markets, the number of non-performing loans extended by Ukrainian banks has significantly increased. Those banks engaged in retail lending have experienced the most significant growth in non-performing loans. This growth of non-performing loans may potentially affect the banks' decision to launch new credit programmes, since the launch of a new credit programme could potentially result in an increase in the number of non-performing loans due to a large number of borrowers seeking to refinance their existing debts through these new programmes.

These risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Ukraine, including elements of the information provided in this Offering Memorandum. See "—Official economic data and third party information may not be reliable".

Prospective investors should also note that emerging economies such as Ukraine are subject to rapid change and that the information set out in this Offering Memorandum may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved. Generally, investments in emerging markets, such as Ukraine, are only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult their own legal and financial advisors before making a decision with respect to the Notes.

Official economic data and third party information may not be reliable

Although a range of government ministries, along with the NBU and the SSSU, 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 Offering Memorandum 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 Offering Memorandum, data are presented as provided by the relevant governmental agency or institution to which the data are 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. Prospective investors should be aware that none of these statistics have been independently verified. MHP accepts responsibility only for the correct extraction and reproduction of such information.

Political and social conflicts or instability could create an uncertain operating environment

In recent years, Ukraine has been experiencing continuous political transformations accompanied by gradual movement towards fully-fledged democracy. However, the establishment of strong democratic institutions is not complete.

Historically, a lack of political consensus in the Parliament (*Verkhovna Rada of Ukraine*) has made it difficult for the Government to sustain a stable coalition of parliamentarians to secure the necessary support to adhere to a sustained path of structural reforms intended to foster economic liberalisation and a stable business and legal environment.

The last presidential elections were held in January 2010 and Viktor Yanukovych, leader of *Partiya Regioniv* (the "**Party of Regions**"), emerged as the winner. In February 2010, Viktor Yanukovych was inaugurated as the President of Ukraine. In March 2010, the Parliament appointed Mykola Azarov, a member of the Party of Regions as the new Prime Minister of Ukraine and endorsed the coalition Government.

In July 2010, 252 deputies submitted to the Constitutional Court of Ukraine (the "**CCU**") an application questioning the constitutionality of the Law of Ukraine "On Amendments to the Constitution of Ukraine", dated 8 December 2004 (the "**Constitutional Reform Law**"). On 30 September 2010, the CCU adopted a decision pursuant to which the Constitutional Reform Law was held to be unconstitutional (the "**CCU Ruling**"). The CCU ruled that the previous edition of the Constitution of Ukraine came back into force as at 30 September 2010. Following the CCU Ruling, some legislative acts may contradict the Constitution of Ukraine and require amendment. This may result in uncertainty with respect to the distribution of powers among state authorities and may lead to further political instability.

In December 2010, criminal charges were filed by the Prosecutor General's Office of Ukraine against former prime minister Yuliya Tymoshenko for allegedly misusing €380 million of state funds while in office by illegally diverting revenues received in 2009 from Ukraine's carbon emission rights under the Kyoto Protocol. In addition, it has been reported that in April 2011, criminal charges were filed by the Prosecutor General's Office of Ukraine against Yuliya Tymoshenko for allegedly causing losses to the state by exceeding her authority during the execution of gas contracts in 2009 and that on 5 August 2011, Yuliya Tymoshenko was arrested and detained due to alleged abuse of powers during her time in office as the Prime Minister. On 11 October 2011, the court ruled that Yuliya Tymoshenko had criminally exceeded her powers when she signed the gas contracts with Russia in 2009 and sentenced her to seven years in prison. Later that month, Yuliya Tymoshenko submitted an appeal. On 23 December 2011, the Kyiv City Court of Appeals refused Yuliya Tymoshenko's appeal, with the result that she could not participate in the 2012 parliamentary elections held on 28 October 2012. A new criminal investigation has now reportedly been launched to investigate allegations of fraud committed during Yuliya Tymoshenko's management of the United Energy Systems of Ukraine in the 1990s. In January 2013, Mrs. Tymoshenko was also named a suspect in an investigation of the assassination of Yevhen Shcherban, a Ukrainian businessman and member of the Ukrainian Parliament in 1996. There have been reports that the timing and circumstances of the arrest and subsequent imprisonment of the former Ukrainian prime minister for abuse of power, has been questioned by some, causing a negative reaction among, and affecting relations with, a number of governments and international institutions. Furthermore, EU authorities have indicated that the signing of Ukraine's Association Agreement with the EU may be delayed pending a satisfactory resolution of the Yuliya Tymoshenko case.

In February 2011, a new law amending the Constitution of Ukraine to unify the term of the President, the Parliament and local councils (the "**2011 Constitution Amendment Law**") entered into force. The 2011 Constitution Amendment Law provides, *inter alia*, for reinstating the five-year period for each Parliamentary term which was reduced to four years as a result of the CCU Ruling. The following parliamentary elections were held on October 28, 2012. These parliamentary elections were the first elections under the recently adopted Law of Ukraine "On the Elections of National Deputies of Ukraine" dated November 17, 2011 (the "**Elections Law**"). The Elections Law introduced a mixed voting system with 225 members of the Parliament elected in single-member districts by a plurality vote and the remaining 225 members elected under the proportional election system from lists of candidates proposed by political parties. The Elections Law also increased the minimum threshold for a political party to be represented in the Parliament to 5% (from the previously effective 3%) and prohibited electoral alliances of political parties to participate in elections.

The most recent parliamentary elections were held on 28 October 2012. Elections were held on the basis of mixed voting system, according to which 225 members of Parliament are elected on the basis of majority voting and other 225 members of Parliament are elected through proportional representation of the parties. Out of 21 political parties participating in the October 2012 elections through proportional representation, five political parties reached the five per cent threshold required to gain seats in the Parliament. Of these, the Party of Regions, led by Viktor Yanukovych, received the largest proportion of the votes cast, representing 30%. VO Batkivschyna received 25.54% of votes, the Communist Party of Ukraine received 13.18% of votes, Party UDAR received 13.96% of votes and Party Svoboda received

10.44% of votes. Out of 87 political parties participating in the elections through majority voting, representatives of nine political parties received a majority of votes in their respective districts and gained seats in the Parliament. 113 members of Parliament elected through majority voting represent the Party of Regions, 39 represent VO Batkivschyna, 12 represent Party Svoboda, 6 represent Party UDAR, 3 represent the Party Unified Centre (*Yedyny Tsentr*), 2 represent the Peoples' Party, 1 represents the Party Union (*Partiya "Soyuz"*) and 1 represents the Radikal Party of Oleh Lyashko, and 43 are self-nominated individuals.

The table below shows the breakdown of the number of seats in the Parliament for each party according to the official results:

Parliamentary Faction	Total seats won in 2012 elections	Number of seats as a percentage
Party of Regions	185	41.11%
VO Batkivschyna	101	22.44%
Party UDAR	40	8.89%
Communist Party of Ukraine	32	7.11%
Party Svoboda	37	8.22%
Other, including self-nominated	50	11.11%
Total	**445**	**98.89%**

In the course of the October 2012 elections, there have been a number of disputes as to the results of the elections and their process. In particular, the Central Election Commission announced that it was impossible to establish the results of the elections in five single-member districts, and on 6 November 2012 the Parliament issued a resolution recommending the Central Election Commission to order repeat elections in those districts. According to unofficial information, the repeat elections are expected to take place in the beginning of 2013. The absence of 5 (out of 450) members in the Parliament does not legally prevent the Parliament from operating.

On 8 February 2013, the Higher Administrative Court of Ukraine (the "**Court**") declared the results of the parliamentary elections in two single-member districts invalid on the basis of violations in the course of the election process and the resulting impossibility to accurately determine the results of the elections in these districts. Accordingly, the Court declared absence of the status and authority of a national deputy in respect of Mr. Pavlo Baloga and Oleksandr Dombrovsky who were elected in the above two districts and ordered repeat elections in these districts. Since the grounds on which the judgment of the Court is based were questioned by certain state officials and national deputies, on 14 February 2013, 61 national deputies submitted an application to the CCU requesting official interpretation of certain provisions of the Constitution of Ukraine relating to the termination of the status of a national deputy. As at the date of this Offering Memorandum, the CCU is considering the application. In addition, on 6 March 2013 the Higher Administrative Court of Ukraine delivered a judgement on termination of the national deputy's authority of Mr. Vlasenko who is widely known as Mrs. Tymoshenko's defense attorney. Although the ultimate effect of the judgments of the Court of Ukraine is not yet clear, such precedent may have adverse effect on the operation of the Parliament and, as a result, the political stability in Ukraine.

The new Parliament convened the first session on 12 December 2012. On 13 December 2012, the new Parliament approved appointment of Mykola Azarov as the new Prime Minister of Ukraine.

The newly formed Government consists mainly of members of the President's Party of Regions with a few positions being occupied by representatives of other political parties. Therefore, the Government currently has a strong political base and is able to focus on improving the economic and social conditions in Ukraine. In particular, substantial progress has been achieved in various areas including macroeconomic stability, fiscal policy, cooperation with the International Monetary Fund (the "**IMF**"), banking system stability and social stability. At the same time, there can be no assurance that good relations between the President, the Government and the majority of Parliament will continue in the future.

As at the date of this Offering Memorandum, relations between the President, the Government and the Parliament, as well as the procedures and rules governing the political process in Ukraine, remain in a state of uncertainty. The formation and dissolution of a government and governing factions, the appointment of the Government and the authority of the state bodies may be subject to change through the normal process of political alliance building or through constitutional amendments and decisions of the CCU.

Political developments in recent years have also 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.

A number of factors could adversely affect political stability in Ukraine, including the lack of agreement within factions, disputes between factions within the parliamentary majority and opposition factions on major policy issues, 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.

There can be no assurance that the political initiatives necessary to achieve reforms described in this Offering Memorandum will continue, will not be reversed or will achieve their intended aims. Any significant changes in the political climate in Ukraine may have negative effects on the economy as a whole and, as a result, a material adverse effect on MHP's business, results of operations, financial condition and prospects.

Positive developments in the economy may not be achieved if certain important economic and financial structural reforms are not made

The negative impact of the global economic and financial downturn has been compounded by weaknesses in the Ukrainian economy, which is sensitive to external and internal events. In particular, although the Government has generally been committed to economic reform, the implementation of reform has been impeded by lack of political consensus, controversies over privatisation (including privatisation of land in the agricultural sector and privatisation of large industrial enterprises), restructuring of the energy sector, and removal of exemptions and privileges for certain State-owned enterprises or for certain industry sectors.

The negative trends in the Ukrainian economy may continue unless Ukraine undertakes certain important economic and financial structural reforms. The most critical structural reforms that need to be implemented or continued include: (i) further reform of Ukrainian tax legislation (including the development and approval of subordinate legislation implementing the Tax Code as defined above) 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.

The implementation of the Tax Code helped the Government to achieve a significant increase in tax collection in 2011. For the first three quarters of 2012, tax collection increased by 69.4 per cent. (UAH 77.7 billion) compared to the same period in 2011. These measures may not, however, continue to increase tax revenues at the same rate or achieve the results expected by the Government in 2012 or beyond.

Failure to achieve the political consensus necessary to support and implement such reforms 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. If the political initiatives necessary to achieve these reforms or any other reforms described elsewhere in this Offering Memorandum do not continue, are reversed or fail to achieve their intended aims, then Ukraine's economy may suffer. Rejection or reversal of reform policies favouring privatisation, industrial restructuring and administrative reform may have negative effects on the economy and, as a result, a material adverse effect on the Group's business, results of operations and financial condition.

Ukraine's economy is vulnerable to fluctuations in the global economy

In large part due to the impact of the global economic and financial crisis on the Ukrainian economy, in February 2009, Fitch and S&P downgraded their long-term sovereign ratings for Ukraine to B (negative) and CCC+ (negative) respectively. In November 2009, Fitch further revised its long-term foreign currency credit rating on Ukraine to B– (negative). In March 2010 however, following the recent presidential elections and the appointment of the new Ukrainian Government, S&P and Fitch upgraded their long-term foreign currency sovereign credit ratings for Ukraine to B– (positive) and B– (stable), respectively. In July 2010, Fitch and S&P further reviewed and upgraded their long-term foreign currency sovereign credit ratings on Ukraine to B (stable) and B+ (stable), respectively. In July 2011, Fitch upgraded its long-term foreign currency sovereign credit ratings for Ukraine to B (positive) and on 19 October 2011, revised Ukraine's long-term foreign currency sovereign credit rating outlook from B (positive) to B (stable). In June 2012, Fitch affirmed its long-term foreign currency sovereign credit ratings for Ukraine to B (stable). On 5 December 2012, Moody's downgraded its long-term sovereign ratings for Ukraine to B3 (negative). On 7 December 2012, S&P downgraded its long-term sovereign ratings for Ukraine to B (negative).

The pressure on Ukraine's liquidity may intensify if Ukraine does not meet its revenue targets in the consolidated budget for Ukraine for 2013. In 2009, revenues of the consolidated budget were UAH 273.0 billion, or UAH 51.7 billion below the budgeted target, largely due to the effect of the financial and economic downturn globally and in Ukraine. Of that amount, UAH 4,054.1 million, UAH 13,046.3 million and UAH 9,917.9 million reflect decreased collection of import duties, VAT and corporation tax, respectively. In 2010, the actual revenues of the consolidated budget of Ukraine were approximately UAH 314.5 billion. The revenues for 2010 were below the target in the consolidated budget for Ukraine for 2010 by UAH 10.9 billion, principally as a result of a decrease in collection of VAT and excise duty on domestic goods by UAH 4.4 billion and UAH 2.3 billion respectively. In 2011, revenues of the consolidated budget were UAH 398.6 billion, or UAH 3.5 billion over the budgeted target. According to the Ministry of Finance of Ukraine, in 2012 revenues of the consolidated budget amounted to UAH 445.5 billion, while 2013 state budget is based on the forecast of the consolidated budget revenues being equal to UAH 463.1 billion.

The economic crisis has also contributed to an increase in Ukraine's state budget deficit as a percentage of its GDP. Although this percentage remains relatively low in absolute terms, it has increased significantly from 1.3% at the year-end 2008 to 3.9% at the year-end 2009 (or UAH 35.5 billion). The 2010 State Budget Law provided for not more than 4.99% but the actual deficit of the 2010 State Budget amounted to 5.9% of GDP (or UAH 64.3 billion). However, the 2011 State Budget Law provided for a budget deficit of not more than 2.7% of GDP, whereas the actual deficit of the 2011 State Budget amounted to 1.8% of GDP (or UAH 23.6 billion). The 2012 State Budget Law provided for a budget deficit of not more than 2.6% of GDP. The 2013 State Budget Law provides for a budget deficit of not more than 3.2 per cent. of GDP.

According to the SSSU, the consumer price inflation in Ukraine was 4.6% in 2011, 9.1% in 2010 and 12.3% in 2009. In 2012, Ukraine experienced a decrease in consumer prices of 0.2%.

Wholesale prices are also vulnerable to the increases in global prices for metal products and grain, as well as natural gas and oil. Wholesale price inflation ("**WPI**") was 14.3% in 2009, 18.7% in 2010 and 14.2 in 2011, in each case compared to the December of the previous year. In the year ended 31 December 2012, WPI stood at 0.3%.

In 2009, Ukrainian real GDP decreased by 19.6% in the first quarter of the year, 17.3% in the second quarter of the year, 15.7% in the third quarter of the year and 6.7% in the fourth quarter of the year, each compared to the corresponding periods in 2008. Real GDP growth started to recover in 2010, reaching 4.5% in the first quarter of 2010, 5.4% in the second quarter of 2010, 3.3% in the third quarter of 2010 and 3.7% in the fourth quarter of 2010, compared to the corresponding period in 2009. In 2010, Ukraine's real GDP growth was 4.1% and Ukraine's nominal GDP was UAH 1.083 trillion. In 2011, real GDP grew at 5.2%. However, growth has slowed considerably since then, running at 2.2% in the first quarter of 2012, 3.0% in the second quarter and decreasing by 1.3% in the third quarter of 2012 and by 2.5% in the fourth quarter, in each case on an annualised basis. Pursuant to SSSU data, Ukraine's real GDP growth for the whole of 2012 equalled to 0.2%. As a result, Ukraine has not achieved the 2012 GDP growth assumption underlying the 2012 State Budget, which assumed growth of 3.9% for the year. Negative trends in the Ukrainian economy may resume or continue if commodity prices on the external markets are low and access to foreign credit is limited.

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 Offering Memorandum 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 may have negative effects on the economy, generally, and, as a result, on the Group's business, results of operations and financial condition.

In addition, recent acts of violence or unrest in some Middle Eastern states may result in a loss of business confidence or increased volatility in the global financial markets which could have an adverse impact on the economies in the CIS and in other countries and may have other consequences that could adversely affect the Group's business, results of operations and financial condition.

Further, Ukraine's economy was significantly affected by the global financial and economic crisis that began in 2007 and as a result of which international capital markets ceased to be available to Ukrainian borrowers. Prior to this crisis, the relatively easy access to credit (both from within Ukraine and internationally) was a significant factor facilitating the growth in Ukraine's GDP. The reduction in the availability of external finance for Ukrainian companies contributed to a decline in industrial production and cutdowns of investment projects as well as cutdowns in capital expenditures generally. In addition, the global financial crisis has led to the collapse or bailout of some Ukrainian banks and to significant liquidity constraints for others. The crisis has prompted the Government to inject substantial funds into the banking system amid reports of difficulties among Ukrainian banks and other financial institutions. Any deterioration of global or regional economic conditions further insolvencies of Ukrainian banks and the failure to adopt and implement a system of banking regulation that achieves an increased degree of soundness and stability in the nation's banks may cause the economic and financial situation in Ukraine to worsen. Any such developments along with increases in global prices for goods imported to Ukraine or decreases in global prices for goods exported from Ukraine, may have or continue to have a material adverse effect on the economy and thus adversely affect the Group's business, results of operations and financial condition.

The business environment in Ukraine could deteriorate as a result of volatility and depreciation of the Ukrainian currency

In view of the high dollarisation of the Ukrainian economy and the increased activity of Ukrainian borrowers on external markets in pre-crisis years, Ukraine has become increasingly exposed to the risk of exchange rate fluctuations. From September 2008 to August 2009, the interbank U.S. dollar/hryvnia exchange rate was subject to significant fluctuations as a result of which the hryvnia depreciated against the major world currencies. Over the course of 2008, the hryvnia lost 52.5% against the dollar and 46.3% against the Euro compared to year-end 2007 and further depreciated against these currencies in 2009 by 3.7% and 5.5%, respectively. The NBU sought to address the hryvnia instability by taking administrative measures (including certain foreign exchange market restrictions), and used approximately U.S.$14.3 billion of its foreign exchange reserves to support the Ukrainian currency in 2008 and 2009. In 2010, the hryvnia appreciated by 0.3% against the U.S. dollar and by 7.6% against the Euro. While the hryvnia depreciated in real terms against the U.S. dollar by 0.35% in 2011, it appreciated against the Euro by 2.6%. In 2012, the hryvnia depreciated against the dollar by 0.28 per cent. and depreciated against the Euro by 2.32 per cent. Fluctuations in hryvnia exchange rates have negatively affected the ability of Ukrainian borrowers to repay their foreign exchange denominated liabilities to Ukrainian banks (approximately 37.3% of domestic loans in Ukraine are denominated in foreign currency as at 1 October 2012) as well as to external lenders.

The Ukrainian currency may depreciate further in the near future, given the absence of significant currency inflow from exports and foreign investment, limited foreign currency reserves, the need for borrowers to repay a substantial amount of short-term external debt (estimated by the NBU to be approximately U.S.$32.2 billion as at 30 September 2012) as well as requirements to pay a substantial amount of foreign currency for energy supplies from Russia and the rest of the CIS. Any further currency fluctuations may negatively affect the Ukrainian economy and MHP's business.

Social instability could have political and economic consequences and affect the value of investments in Ukraine

The failure of the Ukrainian Government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits in Ukraine generally to keep pace with the rapidly increasing cost of living have previously led, and could again lead in the future, to labour and social unrest. Labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism, with restrictions on foreign ownership in the Ukrainian economy, and possibly violence. Any of these events could adversely affect MHP's business, financial condition and operational results.

Ukraine's physical infrastructure is in a poor condition, which may lead to disruptions in the Group's business or an increase in its costs

Ukraine's physical infrastructure, including its power generation and transmission and communication systems and building stock, largely dates back to Soviet times and has not been adequately funded and maintained over the past decade. Road conditions throughout Ukraine are relatively poor in comparison with more developed countries. The Ukrainian Government has been implementing plans to develop the nation's rail, electricity and telephone systems, which may result in increased charges and tariffs whilst failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. The deterioration of Ukraine's physical infrastructure has an adverse effect on the national economy, disrupts the transportation of goods and supplies, adds costs to doing business in Ukraine and can interrupt business operations. Any further deterioration in Ukraine's physical infrastructure could have a materially adverse effect on MHP's business, financial condition and operational results.

Ukraine may not be able to increase or maintain access to foreign investment

Cumulative foreign direct investments in Ukraine increased by 20.6% in 2008, by 12.5% in 2009, by 11.9% in 2010, by 10.2% in 2011 and by 5.2% for the nine months ended 30 September 2012. As at 31 December 2008, 31 December 2009, 31 December 2010, 31 December 2011 and 30 September 2012, cumulative foreign direct investments (including foreign interests in privatisations) in Ukraine was U.S.$35.6 billion, U.S.$40.1 billion and U.S.$44.8 billion, U.S.$49.4 billion and U.S.$52.7 billion, respectively.

The annual amount of foreign direct investment in Ukraine decreased from U.S.$6,073.7 million in 2008 to U.S.$4,436.6 million in 2009 due to the global financial downturn, in particular, increased foreign currency market volatility, limited access to domestic and foreign capital markets and the decreased profitability of Ukrainian companies. The decline in foreign direct investments continued in 2010 and 2011, amounting to U.S.$4,753.0 million and U.S.$4,556.3 million, respectively. For the nine months ended 30 September 2012, foreign direct investments amounted to U.S.$2,599.6 million. As at 31 December 2011 and 30 September 2012, cumulative foreign currency investments amounted to approximately U.S.$1,084.3 per capita and U.S.$1,157.0 per capita, respectively.

Notwithstanding improvements in the Ukrainian economy in recent years and its recent economic growth, cumulative foreign direct investment remains low for a country of Ukraine's size. An increase in the perceived risks associated with investing in Ukraine could reduce foreign direct investment in Ukraine and adversely affect the Ukrainian economy. No assurance can be given that Ukraine will be able to increase or maintain access to foreign investment. Although the previous Government led by Prime Minister Tymoshenko emphasised that the plans announced in early 2005 to review the privatisation of a number of major companies are no longer under consideration, it is unclear whether the current Government will follow that policy. Any future attempts to reverse the privatisation of previously privatised enterprises could adversely affect the climate for foreign direct investment and have an adverse effect on the economy of Ukraine which, in turn, may adversely affect MHP's business, results of operations, financial condition and prospects.

Inability to obtain financing from external sources could affect Ukraine's ability to meet financing expectations in its budget

Ukraine's internal debt market remains illiquid and underdeveloped compared with 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 World Bank, the EU and the IMF comprised Ukraine's only significant sources of external financing.

In July 2010, the IMF cancelled the 2008 SBA and approved a new 29-month Stand-By Arrangement ("**2010 SBA**") for Ukraine for approximately U.S.$15.15 billion. As at the date of this Offering Memorandum, Ukraine had received two tranches under the 2010 SBA totalling approximately U.S.$3.4 billion. The goal of the Ukrainian economic programme supported by the 2010 SBA is to entrench fiscal and financial stability, advance structural reforms and put Ukraine on a path of sustainable and balanced growth. To achieve these aims, the 2010 SBA established a number of requirements for the Ukrainian Government relating to fiscal policy, monetary and exchange rate policy, and financial sector policy. The drawdowns of the IMF financing are contingent upon Ukraine's satisfaction of these requirements. Such requirements include, among other things, a ceiling on the cash deficit of the

Government, a floor on net international reserves of the NBU, a ceiling on the net domestic assets and a ceiling on the state-guaranteed debt. The first review of Ukraine's compliance with the 2010 SBA terms commenced in November 2010 and was completed in mid-December 2010. On 22 December 2010, following the completion of the first review, the IMF board approved the second tranche to be provided to Ukraine totalling approximately U.S.$1.5 billion, with U.S.$1.0 billion earmarked for the financing of the State Budget deficit. However, the disbursement of the third tranche, expected to take place in May 2011, was deferred. Further provision of funds by the IMF remains subject to raising domestic gas tariffs as previously agreed which is politically challenging. Such challenges are exacerbated by recent increases in natural gas tariffs for imported gas in accordance with the tariff schedule arranged in 2009 with the Russian gas supplier OJSC Gazprom ("**Gazprom**"). Ukraine is currently in negotiations to amend the tariff schedule with Gazprom but no agreement has yet been reached. See "—Ukraine's economy relies heavily on its trade with Russia and certain other CIS countries and any major change in relations with Russia could have adverse effects on the economy". Any further increase in imported gas prices would require an increase either in domestic gas tariffs to unaffordable levels (for many Ukrainian residents and commercial entities) or Government subsidies for the National Joint-Stock Company "Naftogaz of Ukraine" ("**Naftogaz**"), the Ukrainian state-owned oil and gas company. The 2010 SBA for Ukraine was terminated in December 2012, however, further meetings with the IMF began on 29 January and are ongoing, with the goal of renewing the programme of cooperation between the IMF and Ukraine and discussing the possibility of a new stand-by arrangement in the amount of 10 billion special drawing rights. However, there can be no assurance that such discussion will result in a new stand-by arrangement or that Ukraine would be able to satisfy the conditions for drawdown under any such arrangement.

As part of its cooperation with the EU, in 2013 Ukraine expects to receive financial support amounting to up to €610 million from the EU. On 25 February 2013 the memorandum of understanding and a loan agreement were executed by the parties. The aim of this support is to help to maintain the stability of the Ukrainian economy. The EU's disbursement of funds under this facility may be subject to discretion on their part, and may include consideration of compliance with IMF requirements. This support is expected to be provided in four separate tranches amounting to €100 million, €10 million, €250 million and €250 million, respectively and is likely to have a maturity of 15 years. Before each tranche is granted, the European Commission along with the representatives of the IMF and Ukraine will appraise the progress of Ukraine on compliance with certain reforms criteria set out in the memorandum of understanding.

If the international capital markets or syndicated loan markets continue to be unavailable to Ukraine, it would have to rely further 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 to support foreign exchange reserves. Additionally, Ukraine has indicated that, as part of its debt management policy, it plans to develop the internal debt market and to reduce its reliance on external debt financing. However, reliance on internal debt and the unavailability of external financing may place additional pressure on Ukraine's ability to meet its payment obligations.

External borrowings from multilateral organisations such as the IMF, the EBRD, the World Bank or the EU may be conditional on Ukraine's satisfaction of certain requirements, which may include, among other things, implementation of strategic, institutional and structural reforms, reduction of overdue tax arrears, the absence of an increase of budgetary arrears, the improvement of sovereign debt credit ratings and reduction of overdue indebtedness for electricity and gas. If Ukraine is unable to resort to the international capital markets, syndicated loan markets, and official creditors or obtain adequate financing Ukraine's budget and foreign exchange reserves may be put under financial pressure which may have a materially adverse effect on the Group's business, results of operations and financial condition.

Ukraine's economy relies heavily on its trade with Russia and certain other CIS countries and any major change in relations with Russia could have adverse effects on the economy

Ukraine's economy relies heavily on its trade with Russia and the rest of the CIS countries, largely because Ukraine imports a large proportion of its energy requirements, primarily from Russia (or from countries that transport energy-related exports through Russia). In addition, a large share of Ukraine's services receipts comprise of transit charges for oil, gas and ammonia from Russia, which are delivered to the EU via Ukraine and, as at 30 November 2012, approximately 26% of all Ukrainian exports of goods were made to Russia.

Ukraine, therefore, considers its relations with Russia to be of strategic importance. However, relations between Ukraine and Russia were strained to a certain extent due to (a) disagreements over the prices and methods of payment for gas delivered by the Russian gas supplier Gazprom to, or for transportation through, Ukraine; (b) issues relating to the temporary stationing of the Russian Black Sea Fleet (*Chernomorskyi Flot*) ("**Black Sea Fleet**") on the territory of Ukraine; (c) a Russian ban on imports of meat and milk products from Ukraine; (d) anti-dumping investigations conducted by Russian authorities in relation to certain Ukrainian goods; and (f) issues relating to the delineation of the Russia-Ukraine maritime border.

However, following the election of President Yanukovych in 2010, relations with Russia generally strengthened. On 21 April 2010, Ukraine and Russia signed a new agreement on issues of the stationing of the Black Sea Fleet on Ukrainian waters. Under the agreement, the term for the stationing of the Black Sea Fleet was extended for a further 25-year period (starting upon expiration of the previous terms until 2017) with an additional 5-year extension option and the amount of the lease charges payable for the stationing of the Black Sea Fleet was increased. The agreement also provides that a portion of the lease charges will be set off against discounts in the price of natural gas supplied by Gazprom to Ukraine as described below.

In the past, Russia has threatened to cut off the supply of oil and gas to Ukraine in order to apply pressure on Ukraine to settle outstanding gas debts and maintain the low transit fees for Russian oil and gas through Ukrainian pipelines to European consumers. In line with its threats, in early January 2009, Gazprom substantially decreased natural gas supplies to Ukraine, due to a failure to agree the terms regarding the supply of natural gas. Following negotiations between the Government of Russia and the Ukrainian Government and the signing of agreements on 19 January 2009, between Naftogaz and Gazprom setting out the terms of further natural gas supplies and transit through the territory of Ukraine, Gazprom resumed natural gas supplies to Ukraine and other EU countries on 20 January 2009. Since that date, there have been no further disruptions in the supply of Russian gas to Ukraine and other EU countries through the territory of Ukraine.

Pursuant to the agreements signed between Naftogaz and Gazprom on 19 January 2009 for natural gas supplies and transit during the period from 2009 to 2019, the price of natural gas supplied to Ukraine for domestic consumption and the tariff for the transit of natural gas through the territory of Ukraine is to be determined pursuant to formulas set out in the agreements. In 2009, the average weighted price for natural gas was approximately U.S.$210.2 per 1,000 cubic metres. In 2010, the average weighted price for natural gas increased further. In April 2010, Gazprom agreed to give Naftogaz certain discounts from the otherwise applicable price for natural gas supplied for domestic consumption to Ukraine As a result, the average weighted annual price for natural gas was U.S.$256.7 and U.S.$309 per 1,000 cubic metres in 2010 and 2011, respectively. The price for such imported natural gas in 2012 was U.S.$424.5 per 1,000 cubic metres. While Naftogaz and Gazprom are currently in negotiations about the pricing of gas for domestic consumption in 2013, to date no agreement has been reached. Furthermore, on 25 January 2013, Gazprom invoiced Naftogaz U.S.$7 billion for having imported natural gas below the contracted volume in 2012. According to an official statement made by Naftogaz, Gazprom has been formally notified on several occasions of the intention of Naftogaz to import less gas than it is contractually obliged to in 2012. At this early stage of discussions on the matter between the two companies no assurance can be given as to how the situation will affect relations between Naftogaz and Gazprom as well as natural gas supplies to Ukraine generally. Failure to come to an acceptable compromise may force Ukraine to continue to subsidise Naftogaz to reduce their losses in the event relatively low gas prices for Ukrainians are required to be maintained. Additionally, continuance of such low gas prices and consequent subsidies to Naftogaz may jeopardise future Ukrainian drawdowns from the IMF and other loan programmes, thereby having a significant adverse effect on the economy of Ukraine.

In addition, Naftogaz and its subsidiaries accounted for approximately 8.6 per cent (or UAH 29.6 billion), 11.4% (or UAH 36.0 billion) and 10.9% (or UAH 26.3 billion) of revenues in Ukraine's State Budget in 2012, 2011 and 2010, respectively. However, the State Budget revenues received from Naftogaz and its subsidiaries have been offset by direct subsidies from the State Budget to cover differences between the purchase price of imported gas and the price charged to municipal heating enterprises and other domestic consumers. For example, UAH 3.4 billion and UAH 4.1 billion were extended from the State Budget to Naftogaz to cover this difference in 2010 and 2009, respectively, although in 2011 comparable payments were not made from the State Budget. In addition to these direct subsidies, the Government may use other measures to support Naftogaz, including but not limited to deferral of taxes and increasing the statutory capital of Naftogaz through the issuance of additional shares and their exchange for treasury bills.

Further increases in the price of imported natural gas would continue to put pressure on the Government to continue to support, or to increase support to, Naftogaz to the extent not offset by higher tariffs for domestic consumption. Failure to reduce such support for Naftogaz may continue to delay future drawdowns from IMF and other financing programmes thereby having a significant adverse effect on the economy of Ukraine.

In May 2011, it was reported that Russia plans to divert approximately 20 billion cubic metres of gas per annum from Ukraine's gas transit system to the Nord Stream and South Stream pipelines and bypass Ukraine. The Nord Stream pipeline commenced commercial operations in November 2011. This amount would be equivalent to approximately 20.3% of all gas transported through Ukraine in 2010. In 2012, transit of natural gas through Ukraine decreased to 84.3 billion cubic metres from 104.2 billion cubic metres in 2011, due to the combined effects of Nord Stream and generally lower demand in the EU. Ukraine is seeking to minimise any potential adverse effect of Nord Stream to Naftogaz and the Ukrainian economy in general, including through assurances on transport volumes. Such efforts may not be successful and any decreases in the volumes of gas transportation (due to the launch of Nord Stream, South Stream and other pipelines bypassing Ukraine), further Russian increases in gas supply prices or other developments could adversely affect Naftogaz's future results of operations, reducing the revenue the State Budget receives from Naftogaz or increasing Naftogaz's need for support.

In 2012, almost 25.6% of Ukrainian exports of goods went to Russia, while much of Russia's exports of energy resources are delivered to the EU via Ukraine. Russia's increases in the price for natural gas have adversely affected 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 be implemented successfully.

Although the election of President Yanukovych has generally improved relations with Russia, Ukraine's balance of payments and foreign currency reserves could be materially and adversely affected if bilateral trade relations deteriorate, or if Russia stops transiting a large portion of its oil and gas through Ukraine or if Russia halts supplies of natural gas to Ukraine. Any further adverse 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 revenues derived from transit charges for Russian oil and gas, may have negative effects on the Ukrainian economy as a whole and thus on the Group's business, results of operations and financial condition.

Any deterioration in Ukraine's relationships with western governments and institutions, including the EU, may have a material adverse effect on the Ukrainian economy and the Group's business, financial condition and operational results

Ukraine continues to pursue the objectives of achieving a closer relationship with the EU, and joined the WTO on 16 May 2008. Ukraine was given market economy status from 30 December 2005 by the EU, but without any immediate prospect of EU membership. Following the Fourteenth EU-Ukrainian Summit on 22 November 2010, Ukraine was offered an action plan towards visa liberalisation. The action plan sets out all technical conditions to be met by Ukraine in order to progress towards the establishment of a visa free regime as a long term perspective for short stay travel for Ukrainian citizens.

As discussed above under "—Political and social conflicts or instability could create an uncertain operating environment", due to imprisonment of the former Ukrainian prime minister Yuliya Tymoshenko, prospects of Ukraine's becoming a member of the EU have become more remote. Further, the international press has reported various voting irregularities in connection with the 28 October 2012 Ukrainian parliamentary elections. Such reports contribute adversely to the perception of western governments and multinational institutions regarding Ukraine's commitment to democratic reform. 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 therefore on the Group's business, financial position and results of operations.

A failure to develop relations with the EU might have negative effects on the Ukrainian economy and the Group's business, financial condition and operational results

Ukraine continues to develop its economic relationship with the EU. In 2006, the EU became the largest external trade partner of Ukraine, a trend that continued in 2007, 2008 and 2009. In 2011, the EU's share in the total foreign trade turnover of Ukraine amounted to 26.3%. Goods and services exported from Ukraine to the EU in 2011 amounted to U.S.$21.6 billion, while goods and services imported to Ukraine from the EU amounted to U.S.$29.1 billion. For the twelve months ended 31 December 2012, the EU's share in the total foreign trade turnover of Ukraine amounted to 29.2%.

EU imports from Ukraine are to a large extent liberalised, apart from metal scrap on which Ukraine levies export duties.

In return for effective implementation of political, economic and institutional reforms, Ukraine and other neighbouring countries should be offered the prospect of gradual integration with the EU's internal market, accompanied by further trade liberalisation. Ukraine's accession to the WTO created the necessary preconditions for the launch of formal negotiations for introduction of a free trade area ("**FTA**") with the EU. During negotiations on the FTA held between Ukraine and the EU from 2008 to January 2012, the parties achieved progress in harmonisation of, amongst others, the following areas: trade in goods (including in relation to instruments of trade protection, tariffs, technical barriers in trade, sanitary and customs issues), intellectual property, rules relating to origin of goods, sustainable development and trade, trade in services, and public procurement.

Given that MHP is considering exporting its products to the EU, MHP would benefit from a strong relationship between the EU and Ukraine. Should Ukraine fail to develop its relations with the European Union or should such developments be protracted, it may have negative effects on the Ukrainian economy and, consequently, adversely affect the Group's business, financial condition and operational results and impose risks associated with MHP's further development and growth plans.

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. In May 2010, legislation was passed to implement the recommendations of the FATF and the EU directive on money laundering and terrorist financing. Furthermore, a new anti-corruption law setting forth a general framework for the prevention and counteraction of corruption in Ukraine became fully effective on 1 January 2012. There is no assurance that this law will be effectively applied and implemented by the relevant supervising authorities in Ukraine.

In February 2010, Ukraine was noted by FATF as having demonstrated progress in improving its anti-money laundering and combating the financing of terrorism regime ("**AML/CFT**") despite still having certain strategic AML/CFT deficiencies. Ukraine has made a high-level political commitment to work with FATF and the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism to address these deficiencies. However, in February 2011, the FATF determined that certain strategic AML/CFT deficiencies still remain and called upon Ukraine to continue to work on implementing its action plan to address these deficiencies. From 27 October 2011, Ukraine has no longer been subject to FATF's monitoring for the purposes of AML/CFT compliance. Although the new legislation facilitates anti-corruption efforts in Ukraine, there has been no quantifiable recorded increase in the level of prosecutions or an overall decrease in the levels of corruption in the country. 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 the Group's business, results of operations and financial condition.

Ukraine's developing legal system creates risks and uncertainties for investors in Ukraine and for participants in the Ukrainian economy

Since independence in 1991, the Ukrainian legal system has been developing to support the country's transition from a planned to a market-based economy. However, Ukraine's legal system is 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.

Furthermore, as many Ukrainian laws are relatively new, have a limited history of being applied in the conditions of economic downturn, and given that there is a lack of consensus as to the measures necessary to address adverse developments in the Ukrainian economy, this may put the enforceability and underlying constitutionality of such laws in doubt and may result in ambiguities, inconsistencies and anomalies. Ukrainian legislation often provides for the implementation of regulations. Often such regulations have either not yet been promulgated, leaving substantial gaps in the regulatory infrastructure, or have been promulgated with substantial deviation from the principal rules and conditions imposed by the respective legislation, which results in a lack of clarity and growing conflicts between companies and regulatory authorities.

On 18 January 2013, a number of amendments to the bankruptcy and insolvency law of Ukraine became effective. These amendments include significant changes in the bankruptcy and insolvency law that are directed at creating a more streamlined and efficient insolvency process and remedying defects existing in the current law. However, the entry into force of these amendments may lead to uncertainties in implementation and interpretation of the bankruptcy and insolvency law by Ukrainian courts and government officials.

These and other factors that impact Ukraine's legal system make an investment in the Notes subject to greater risks and uncertainties than an investment in a country with a more mature legal system. The uncertainties relating to the legal system could have a negative effect on the Ukrainian economy and, as a result, materially adversely affect the Group's business, results of operations and financial condition.

Uncertainties relating to the judicial system may hamper development of the economy

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

The court system is also understaffed and underfunded. As Ukraine is a civil law jurisdiction, judicial decisions under Ukrainian law have no precedential effect, except for the decisions of the Supreme Court of Ukraine, taken following the review of rulings of high specialised courts of Ukraine. These decisions of the Supreme Court of Ukraine have precedential effect over the decisions of lower courts taken in similar cases and for governmental bodies applying provisions of Ukrainian law interpreted by the Supreme Court of Ukraine. 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 law to resolve the same or similar disputes. Not all Ukrainian law is readily available to the public or organised in a manner that facilitates understanding. Furthermore, judicial decisions are not always readily available and, therefore, their role as guidelines for interpreting applicable Ukrainian law to the public at large is limited. However, according to a law "On Access to Court Decisions", which became effective on 1 June 2006, decisions of courts which have general jurisdiction in civil, economic, administrative and criminal matters became generally available to the public 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 recent judicial reforms. In particular, on 1 November 2010 the Specialised High Court of Ukraine for Civil and Criminal Matters commenced its activities. This court has become the superior court for all civil and criminal matters in substitution of the Supreme Court of Ukraine. The role of the Supreme Court of Ukraine has been limited to cases, the resolution of which is complicated by inconsistency of judicial interpretation as opposed to a court of appeal in all cases. The process of creation of the Specialised High Court of Ukraine for Civil and Criminal Matters and change in the powers of the Supreme Court of Ukraine has been subject to disagreements and controversies which are continuing as the role and functions of the Supreme Court of Ukraine have been further debated in the Parliament. The generally perceived result of these reforms is that the Ukrainian judicial system has become less certain and even slower than before.

Enforcement of court orders and judgments can in practice be very difficult in Ukraine. The State Execution Service (the "**SES**"), 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 SES 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.

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 law, the legislature of Ukraine may attempt legislatively to overrule any such court decisions by adopting changes to or cancelling the existing laws or regulations with retroactive effect.

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. The Group 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 the Group's business, results of operations and financial condition.

Ukrainian legal entities may be liquidated on the basis of a lack of strict compliance with certain requirements

Certain provisions of Ukrainian law may allow a court to order the liquidation of a Ukrainian legal entity on the basis that it has not complied strictly with certain requirements relating to the formation or operation of such entity. For example, the following grounds may be invoked in requests for the liquidation of a legal entity: (i) formation of the legal entity was performed with defects that cannot be remedied, (ii) the legal entity performs activities that are contrary to its constitutional instruments or violate the law, (iii) the charter capital of the legal entity is below the minimum level determined by law, (iv) the legal entity fails to file tax returns or financial reports for the period of one year, (v) the legal entity exercises certain dangerous works without a valid permit etc. Most of the grounds for the mandatory liquidation of a legal entity are subject to reasonable remedy periods and procedural requirements. Furthermore, as a matter of practice most governmental authorities are reluctant to initiate court proceedings for the liquidation of legal entities, and courts generally take strict approach to the evaluation of the grounds for the liquidation and the competence of the governmental authorities to file such suits.

With effect from 1 January 2013 the list of grounds upon which a court may order the liquidation of a legal entity was expanded and now includes the following: (i) court holds that the issuer of securities is a sham company; (ii) the legal entity fails to file information with the Ukrainian securities regulator for two years in a row; (iii) the joint stock company fails to convoke the general shareholders' meetings for two years; and (iv) the joint stock company fails to form corporate bodies within a year following the private placement of its shares.

In addition, non-compliance with certain laws may formally require the relevant Ukrainian legal entity voluntary goes (but in most cases may not be forced) into liquidation. Examples of such non-compliance are: (i) a failure to form the company's charter capital within terms determined by the law, and (ii) insufficiency of the company's net assets.

MHP generally complies with the above requirements of Ukrainian law and Management believes that none of MHP's Ukrainian subsidiaries should be subject to liquidation on the above grounds.

Management also believes that the financial condition of each of MHP's Ukrainian subsidiaries has been satisfactory at all times, and each is capable of meeting its tax and other third party obligations. At the same time some of MHP's Ukrainian subsidiaries might have failed from time to time to comply fully with some of the applicable legal requirements. If a court or a governmental authority takes an unfavourable view of MHP, it may need to restructure its operations, which could have a material adverse effect on MHP's business, financial condition and operational results.

Ukraine's tax system is underdeveloped and subject to frequent change, which may create an uncertain environment for investment and business activity

Historically, Ukraine has had a number of laws related to various taxes imposed by both central and regional governmental authorities. These taxes include VAT, corporate income tax (profits tax), customs duties and payroll (social) taxes. The tax legislation in Ukraine is not always clearly written or explained and is subject to the interpretation of the tax authorities and other government bodies. Unlike the tax laws of more developed market economies, Ukraine's tax laws have not been in force for a significant period of time, often resulting in unclear or non-existent implementing regulations.

On December 2, 2010, the Parliament adopted a new Tax Code. The majority of the Tax Code provisions took effect from January 1, 2011. The Tax Code aims to create a comprehensive legal framework for tax reform and provides for a wide range of changes to the existing tax system in the areas of tax collection and administration. Among other things, the Tax Code provides for a gradual decrease in the rate of the corporate income tax from the previously applied 25% to 16% in a period from 2011 to 2014. Furthermore, under the Tax Code, the value added tax rate will decrease from 20% to 17% from January 1, 2014. On January 1, 2013, a new residential real estate tax was introduced by the Tax Code under which residential real estate property owned by individuals and legal entities (residents as well as non-residents) is subject to taxation at the rates calculated based on the residential area of the real estate property. The Tax Code also introduces taxation of interest accrued on bank deposits, which will take effect from January 1, 2015. Although the Tax Code is viewed by the Government as a substantial progress in the implementation of the tax reform aimed at modernizing and simplifying the Ukrainian tax system, the Tax Code has attracted wide public criticism and protests from private entrepreneurs throughout Ukraine. There can be no assurance that the adoption of the Tax Code will have a positive effect on the Ukrainian tax system. These and other factors that impact on the Ukrainian tax system make an investment in the Notes subject to greater risk and uncertainty than an investment in a country with a more developed tax system. Apart from the Tax Code, the system of taxation is frequently varied by other statutory enactments amending the Tax Code. This impacts negatively on the predictability of the country's taxation system and, therefore, has an adverse effect on business activity, reducing the attractiveness of the national economy for foreign investors and restricting its opportunities for medium and long-term planning.

As a result of the ambiguity of certain tax regulations and discrepancies in their interpretation by taxpayers and government-controlled agencies, a large amount of explanation and clarification is expected to be published on the application of such laws.

For example, the difficulties in refunding VAT remain an obstacle for investing in the export-oriented sectors of the economy. The complicated process of tax inspections and the contradictory rules on when they should be held create serious barriers to the proper administration of the tax. Due to the budget deficit, taxpayers may not receive VAT refunds to which they are entitled or may not be able to offset them against future tax liabilities because of the absence of an effective legislative mechanism to offset the sums of the amounts of the VAT against taxes and duties.

There is also uncertainty as to the tax treatment of foreign exchange losses, in particular during the financial crisis, as well as ability of taxpayers to utilise such losses generated in prior periods to offset against taxable profits in the current and future periods. The Parliament is likely to introduce significant limitations on carry-forward of tax losses. For example, tax losses incurred by Ukrainian companies prior to the enactment of the Tax Code (which are mainly foreign exchange and operational losses incurred due to 2008 financial crisis) were limited to 25% of the gross amount of such losses per each year during 2012-2015.

The Tax Code put into force the new transfer pricing rules, which came into effect from 1 January 2013, setting out a list of methods for the market price determination. While these rules are supposed to be based on OECD Guidelines, they are drafted in a very concise manner with certain important omissions, which might make them difficult to properly implement in Ukraine.

Under the general rule currently in force, the price agreed by the parties in an agreement shall be deemed to be "the arm's length price", unless otherwise provided in the Tax Code or proven by the tax authorities (the burden of such proof rests with the tax authorities). The new transfer pricing rules list the transfer pricing methods to be used for determining the "arm's length price" which correspond to the OECD Transfer Pricing Guidelines. In addition, to date, there has been only limited guidance as to how these rules and methods are to be applied.

The Tax Code introduces a "safe harbour" in respect of transfer pricing adjustments, effective as at 1 April 2011. Provided the contractual price agreed by the counterparties is within a 20% deviation from the market price, no adjustment to the tax base is required.

However, the new edition of the transfer pricing rules of the Tax Code is currently being developed by the Ministry of Finance of Ukraine and is likely to be introduced in the near future. These new detailed regulations are also expected to be based on OECD Guidelines and provide sufficient details be properly implemented in Ukraine. Under the proposed amendments, no "safe harbours" will be granted for prices falling outside of the range of market prices. The new rules would also introduce strict documentation and reporting requirements for transactions subject to transfer pricing regulations.

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 in relation to taxation. Recent events within Ukraine suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past will be challenged. As a result, significant additional taxes, penalties and interest may be assessed. 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 create tax risks in Ukraine that are more significant than those 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. Nonetheless, this statutory limitation period may not be observed or may be extended in certain circumstances. Moreover, the fact that a period has been reviewed during a tax audit does not exempt this period, or any tax declaration or return applicable to that period, from further review and there is a risk that transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with the passage of time. 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.

There are weaknesses in corporate governance and disclosure standards under Ukrainian law

MHP's operations are conducted entirely through Ukrainian companies. Corporate governance, 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 generally accepted international standards and corporate governance requirements (including those introduced in the UK or the United States). Violations of disclosure and reporting requirements or breaches of fiduciary duties by MHP's Ukrainian subsidiaries could significantly affect the receipt of material information or result in inappropriate management decisions, which may have a material adverse effect on the Group'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, Economic 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 a holding company when:

(i) it is a 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 PJSC 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 Notes and the Trading Market

The Issuer is a holding company and is completely dependent on cash flow from its operating subsidiaries to service its indebtedness, including the Notes

The Issuer is a holding company and its primary assets consist of its shares in its subsidiaries, its interests in the Proceeds Loans to Eledem and cash in its bank accounts. Eledem is an investment company and its primary assets consist of its interests in the Proceeds Loans to the Guarantors and cash in its bank accounts. Only certain of the Guarantors are party to the Proceeds Loans. The Issuer and Eledem have no revenue generating operations of their own, and therefore their cash flow and ability to service their indebtedness, including the Notes and Proceeds Loans, will depend primarily on the operating performance and financial condition of MHP's operating subsidiaries, and the receipt of funds from such subsidiaries in the form of interest payments, dividends or otherwise. The operating performance and financial condition of MHP's operating subsidiaries and the ability of such subsidiaries to provide funds to the Issuer by way of interest payments, dividends or otherwise will in turn depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond the Issuer's control. MHP's operating subsidiaries may not generate income and cash flow sufficient to enable the Issuer to meet its payment obligations on the Notes.

The Indenture will contain covenants that restrict the Issuer and its subsidiaries from making distributions or other payments to creditors unless certain financial tests and other criteria are satisfied. The terms of other agreements to which the Issuer and its subsidiaries may be or become subject may also restrict the ability of its subsidiaries to provide funds to the Issuer. In addition, the Issuer and its subsidiaries may incur other debt in the future that may contain financial or other covenants more restrictive than those contained in the indenture governing the Notes.

Goodwill impairment and other non-cash charges in MHP's consolidated statement, as well as charges recognised directly in equity, such as actuarial losses, foreign exchange rate adjustments and losses on hedges, if incurred, could potentially reduce MHP's reserves available for distribution and thus reduce or prevent dividend payments to the Issuer.

If MHP's future cash flows from operations and other capital resources are insufficient for the Issuer to pay its obligations as they mature or to fund liquidity needs of the Issuer and its subsidiaries, the Issuer and its subsidiaries may, among other things be forced to:

- reduce or delay business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or a portion of their debt on or before maturity; or
- forego opportunities such as acquisitions of other businesses.

There can be no assurance that any of these alternatives can be accomplished on a timely basis or on satisfactory terms, if at all. In addition, the terms of the Issuer's and its subsidiaries' existing and future debt, including the Notes, may limit their ability to pursue any of these alternatives.

MHP's business may be adversely affected as a result of its substantial indebtedness

The Issuer and its subsidiaries have and will continue to have a substantial amount of outstanding indebtedness and obligations with respect to the servicing of such indebtedness. As of 31 December 2012, after giving effect to the Offering and the Tender Offer (assuming that U.S.$350 million aggregate principal amount of the Existing Notes are purchased in the Tender Offer) described in "Use of Proceeds":

- the Issuer would have had long-term senior debt of U.S.$947.9 million (consisting of U.S.$750,000,000 principal amount of the Notes and U.S.$234,767,000 principal amount of the Remaining Existing Notes less the estimated costs related to the issuance, Tender Offer and Consent Solicitation);
- the Guarantors together, after the elimination of any intercompany indebtedness and liabilities, would have had approximately U.S.$501.1 million of Indebtedness (other than Guarantees and guarantees of the Existing Notes), all of which would have consisted of bank borrowings, U.S.$50.0 million of which would have been secured and effectively have ranked senior to the Notes, and Restricted Subsidiaries which are not Guarantors would not have had any bank borrowings; and
- the Group would have had U.S.$67.4 million of finance leases that would effectively rank senior to the Notes and Guarantees.

This substantial indebtedness could have adverse consequences for MHP's business, including:

- requiring MHP to dedicate a substantial portion of cash flow to make payments on indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, new acquisitions and other general corporate purposes;
- increasing the vulnerability of MHP to general adverse economic and industry conditions;
- limiting the flexibility of MHP in planning for, or reacting to, changes in its business and in the poultry industry;
- limiting the ability of MHP to make acquisitions or take other corporate actions;
- placing MHP at a competitive disadvantage compared to competitors who have less indebtedness in relation to cash flow; and
- limiting the ability of MHP to borrow additional funds and increasing the cost of any such borrowings, particularly because of the financial and other restrictive covenants contained in the Indenture governing the Notes.

In addition, to the extent that MHP's debt obligations are based on fixed interest rates, its ability to service these debt obligations could be adversely affected by deflationary periods in which prices for its products may decline, resulting in reduced cash inflows.

Subsidiaries of MHP have indebtedness that is secured and therefore effectively senior to the Notes and the Guarantees

As of 31 December 2012, after giving effect to the Offering and the Tender Offer and the application of proceeds therefrom as described in "Use of Proceeds", MHP would have an aggregate amount of approximately U.S.$50 million of secured indebtedness (excluding finance leases). All of such secured indebtedness will be effectively senior to the Issuer's obligations under the Notes and the Guarantors' obligations under the Guarantees, which are unsecured (except for the Proceeds Loans). Holders of such secured indebtedness will have priority over the Noteholders to the extent of the assets securing such indebtedness. In the event of any distribution or payment of the Issuer's or Guarantors' assets in any foreclosure, dissolution, winding-up, liquidation, reorganisation, or other bankruptcy proceeding, Noteholders will participate in remaining assets ratably with all holders of unsecured indebtedness that is deemed to be of the same class as such Notes or Guarantees, and potentially with all other general creditors, based upon the respective amounts owed to each holder or creditor. There can be no assurance that there will be sufficient assets to pay amounts due on the Notes. As a result, Noteholders may receive less, ratably, than holders of secured indebtedness.

The terms of the Indenture governing the Notes allow MHP to increase the amount of its secured indebtedness under certain conditions. See "Description of Notes".

MHP may not be able to finance a change of control offer required by the Indenture

Upon the occurrence of certain change of control events, MHP will be required to offer to repurchase all outstanding Notes at 101% of the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any, to the date of the repurchase. If any such change of control event were to occur, there can be no assurance that MHP would have sufficient funds available at the time to pay the price of the outstanding Notes. The change of control may cause the acceleration of other indebtedness that may be senior to the Notes or rank equally with the Notes. In any case, Management expects that MHP would require third-party financing to make a change of control offer. There can be no assurance that MHP would be able to obtain this financing. See "Description of Notes—Repurchase at the Option of Holders—Change of Control".

The claims of holders of the Notes may be limited in the event that the Issuer or one or more of the Guarantors is declared bankrupt

Ukrainian bankruptcy law may prohibit the Guarantors from making payments pursuant to the Suretyship Agreement or the Proceeds Loans under certain circumstances. Ukrainian bankruptcy law differs from bankruptcy laws of the United States, and is subject to varying interpretations. There is not enough precedent to be able to predict how claims of holders of the Notes against MHP would be resolved in the event of the bankruptcy of one or more of the Guarantors. In the event of the bankruptcy of a Guarantor, its obligations to holders of the Notes would be subordinated to the following obligations:

- obligations secured by pledges or mortgages of its assets;
- severance pay, employment-related obligations and payment of wages to the Guarantor's employees;
- expenditures associated with the conduct of the bankruptcy proceedings and work of the liquidation commission;
- obligations arising as a result of causing harm to life and health of individuals, as well as, mandatory pension and social security contributions;
- local and state taxes and other mandatory payments (including claims of the respective governmental authorities managing the state reserve fund); and
- expenditure arising from measures to prevent property and ecological damage, harm to the health and safety of individuals.

Further, Article 20 of the Law of Ukraine "On Restoration of a Debtor's Solvency or Declaration of its Bankruptcy" dated 14 May 1992, as restated on 22 December 2011 (the "**Bankruptcy Law**"), permits a court to invalidate agreements or reverse assets-related actions, entered into or made by a debtor after the commencement of the bankruptcy proceedings or within one year prior to the commencement of the bankruptcy proceedings, upon application of an insolvency manager or a competitive creditor. The Guarantee and/or assets-related actions in connection with the Guarantee may be challenged in bankruptcy proceeding on the following grounds: (i) the Guarantor assumed obligations without respective pecuniary actions of the other party, (ii) the Guarantor assumed obligations as a result of which it became insolvent or its performance of monetary obligations to other creditors in part or in full became impossible, (iii) the Guarantor made payment to a creditor on the day when the amount of creditors' claims exceeded the value of assets, etc.

As at the date of this Offering Memorandum the clawback provisions of the Bankruptcy Law are untested and may be subject to varying interpretations. If (i) the bankruptcy proceeding was initiated against the Guarantor within the hardening period of one year either from the date of the Guarantee or performance of asset-related actions in connection with the Guarantee, and (ii) the Guarantee was invalidated or assets-related actions in connection with the Guarantee were reversed on any of the above grounds, the holders of the Notes would be required to return to the liquidation estate of the Guarantor all funds received pursuant to the Guarantee. In turn, the holders of the Notes would have the option either to request the Guarantor to pay the debt under the Guarantee together with other first-ranking claims in the course of the bankruptcy proceedings or request the Guarantor specific performance of its obligations under the Guarantee after the termination of the bankruptcy proceedings.

Moreover, some of the Guarantors, which use ammoniac refrigerating units, may potentially be considered hazardous enterprises. According to the Ukrainian bankruptcy law, hazardous enterprises are subject to special rules on insolvency, including, inter alia, the participation of the state and municipal authorities in any insolvency proceedings and a prohibition of auction sales of their assets other than as part of an integral property complex. Insolvency proceedings may also become protracted upon request by state and/or municipal authorities if they provide suretyship for the Gurantor's liabilities. However, if the Guarantor's debts are not services pursuant to the repayment schedule set out in the suretyship, the holders of the Notes could demand payment from the respective state and/or municipal authorities. In the event that such state and/or municipal authorities breach their obligations with respect to at least one third of creditors' claims to a debtor, such breach could be a ground for early termination of the administration of assets or financial rehabilitation stages of the bankruptcy proceedings and commencement of the liquidation stage of the bankruptcy proceedings in respect of the Guarantor.

Accordingly in the event of the bankruptcy of one or more of the Guarantors, Ukrainian bankruptcy law may materially adversely affect their ability to make payments to holders of the Notes.

Luxembourg insolvency laws may not be as favourable as insolvency laws in other jurisdictions

The insolvency laws of Luxembourg may not be as favourable to Noteholders as insolvency laws of jurisdictions with which investors may be familiar.

The Issuer is incorporated and has its centre of main interests in Luxembourg. Accordingly, insolvency proceedings with respect to the Issuer may proceed under, and be governed by, Luxembourg insolvency laws. The insolvency laws of Luxembourg may not be as favourable to investors' interests as those of other jurisdictions with which investors may be familiar. The following is a brief description of certain aspects of insolvency laws in Luxembourg.

Under Luxembourg insolvency laws, the following types of proceedings (together referred to as insolvency proceedings) may be opened against the Issuer to the extent it has its registered office or centre of main interest in Luxembourg:

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the Issuer or by any of its creditors. Following such a request, the courts having jurisdiction may open bankruptcy proceedings, if the Issuer, having the status of trader (*commerçant*), (a) is in default of payment (*cessation des paiements*) and (b) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court finds that these conditions are satisfied, it may also open bankruptcy proceedings, absent a request made by the Issuer or a creditor. The main effect of such proceedings is the suspension of all measures of enforcement against the Issuer, except, subject to certain limited exceptions, for secured creditors and the payment of creditors in accordance with their rank upon the realisation of assets;
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors; and
- composition proceedings (*concordat préventif de faillite*), which may be requested only by the Issuer (having received prior consent of a majority of its creditors, representing at least three-quarter of the Issuer's liabilities) and not by its creditors. The court's decision to admit a company to the composition proceedings triggers a provisional stay on enforcement of claims by creditors.

In addition to these proceedings, the ability of the Noteholders to receive payment on the Notes may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiements*) or to put the Issuer into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious violation of the commercial code or of the Luxembourg act dated 10 August 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

The Issuer's liabilities in respect of the Notes will, in the event of a liquidation of the Issuer following bankruptcy or judicial liquidation proceedings, rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the concerned Issuer's debts that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law for instance include, among others:

- remuneration owed to employees;
- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise; and
- social security contributions.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realised).

During insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of secured creditors to enforce their security interest may also be limited in the event of controlled management proceedings automatically causing the rights of secured creditors to be frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganisation order given by the court. A reorganisation order requires the prior approval by more than 50% of the creditors representing more than 50% of the Issuer's liabilities in order to take effect.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the Issuer during the period before bankruptcy, the so-called suspect period (*période suspecte*) which is a maximum of six months (and the ten days preceding this six-month period) preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date, notably if the bankruptcy judgment was preceded by certain other judgments rendered in the course of a controlled management proceedings or in the context of a stay of payment (*sursis de paiement*) under Luxembourg law, the court may set the maximum up to six months prior to the filing for such controlled management. In particular:

- pursuant to article 445 of the Luxembourg code of commerce, specified transactions (such as, in particular, the granting of a security interest for antecedent debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have or have not fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg code of commerce payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt company's cessation of payments;
- pursuant to article 21(2) of the Luxembourg act dated 5 August 2005 as amended concerning financial collateral arrangements, notwithstanding the suspect period as referred to in articles 445 and 446 of the Luxembourg code of commerce, where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganisation measures or the entry into force of such measures, this agreement is valid and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it ignored the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it; and
- in case of bankruptcy, article 448 of the Luxembourg code of commerce and article 1167 of the civil code (*action paulienne*) gives the insolvency receiver (acting on behalf of the creditors) the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts. However, as of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. The bankruptcy order provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters. After having converted all available assets of the company into cash and after having determined all the company's liabilities, the insolvency receiver will distribute the proceeds of the sale, on a *pro rata* basis, to the creditors after deduction of the receiver fees and the bankruptcy administration costs.

Insolvency proceedings may hence have a material adverse effect on the Issuer's business and its obligations under the Notes.

The draft bill number 6539 on the preservation of companies and modernising the bankruptcy law (*projet de loi relatif à la préservation des entreprises et portant modernisation du droit de la faillite*) has been tabled with the Luxembourg Parliament on 1 February 2013 and may materially amend currently applicable Luxembourg insolvency laws. Due to the early stage of the parliamentary discussion process, there is no visibility as regards the date when the bill may be voted into law and when the provisions of such law enter into force.

Exchange rate risks and exchange controls generally

Principal and interest on the Notes will be paid in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (a) the Investor's Currency equivalent yield on the Notes, (b) the Investor's Currency equivalent value of the principal payable on the Notes and (c) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Guarantors' Proceeds Loans from Eledem could be challenged as a result of Eledem not being a financial institution

Under one interpretation of the Commercial Code of Ukraine (the "**Commercial Code**"), there is a provision that only allows a Ukrainian borrower to receive a foreign currency loan from a foreign financial institution. A fair reading of Ukrainian legislation supports the interpretation that the specified provision of the Commercial Code is declaratory in nature, and is not restrictive. Based on professional advice received by the Issuer, (i) the Issuer is not aware of any precedent whereby the NBU or any other Ukrainian governmental authority has challenged the permissibility or validity of a loan agreement between a Ukrainian borrower that is not a bank and a foreign lender that is not a financial institution solely on the basis that the foreign lender did not have the status of a financial institution, and (ii) nor is the Issuer aware of any established court practice providing a basis for a loan agreement to be invalidated on such basis. Accordingly, Management believes it is highly unlikely that the validity of the Proceeds Loans to be entered into between Eledem and the Guarantors (the "**Guarantors' Proceeds Loans**") could be successfully challenged on the basis that Eledem is not a financial institution.

An interest rate cap may limit the Guarantors' ability to make payments under the Guarantors' Proceeds Loans

In June 2004, the board of the NBU passed a resolution restricting Ukrainian borrowers of loans granted by foreign lenders from making payments of interest, additional amounts, fees, default interest, penalties and other charges under loan agreements which, in aggregate, exceed an amount determined by applying the applicable maximum interest rate established by the NBU (the "**MIR**") to the principal amount of the loan. As at the date of this Offering Memorandum, the MIR applicable to fixed interest rate loans in major foreign convertible currencies (including U.S. dollars) the maturities of which are less that one year is 9.8% per annum, the MIR applicable to loans the maturities of which are from one year to three years is 10.0% per annum and the MIR applicable to loans the maturities of which are in excess of three years is 11.0% per annum. The NBU has the authority to review and modify the applicable MIR from time to time and may refuse to register amendments to the Guarantors' Proceeds Loans, if any interest rate (including additional amounts, fees, default interest, penalties and other payments) on the Guarantors' Proceeds Loans exceeds the then applicable MIR.

In the event of prepayment of the Guarantors' Proceeds Loans, the NBU would not permit the aggregate amount of interest, additional amounts, fees default interest, penalties and other payments made in connection with the Guarantors' Proceeds Loans to exceed, in aggregate per annum, an amount determined by applying the applicable MIR to the principal amount of the Guarantors' Proceeds Loans. The NBU would require the application of the MIR based on the period for which the Guarantors' Proceeds Loan has been outstanding as at the date of prepayment rather than the contractual maturity, which may result in the application of a lower MIR (e.g. the MIR applicable to fixed interest rate loans the maturities of which are less than one year instead of the MIR applicable to fixed rate loans the maturities of which are in excess of three years). Moreover, because the NBU has the authority to regularly review and modify such MIR from time to time, a reduction in the MIR could further limit the ability of the Holders of Notes to collect interest, additional amounts, default interest or other charges payable in connection with a prepayment of the Notes.

Ukrainian currency control regulations may impact the Guarantors' ability to make payments under the Guarantors' Proceeds Loans and under the Guarantees

The NBU is empowered to establish policies for and to regulate currency operations in Ukraine and has the power to establish restrictions on currency operations and repatriation. Ukrainian currency controls and practice are subject to continuing change, with the NBU exercising considerable autonomy in interpretation and practice.

While at present the Guarantors' Proceeds Loans are only subject to registration with the NBU, and no licence is required to be obtained from the NBU in order to make payments of principal and interest under the Guarantors' Proceeds Loans, no assurance can be given that such law and practice will remain unchanged during their term. So long as the Guarantors' Proceeds Loans are registered with the NBU, payments under the Guarantors' Proceeds Loans to any entity other than Eledem would require prior registration with the NBU of the resulting change in the loan transaction or an individual licence from the NBU. Based on professional advice received by the Issuer, Management believes that the NBU would be inclined to view enforcement by the Trustee of security under the Proceeds Loan Assignment with respect to the Guarantors' Proceeds Loan as a mere assignment of Eledem's claims against the Guarantors to the Trustee and would be in the position to register the change in the loan transaction. The registration of such a change would be effected by the NBU upon examination of the terms of the relevant Proceeds Loan Assignment. However, the NBU has broad discretion in evaluating and approving the registration of such a change in the loan transaction and could reject such registration as a result of, for example, insufficient, misleading or contradictory documentation being provided to the NBU for such registration. As a result, there can be no assurance that such assignment by Eledem to the Trustee under the Proceeds Loan Assignment would be successfully registered with the NBU so as to allow the Guarantors to make payments under Guarantors' Proceeds Loan to the Trustee in the event of an enforcement of security by the Trustee. Should the NBU refuse to register such a change, a Guarantor will not be permitted to make any payments under the Guarantors' Proceeds Loan to any other entity unless it obtains an individual licence of the NBU permitting such payments. There can be no assurance that a Guarantor would receive such a licence in such case and there can be no assurance that the Trustee would be able to meet any requirements of the NBU in connection with any such registration or licence. If the necessary registration or licence were to be refused, no assurance can be given that the Guarantors will be able to make any payments under the Guarantors' Proceeds Loan in the event of enforcement of security by the Trustee.

The Guarantors, as co-obligors, are jointly and severally liable to repay the full amount due to Eledem under the Guarantors' Proceeds Loans. Under applicable Ukrainian legislation, if a Guarantor were required to repay an amount in excess of the principal amount of the Guarantors' Proceeds Loans actually received by it (together with interest thereon) (an "**Excess Guarantors' Proceeds Loan Payment**"), such Guarantor may be required to obtain an individual licence (a "**Foreign Payment Licence**") from the NBU in order to make a cross border Excess Guarantors' Proceeds Loan Payment. However, the NBU does not issue Foreign Payment Licences in advance for contingent payments when the amount and the date of a cross border payment are not known. Based on professional advice, Management believes that it is highly unlikely that a Foreign Payment Licence would not be granted for an Excess Guarantors' Proceeds Loan Payment. However, the NBU has discretion in the issuance of Foreign Payment Licences and there can therefore be no assurance that it will grant a Foreign Payment Licence in these circumstances. The failure or refusal of the NBU to grant such a Foreign Payment Licence cannot affect the validity of the Guarantors' Proceeds Loans or the joint and several liability of the Guarantors under the Guarantors' Proceeds Loans and in the absence of a Foreign Payment Licence a Guarantor would be permitted to make a cross border Excess Guarantors' Proceeds Loan Payment pursuant to a valid and effective order of a Ukrainian court (enforcing a foreign arbitral award or adopted as a result of review of the merits of the dispute).

There is an NBU regulation pursuant to which the State Information and Analytical Center for Monitoring External Commodity Markets (the "**SIAC**") is required to review the fees for services rendered by a non-resident to a resident under an agreement for services (or a series of agreements for similar services purchased within one calendar year from the same payee) with a value in excess of €100,000 (or an equivalent in another currency), excluding payments made according to a registration certificate issued for registration of a loan from a non-resident. Unless a cross-border transaction relating to a non-resident's services is licensed by the NBU, or is otherwise subject to an exemption, any such payment can only be made if the SIAC determines that the value of the services set forth in the agreement (or in the series of agreements) is in line with market standards. If the SIAC for any reason refuses to make that determination, any such payment can be made only on the basis of a specific permission from the NBU. If the SIAC determines that the fees are excessive, or if the SIAC refuses to make that determination and the NBU does not grant a specific permission, the payment of fees cannot be made (unless such decision of the SIAC or the NBU has been overruled by a court order). Based on professional advice received by the Issuer, Management believes that that the Guarantors' payments under the Guarantors' Proceeds Loans will be exempt from this requirement on the basis that the Guarantors' Proceeds Loans will be registered with the NBU.

The Guarantees will constitute suretyships under Ukrainian law. Under applicable Ukrainian legislation, a resident Ukrainian entity may be required to obtain a Foreign Payment Licence from the NBU in order to make cross-border payments pursuant to a suretyship (although no Foreign Payment Licence is required for a resident Ukrainian entity to issue the suretyship). However, as discussed above, the NBU does not issue Foreign Payment Licences in advance or for contingent payments when the amount and date of a cross-border payment are not known. Although there have been instances in which the NBU took a liberal approach to the relevant legislation and did not require a Foreign Payment Licence to be obtained in order to make a cross-border payment under a suretyship, there can be no assurance that such a position of the NBU will be maintained in a particular situation or in the future. A change of the NBU's position with regard to Foreign Currency Licences cannot affect the validity of a particular suretyship, and in the absence of a Foreign Payment Licence, a resident Ukrainian entity that is the issuer of a suretyship would be permitted to make cross-border payments under such suretyship pursuant to a valid and effective order of a Ukrainian court (enforcing a foreign arbitral award or adopted as a result of review of the merits of the dispute).

The ability of the Guarantors to make cross-border payments under the Guarantees may be further impeded by Ukrainian currency control regulations restricting a resident Ukrainian entity's ability to purchase foreign currency in order to make payments under a suretyship issued with respect to obligations of a foreign debtor. At the same time, the Guarantors may utilise their own foreign currency funds for the purpose of making such cross-border payments pursuant to the Guarantees. In addition, for corporate law reasons, the amount collectible under the Guarantee of MFC will be limited to U.S.$100 million.

The Guarantors' payments under the Guarantors' Proceeds Loans may be subject to withholding tax

In general, interest payments on borrowed funds made by a Ukrainian entity to a non-resident are subject to Ukrainian withholding tax at a rate of 15%, unless the withholding tax is reduced or eliminated pursuant to the terms of an applicable tax treaty. Based on professional advice received by the Issuer, Management believes that interest payments made by Guarantors to Eledem under the Guarantors' Proceeds Loan should not be subject to withholding tax under the terms of the currently applicable Double Tax Treaty, provided that Eledem is deemed a resident of Cyprus within the scope of the Double Tax Treaty. However, the New Convention (which has not yet become effective), provides for taxation at source in Ukraine of interest at 2% of the gross amount of the interest if the beneficial owner of the interest is a resident of Cyprus. 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 Issuer becoming tax resident in a jurisdiction other than Cyprus" above. When the New Convention becomes effective, the provisions of the New Convention will apply and the benefits of the Double Tax Treaty will no longer be available.

In circumstances where payments under the Guarantors' Proceeds Loans become payable to the Note Security Agent pursuant to the collateral assignment of the Guarantors' Proceeds Loans, benefits of the

Double Tax Treaty may cease and payments under Guarantors' Proceeds Loans to the Note Security Agent may be required to be made subject to a Ukrainian income tax withholding at a rate of 15%, or such other rate as may be in force at the time of payment. The imposition or possibility of imposition of such withholding tax could adversely affect the value of the Notes.

The Guarantors may not be able to pay additional amounts

If a Guarantor is required to withhold any amount from any payment under its Guarantee, as a consequence of or pursuant to the Ukrainian tax laws, such Guarantor will be obliged to pay such additional amounts as may be necessary so that the net payments received by the Trustee or any other party will not be less than the amount the Trustee or any other party would have received in the absence of such withholding. Ukrainian tax legislation broadly prohibits contractual provisions requiring one party to pay tax on behalf of another party. In May 2012, the State Tax Service of Ukraine issued a letter indicating that under the Tax Code of Ukraine, tax gross-up, tax reimbursement and tax indemnity clauses of agreements between Ukrainian residents and their foreign counterparties contravene the requirements of Ukrainian legislation that prohibit the shifting of the foreign counterparty's tax payment obligation to the Ukrainian resident. There is a risk that such restriction would also apply to gross-up provisions of any of such relevant Guarantee and obligations of the Guarantors to pay additional amounts thereunder. As a result, gross-up provisions could be found null and void and, therefore, unenforceable against the Guarantors in Ukraine.

The Guarantees will constitute suretyships under Ukrainian law and could be challenged

The Guarantees will constitute suretyships under Ukrainian law. Under the Law of Ukraine "On Financial Services and the State Regulation of the Markets of Financial Services" dated 12 July 2001, suretyships are considered "financial services", which may only be rendered by a duly licensed bank or other financial institution or, as an exception, by a non-financial institution when expressly permitted by a law of Ukraine or the State Commission of Ukraine on the Regulation of the Markets of Financial Services (the "**Commission**"). The Commission has recently permitted non-financial institutions to issue suretyships, subject to compliance by the issuer of a suretyship with anti-money laundering requirements and procedures. Ukrainian companies often conclude suretyship agreements, and neither the Commission nor Ukrainian courts have as yet challenged such practice. However, due to a lack of guidance by the Commission with regard to the exact scope of such compliance, a particular surety could be viewed by the Ukrainian authorities or courts as not complying with such requirements and procedures and, accordingly, the legal capacity of such surety to issue a suretyship and the validity of any particular suretyship could be challenged. Based on professional advice received by the Issuer, Management believes that any such challenge is highly unlikely.

Foreign judgments may not be enforceable in Ukraine

Courts in Ukraine will generally not recognise and/or enforce any judgment obtained in a court of a country other than Ukraine unless such enforcement is envisaged by an international treaty to which Ukraine is a party, and then only in accordance with the terms of such treaty. There is no such treaty in effect between Ukraine and the United Kingdom or the United States. Accordingly, the holders of the Notes and other parties to the Indenture, the Suretyship Agreement and the Proceeds Loans would generally not be able to enforce their rights thereunder.

In the absence of such international treaty, the Ukrainian courts may recognise and enforce a foreign court judgment only on the basis of the principle of reciprocity. Ukrainian legislation provides that unless proven otherwise the reciprocity is deemed to exist in relations between Ukraine and the country where the judgment was rendered. However, Ukrainian legislation does not provide for any clear rules on the application of the principle of reciprocity and there is no official interpretation or established court practice on these provisions of Ukrainian legislation. Accordingly, there is no assurance that the Ukrainian courts will recognise or enforce a judgment rendered by United States or United Kingdom courts on the basis of the principle of reciprocity. Furthermore, the Ukrainian courts might refuse to recognise and enforce a foreign court judgment on the basis of the principle of reciprocity on the grounds provided in Ukrainian legislation in effect on the date on which such recognition and/or enforcement are sought.

Since Ukraine is a party to the New York Convention, an arbitral award would be enforceable in Ukraine, subject to the terms of the New York Convention and compliance with applicable Ukrainian procedural rules. See "Service of Process and Enforcement of Civil Liabilities".

There is no public market for the Notes

There is no existing market for the Notes, and there can be no assurance regarding the future development of a market for the Notes. Application has been made for admission to trading of the Notes on the Global Exchange Market of the Irish Stock Exchange. However, an active trading market in the Notes may not develop or be maintained after listing. No assurance can be made as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell the Notes or the price at which Noteholders may be able to sell the Notes. The liquidity of any market for the Notes will depend on the number of Noteholders, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Issuer's financial condition, performance and prospects, as well as recommendations of securities analysts.

If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes.

The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including the credit rating of the Guarantor, and the trading market for notes issued by or on behalf of Ukraine as a sovereign borrower.

The market price of the Notes is influenced by economic and market conditions in Ukraine and, to a varying degree, economic and market conditions in other CIS and eastern European countries and emerging markets generally. In recent years and in the past the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's operating results, financial condition or prospects or the credit rating of the Guarantor. Even if the Ukrainian economy remains relatively stable, financial turmoil in these other countries could materially adversely affect the market price of the Notes. Since the beginning of the current financial and economic crisis, many global securities markets have experienced extreme price and volume fluctuations, particularly those in Ukraine and other developing economies. Continuation or intensification of financial or economic turmoil could materially adversely affect the market price of the Notes.

Any negative change in Ukraine's or the Notes' credit rating could adversely affect the market price of the Notes

Ukraine's foreign currency denominated sovereign bonds are rated "B− (positive)" by S&P, "B− (stable)" by Fitch and "B2 (negative)" by Moody's and the Notes are expected to be rated B by S&P and B by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Any negative change in Ukraine's or the Notes' credit rating could materially adversely affect the market price of the Notes.

Judgments obtained in US courts against Eledem may not be enforceable in Cyprus

Eledem is a private company with limited liability incorporated under the laws of Cyprus, all of Eledem's directors and executive officers reside outside of the United States and all or a substantial portion of the assets of Eledem and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process, including judgments, upon Eledem or such persons outside of the United States. It may also be difficult for investors to enforce against Eledem judgments obtained in non-Cyprus courts.

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 favor a final and conclusive judgment of a U.S. court has been rendered must file, under principles of common law, its claim as a new, separate action with a court of competent jurisdiction of Cyprus in order to obtain an enforceable judgment. Under current practice, this party may submit, to the Cyprus court, under the new, separate 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 should, 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.

In addition, a creditor who holds a judgment in its favor for a debt, or definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty) seeking to enforce a final and conclusive foreign judgment in Cyprus given in a court of a country with which Cyprus has not concluded a bilateral treaty nor is connected with a convention for recognition and enforcement of judgments in Cyprus, cannot do so by direct execution of the judgment, but must instead bring an action in Cyprus on the foreign judgment. Enforcement in Cyprus could be refused on grounds of fraud on the part of the party in whose favor the judgment is given or fraud on the part of the court pronouncing the judgment or on the ground that its enforcement or, as the case may be, recognition, would be contrary to public policy. Since Cyprus is a party to the New York Convention, an arbitral award obtained in a state which is also a party to the New York Convention, such as the United States, should be enforceable in Cyprus, subject to the terms of the New York Convention. See "Service of Process and Enforcement of Civil Liabilities".

The transfer of the Notes will be restricted, which may adversely affect the value of the Notes

The Notes have not been and will not be registered under the U.S. Securities Act, or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Notes and the Indenture will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. It is each Noteholders' obligation to ensure that offers and sales of the Notes within the United States and other countries comply with applicable securities law.

USE OF PROCEEDS

The gross proceeds to MHP of the Offering of the Notes will be U.S.$750.0 million. The Issuer intends to use the proceeds from the Offering to fund the Tender Offer for, and concurrent Consent Solicitation in respect of, the Existing Notes with the balance of such proceeds being used for the repayment of certain other debt, for general corporate purposes and to finance the expansion and diversification of the Issuer's poultry and grain businesses.

The following table sets forth the estimated sources and uses of the proceeds from the Offering of the Notes:

Sources of Funds	(U.S.$ in millions)	Use of Funds[1]	(U.S.$ in millions)
Notes	750	Repay Existing Notes pursuant to the Tender Offer and pay for consents pursuant to the Consent Solicitation[2]	386
		Repay certain existing debt	90
		General corporate purposes and expansion of Issuer's businesses	274
Total sources	750	Total uses	750

Notes:

(1) Underwriting, accounting, legal and other expenses of the Offering estimated to be in the range of U.S.$6 to 10 million will be paid by MHP or one of its subsidiaries from its own cash reserves.

(2) Repayment of the principal amount of Existing Notes consists of U.S.$350 million and U.S.$36 million for the Tender Offer consideration and Consent Solicitation fee. See "Tender Offer".

TENDER OFFER

On 6 March 2013, the Issuer launched the Tender Offer and the Consent Solicitation, with respect to its Existing Notes, all pursuant to the procedures, terms and conditions set out in the Tender Offer and Consent Solicitation Memorandum dated 6 March 2013. In the Tender Offer, the Issuer offered U.S.$1,095.00 for every U.S.$1,000 principal amount of Existing Notes tendered on or prior to 20 March 2013 (the "**Early Tender Date**") and is offering U.S.$1,045.00 for every U.S.$1,000 principal amount of Existing Notes tendered thereafter on or prior to 4 April 2013.

In addition, the Issuer solicited consents from holders of the Existing Notes for a consent fee of U.S.$5.00 per U.S.$1,000 principal amount of Existing Notes. Holders of Existing Notes that have tendered their Existing Notes in the Tender Offer were deemed to have consented to the proposed amendments as set out in the Consent Solicitation and Tender Offer Memorandum (the "**Proposed Amendments**"). Any consents submitted or Existing Notes tendered after the Early Tender Date will not be eligible for the consent fee. The purpose of the Proposed Amendments is to harmonise certain covenants in the Existing Notes with the Notes, including (i) a modification of the consolidated leverage ratio and other provisions contained in the indenture for the Existing Notes to conform them to the Indenture for the Notes and (ii) making certain technical changes to the existing proceeds loans (the "**Existing Proceeds Loans**") permitted by the indenture for the Existing Notes and to adapt the interest and maturity profile of these Existing Proceeds Loans to MHP's capital structure following the issue of the Notes and the completion of the Tender Offer and to amend the assignments in respect of the Proceeds Loans to facilitate such changes.

Settlement in respect of the Tender Offer will be on or around 5 April 2013.

EXCHANGE RATE INFORMATION

The audited consolidated financial statements of MHP as at and for the years ended 31 December 2010, 2011 and 2012 (together, the "**Audited Consolidated Financial Statements**") included in this Offering Memorandum have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). MHP's Audited Consolidated Financial Statements are presented in U.S. dollars, which is the Group's presentation currency. The functional currency of the entities within the Group is the Ukrainian hryvnia ("**UAH**"). The results and financial position of the Group are translated into the presentation currency using the following procedures: a) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate as of the reporting date of that statement of financial position; b) income and expenses for each consolidated statement of comprehensive income are translated at exchange rates at the dates of the transactions; c) all resulting exchange differences are recognised as a separate component of equity. For practical reasons, the Group translates items of income and expenses for each period presented in the financial statements using the quarterly average rates of exchange, if such translations reasonably approximate the results translated at exchange rates prevailing at the dates of the transactions. For a discussion of the functional currency of the entities within the Group and the presentation currency of the Group, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Functional and Presentation Currency." This translation methodology gives rise to a different result than if the income and expenses statements had been translated at a single current exchange rate, as in a convenience translation.

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. These rates are not necessarily the same rates that have been used in the preparation of MHP's Audited Consolidated Financial Statements (see above explanation).

Year	Period end	Average(1)	High	Low
2010	7.96	7.94	8.01	7.89
2011	7.99	7.97	7.99	7.93
2012	7.99	7.99	7.99	7.98
2013(2)	7.99	7.99	7.99	7.99

Source: NBU.

Notes:

(1) The period average in respect of a year is calculated as the average of the exchange rates on the last day of each month for the relevant annual period on which the NBU published an exchange rate.

(2) Up to and including 22 March 2013.

The table below sets forth, for the period-ends, official rates set by the NBU for the purchase of hryvnia, expressed in hryvnia per Euro. The NBU's hryvnia/Euro exchange rate as reported on 22 March 2013 was UAH 10.32 to the Euro. In addition, the table also sets forth for the period-ends rates as reported by the Federal Reserve Bank of New York for the purchase of Euro, expressed in U.S. dollar per Euro.

Year	Period end	Period end
	UAH	U.S.$
2010	10.57	1.33
2011	10.30	1.30
2012	10.54	1.32
2013 (28 Feb)	10.47	1.31

Source: NBU/The Federal Reserve Bank of New York

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

CAPITALISATION

The following table sets forth, as of 31 December 2012: (i) U.S. dollar amounts of actual short-term and long-term bank borrowings, Existing Notes and equity items of MHP, derived from the Audited Consolidated Financial Statements but does not include accrued interest included elsewhere in this Offering Memorandum—see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations" and (ii) such items as adjusted to give pro forma effect to the Offering and the Tender Offer without taking into account future interest (assuming U.S.$350 million aggregate principal amount of the Existing Notes are purchased in the Tender Offer) and the repayment of certain existing indebtedness out of the proceeds of the Offering. See "Use of Proceeds".

	As at 31 December 2012	
	Actual	**As adjusted**
	U.S.$	**U.S.$**
	(In thousands)	
Short-term bank borrowings (including current portion of long-term borrowings)(1)(2)	301.6	211.6
Short-term finance lease obligation	21.5	21.5
Long term bank borrowings, net of current portion	199.5	199.5
Long term finance lease obligation	46.0	46.0
Existing Notes(3)(4)	571.5	227.6
Notes(5),(6)	—	720.3
Total indebtedness	1,140.1	1,426.5
Share capital	284.5	284.5
Treasury shares	(65.4)	(65.4)
Additional paid-in capital	182.0	182.0
Revaluation reserve	22.9	22.9
Translation reserve	(241.2)	(241.2)
Retained earnings(7)	977.0	953.4
Equity attributable to equity holders of the Parent	1,159.8	1,136.2
Non-controlling interest	39.0	39.0
Total equity	**1,198.8**	**1,175.2**
Total capitalisation(8)(9)	**2,338.9**	**2,601.7**

Notes:

(1) Has not been netted against actual cash and cash equivalents of U.S.$94.8 million as at 31 December 2012.

(2) As adjusted reflects repayment of U.S.$90 million of borrowings with a portion of the proceeds of the Offering.

(3) The principal amount of the Existing Notes outstanding at 31 December 2012 was U.S.$ 584.8 million. The U.S.$ 571.5 million included in the table reflects the carrying value of the obligation due to unamortised debt issuance costs and premium on bonds issued.

(4) As adjusted assumes U.S.$350 million aggregate principal amount of the Existing Notes are purchased in the Tender Offer, less estimated unamortized issuance costs of U.S.$6.1 million.

(5) MHP is currently evaluating the accounting treatment for the Offering, Tender Offer and Consent Solicitation. The adjusted capitalization table has been prepared based on available information and best estimates of Management. Final accounting treatment may be different.

(6) As adjusted reflects the estimated carrying value of the Notes and consists of estimated net proceeds from the sale of the Notes, after estimated transaction costs of U.S.$29.7 million, which are assumed to be amortised for accounting purposes.

(7) Retained earnings is adjusted for the portion of the estimated costs related to the Tender Offer and Consent Solicitation of U.S.$20.0 million, which for the purposes of the aforementioned capitalisation table, MHP has assumed will be expensed as incurred, and unamortised issuance costs of U.S.$3.6 million related to the portion of the Tender Offer for the Existing Notes (see footnote (4) above), which, for accounting purposes, has been treated as debt extinguishment.

(8) Total capitalisation is total indebtedness, and total equity.

(9) Except as described above and in "Description of Other Indebtedness", there has been no material change in total capitalisation and indebtedness (including in respect of contingent liabilities and guarantees) of MHP since 31 December 2012.

Other than as detailed above, the Group does not have any loan capital or borrowings (whether secured or unsecured, guaranteed or unguaranteed), contingent liabilities or guarantees.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected historical consolidated financial information as of 31 December 2010, 2011 and 2012 and for the years then ended, set forth below has been derived without material adjustments from the Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum, prepared on the basis of International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). This section should be read together with the Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum, as well as together with "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Year ended 31 December		
	2010	2011	2012
	U.S.$ (in thousands, except ratios)		
INCOME AND EXPENSES DATA:			
Revenue	**944,206**	**1,229,090**	**1,407,522**
Net change in fair value of biological assets and agricultural produce	29,014	21,288	16,734
Cost of sales	(680,637)	(889,127)	(1,001,909)
Gross profit	**292,583**	**361,251**	**422,347**
Selling, general and administrative expenses	(102,107)	(106,447)	(120,485)
VAT refunds and other government grants income	82,058	87,985	102,369
Other operating expenses, net	(15,750)	(22,045)	(23,648)
Operating profit	**256,784**	**320,744**	**380,583**
Finance income	13,309	6,356	3,350
Finance costs	(62,944)	(65,918)	(59,311)
Foreign exchange gain/(loss), net	10,965	2,318	(3,285)
Other expenses, net	(793)	(1,385)	(2,633)
Other expenses, net	**(39,463)**	**(58,629)**	**(61,879)**
Profit before tax	**217,321**	**262,115**	**318,704**
Income tax expense	(1,873)	(2,760)	(7,788)
Profit for the year	**215,448**	**259,355**	**310,916**
Profit attributable to:			
Equity holders of the parent	205,395	243,376	297,104
Non-controlling interest	10,053	15,979	13,812
Earnings Per Share:			
Basic and diluted earnings per share (USD per share)	1.88	2.26	2.80
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AS OF PERIOD END):			
Property, plant and equipment	744,965	1,008,923	1,339,687
Cash and cash equivalents	39,321	94,758	94,785
Total assets	**1,574,009**	**1,944,360**	**2,488,108**
Equity attributable to equity holders of the Parent	640,984	881,320	1,159,655
Non-controlling interests	29,384	44,489	39,008
Total equity	**670,368**	**925,809**	**1,198,663**
Long-term bank borrowings	58,426	109,108	199,483
Long-term bonds issued	562,886	567,000	571,515
Long-term finance lease obligations	37,389	32,558	45,955
CASH FLOW DATA:			
Net cash flows from operating activities	96,580	197,661	198,134
Net cash flows used in investing activities	(329,728)	(121,137)	(260,406)
Net cash flows from/(used in) financing activities	250,150	(21,114)	62,279
OTHER MEASURES:			
EBITDA(1)	**334,858**	**402,018**	**461,800**
Adjusted EBITDA(1)	**324,686**	**401,085**	**467,718**
Capital expenditures and acquisition of subsidiaries(2)(3)	223,009	333,182	385,897

Notes:

(1) EBITDA and Adjusted EBITDA are not measures of performance under IFRS. The Issuer defines EBITDA as profit for the year before income tax expense, finance costs, finance income, depreciation and amortization expense. Adjusted EBITDA is derived by adjusting EBITDA for foreign exchange (loss)/gain, net, and other expenses, net. The Issuer has made these adjustments to EBITDA as Management believes that these line items are not operational in nature and do not reflect the true nature of the business and/or these line items are either non-recurring or unusual in nature. The Issuer 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 in MHP's business operations to, amongst 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. See "Presentation of Financial and Other Information".

EBITDA and Adjusted EBITDA 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 MHP's future cash requirements. EBITDA and Adjusted EBITDA are not measures of profitability because, in the case of EBITDA or Adjusted EBITDA the measures do not include costs and expenses for depreciation and amortisation, net finance costs and income taxes and, in the case of Adjusted EBITDA, it does not include foreign exchange gains and losses (net), other expenses and other income. Also, because EBITDA and Adjusted EBITDA 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 is as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
		U.S.$ (in thousands, except ratios)	
Profit for the year	215,448	259,355	310,916
Income tax expense	1,873	2,760	7,788
Finance costs	62,944	65,918	59,311
Finance income	(13,309)	(6,356)	(3,350)
Depreciation and amortisation expense	67,902	80,341	87,135
EBITDA	334,858	402,018	461,800
Adjustments:			
Other expenses, net	793	1,385	2,633
Foreign exchange (gain)/loss, net	(10,965)	(2,318)	3,285
Adjusted EBITDA	324,686	401,085	467,718

(2) Capital expenditures refer to purchases of property, plant and equipment, including those purchased through finance lease and direct bank-lender payments to the vendor, acquisition of land lease rights, purchases of non-current biological assets and other non-current assets.

(3) Acquisition of subsidiaries comprised U.S.$52,067 thousand in 2010, and U.S.$ nil in 2011 and 2012.

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 at, and for the years ended, 31 December 2012, 2011 and 2010 should be read together with the Audited Consolidated Financial Statements and the other information included elsewhere in this Offering Memorandum. The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). 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, vertically integrated, agro-industrial companies in Ukraine, operating each stage of the poultry production process, from cultivation of land to production and distribution of chicken meat. MHP is the leading producer of poultry and poultry products in Ukraine, with around 50% share of the market for industrially produced chicken in 2012, according to SSSU. In May 2010, in accordance with its poultry production expansion program, MHP commenced the construction of the greenfield Vinnytsia complex (the "**Vinnytsia Complex**") which Management expects when completed, to be the biggest poultry production facility in Europe. In 2012, MHP commissioned production facilities at the first phase of the Vinnytsia Complex. The commissioned production facilities have been operational since the end of 2012 and are expected to reach their full production capacity in the middle of 2014. Also, MHP is one of the leading grain producers in Ukraine holding one of the largest land banks of around 285,000 hectares in 2012, of which approximately 255,000 hectares are used in the grain growing segment for grain production and approximately 30,000 hectares are used in the other agricultural segment primarily, as pasture for cattle and pigs, to grow grain for fodder for cattle and pigs and for fruit orchards. In addition, MHP produces and sells sunflower oil as a by-product of its fodder production, as well as sausages, cooked meats, convenience food products, goose meat, foie gras, beef, milk, pork and fruit.

MHP distributes its chicken products through its branded franchise points of sale and on a wholesale basis directly to retailers, including supermarkets and hypermarkets, foodservice businesses and industrial producers. In 2012, MHP sold approximately 40% of its chilled chicken through "Nasha Riaba" branded franchise outlets, 40% to supermarkets and other retail chains and 20% to other retailers, including traditional independent shops and convenience stores, foodservice customers (hotel, restaurant and cafeteria operators, or "**HoReCa**") and producers of meat-processed products. In 2012 MHPs's export sales of chicken meat comprised 15% of total chicken meat sales volumes. The main export markets for MHP's poultry products in 2012 were Kazakhstan and Russia, other CIS countries, the Middle East, Central Asia and Africa. Pursuant to the EU Regulation No. 88/2013 of 31 January 2013, Ukraine has received permission for export of poultry products into EU countries and several of MHP's production sites were pre-certified by the EU Commission in 2010. Upon the completion of various formalities and final accreditation of MHP's facilities by the EU Commission this development is expected to present the opportunity for MHP to increase its chicken meat export sales in the near future. MHP sells most of its chicken products under the "Nasha Riaba" 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 and cooked meat products under the "Druzhba Narodiv", "Baschinsky" and "Europroduct" brands. MHP's other meat products are sold principally to retailers and supermarkets. MHP sells all of the rapeseed, soybean and most of the wheat it produces as well as corn in excess of internal consumption, for export, to receive USD denominated proceeds.

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

- *Poultry and related operations*—This segment, comprising the production and sale of chicken meat products, sunflower oil, mixed fodder and convenience food products, had revenues in 2012 of U.S.$1,083.0 million, or 76.9% of MHP's total revenues. This amount excludes intersegment sales in 2012 of U.S.$42.9 million.
- *Grain growing operations*—This segment, comprising the production and sale of oil grains and feed grains to third parties, had revenues in 2012 of U.S.$169.1 million, or 12.0% of MHP's total revenues. This amount excludes intersegment sales in 2012 of U.S.$147.7 million relating to the sale of grain, principally corn and sunflower, used in MHP's poultry production. If internal sales

were not eliminated, this segment would have represented approximately 19.8% of MHP's total revenues.

- *Other agricultural operations*—This segment comprises the production and sale of sausages and cooked meats produced by the Group's Druzhba and Ukrainian Bacon entities, as well as sales of goose meat, foie gras, beef, pork and fruits. Other agricultural operations generated revenues in 2012 of U.S.$155.4 million, or 11.0% of MHP's total revenues. This amount excludes intersegment sales in 2012 of U.S.$5.1 million.

During the years under review, MHP has generally operated its chicken production facilities at full capacity, except the Vinnytsia Complex, which was primarily operated in a trial mode and is expected to reach its full production capacity in forthcoming years. Increased revenues have generally resulted from both a substantial increase in chicken prices and a slight increase of production volume resulting from the commissioning of facilities at the Vinnytsia Complex, year on year.

For the years ended 31 December 2012, 2011 and 2010, MHP had total revenue of U.S.$1,407.5 million, U.S.$1,229.1 million and U.S.$944.2 million, respectively. Profit for the year increased to U.S.$310.9 million in 2012 from U.S.$259.4 million in 2011 mainly due to higher returns earned in the poultry and related operations segment. MHP's gross profit margin was approximately constant and comprised 30.0% in 2012, 29.4% in 2011 and 31.0% in 2010. The Adjusted EBITDA margin was relatively stable and constituted 34.4%, 32.6% and 33.2% in 2010, 2011 and 2012, respectively.

The table below sets out MHP's total revenue, profit for the year and gross profit margin for the years ended 31 December 2010, 2011 and 2012.

	Year ended 31 December		
	2010	2011	2012
	(U.S.$, except percentages)		
Total revenue (in thousands)	944,206	1,229,090	1,407,522
Profit for the year (in thousands)	215,448	259,355	310,916
Gross profit margin	31.0%	29.4%	30.0%
Adjusted EBITDA margin	34.4%	32.6%	33.2%

MHP's chicken sales volume increased from approximately 331,400 tonnes of adjusted weight in 2010, to 370,900 tonnes in 2011 and to 375,300 tonnes in 2012. Since the end of 2012, production facilities at the first phase of the Vinnytsia Complex previously operated in a trial mode, started commercial production, achieving a full capacity in the middle of 2014. In 2012 the Vinnytsia Complex produced about 20,000 tonnes of chicken meat. During 2013 MHP expects to gradually increase the capacity utilisation of the new complex and expects to add at least 60,000 tonnes to the current volumes.

Functional and Presentation Currency

The functional currency of MHP is the Ukrainian hryvnia ("**UAH**" or "**hryvnia**"). Transactions in currencies other than the hryvnia are treated as transactions in foreign currencies. Such transactions are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than hryvnia are translated at the rates prevailing on the date of the consolidated statement of financial position. All realised and unrealised gains and losses arising on exchange differences between the hryvnia and any other currency are included in the profit or loss for the relevant period.

Starting from the 2008 financial year, the Group changed its presentation currency to U.S. dollars. The decision was made because, in Management's judgment, presenting financial statements in U.S. dollars improves the understanding of the Group's financial position and performance by users.

MHP's consolidated financial statements are presented in U.S. dollars ("**USD**", "**U.S.$**" or "**U.S. dollars**"), which is the Group's presentation currency.

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", the results and financial position of MHP are translated from hryvnia into U.S. dollars for presentation purposes using the following procedures:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing exchange rate as at the date of that consolidated statement of financial position.

- Income and expenses for each consolidated statement of comprehensive income are translated at exchange rates at the dates of the transactions.
- All resulting exchange differences are recognised as a separate component of equity.

For practical reasons, the Group translated certain items of income and expenses for each period presented in the financial statements using the quarterly average rates of exchange, if such translations were reasonably approximate to the results of transactions translated at individual historical currency rates.

As a result of the translation methodology used for the items of income and expenses, percentages relating to U.S. dollar numbers are not necessarily the same as the percentages relating to the equivalent UAH numbers included in this section. In addition, this translation methodology gives rise to a different result than if the income and expenses statements had been translated at a single current exchange rate, as in a convenience translation.

During 2012, 2011 and 2010 the Ukrainian hryvnia was relatively stable and profit and loss indicators for those years were calculated at comparatively the same exchange rates:

Currency	Closing rate as of 31 December 2012	Average for 2012	Closing rate as of 31 December 2011	Average for 2011	Closing rate as of 31 December 2010	Average for 2010
UAH/USD	7.9930	7.9910	7.9898	7.9677	7.9617	7.9353

As a result of relatively stable exchange rates of hryvnia to U.S. dollar through the periods under discussion and the described approach by MHP to functional and presentation currencies, the numbers included in this discussion and analysis of financial condition and results of operations are, as appropriate, presented in U.S. dollars only.

Segments and Intragroup Transactions

Intragroup transactions amongst MHP's three segments are eliminated in MHP's consolidated statement of comprehensive income. Due to the high level of vertical integration within MHP's operations, there are a significant number of transactions between companies in the Group.

The most significant category of intersegment sales is the grain growing segment's sales of grain for fodder production primarily to the poultry and related operations segment. MHP is entirely self-sufficient for its corn requirements and meets approximately 16% of its needs for sunflower seeds from internal production. Intersegment sales of grain to the poultry and related operations segment amounted to U.S.$147.7 million, U.S.$117.8 million and U.S.$85.7 million in 2012, 2011 and 2010, respectively. The constant growth of intersegment sales was mainly attributable to the increase in grain consumption by the poultry and related operations segment, as well as an increase in grain prices following worldwide trends.

Upon consolidation, intersegment sales and purchases are eliminated so that revenue is reduced and the related costs are transferred from the selling to the purchasing segment. In this discussion and analysis, amounts based on the consolidated statements of comprehensive income are presented after eliminations of intersegment transactions, and amounts reflecting segment results are presented before eliminations of intersegment transactions, unless otherwise indicated.

As part of its vertical integration strategy and in order to reduce production costs, MHP operates sunflower seed crushing plants, which produce sunflower protein, one of the major components of the mixed fodder MHP uses in its poultry farms. MHP uses a particular technology that increases the amount of sunflower protein it produces from sunflower seeds. MHP purchases sunflower seeds from Ukrainian suppliers and also meets approximately 16% of its needs for sunflower seeds from internal production by the grain growing segment. The use of sunflower protein as a substitute for imported soy protein has reduced MHP's fodder production costs. The extracted sunflower oil is sold to third parties as a by-product.

In addition, since 2011, MHP has become once again fully self-sufficient in hatching eggs, following a period of launching Myronivka between 2008 and 2010 when MHP purchased 10-15% of its hatching eggs externally, as a result of the expansion of the hatching facilities at the Starynska chicken farms in light of the increased production.

Segment results represent operating profit, as adjusted for unallocated corporate expenses, which is reconciled to segment Adjusted EBITDA before unallocated expenses by adding back segment depreciation as illustrated in the following tables:

	Year ended 31 December 2012				
	Poultry and related operations	**Grain growing operations**	**Other agricultural operations**	**Eliminations**	**Consolidated**
			(U.S.$'000)		
External sales	1,082,978	169,142	155,402	—	1,407,522
Sales between business segments	42,919	147,719	5,074	(195,712)	—
Total revenue	1,125,897	316,861	160,476	(195,712)	1,407,522
Segment results	**318,537**	**92,139**	**3,494**	**—**	**414,170**
Add back					
Depreciation and amortisation	57,922	19,569	6,522	—	84,013
Segment Adjusted EBITDA before unallocated expenses	**376,459**	**111,708**	**10,016**	**—**	**498,183**

	Year ended 31 December 2011				
	Poultry and related operations	**Grain growing operations**	**Other agricultural operations**	**Eliminations**	**Consolidated**
			(U.S.$'000)		
External sales	978,871	103,739	146,480	—	1,229,090
Sales between business segments	36,381	117,831	5,203	(159,415)	—
Total revenue	1,015,252	221,570	151,683	(159,415)	1,229,090
Segment results	**236,602**	**104,286**	**9,651**	**—**	**350,539**
Add back					
Depreciation and amortisation	53,879	16,422	6,742	—	77,043
Segment Adjusted EBITDA before unallocated expenses	**290,481**	**120,708**	**16,393**	**—**	**427,582**

	Year ended 31 December 2010				
	Poultry and related operations	**Grain growing operations**	**Other agricultural operations**	**Eliminations**	**Consolidated**
			(U.S.$'000)		
External sales	800,237	35,631	108,338	—	944,206
Sales between business segments	28,584	85,668	3,353	(117,605)	—
Total revenue	828,821	121,299	111,691	(117,605)	944,206
Segment results	**225,073**	**55,765**	**3,738**	**—**	**284,576**
Add back					
Depreciation and amortisation	47,600	11,397	5,585	—	64,582
Segment Adjusted EBITDA before unallocated expenses	**272,673**	**67,162**	**9,323**	**—**	**349,158**

The summary below reflects segment Adjusted EBITDA before unallocated expenses for the years ended 31 December 2010, 2011 and 2012:

	Year ended 31 December		
	2010	2011	2012
		(U.S.$'000)	
Segment Adjusted EBITDA before unallocated expenses:			
Poultry and related operations	272,673	290,481	376,459
% of segment revenue(1)	34.1%	29.7%	34.8%
Grain growing operations	67,162	120,708	111,708
% of segment revenue(2)	188.5%	116.4%	66.0%
Other agricultural operations	9,323	16,393	10,016
% of segment revenue(1)	8.6%	11.2%	6.4%
Unallocated expenses	(27,792)	(29,795)	(33,587)
Unallocated depreciation and amortisation	3,320	3,298	3,122
Adjusted EBITDA	**324,686**	**401,085**	**467,718**
% of total revenue(1)	*34.4%*	*32.6%*	*33.2%*

Notes:

(1) All revenue amounts reported above are excluding intersegment sales.

(2) Adjusted EBITDA margin for the grain growing operations segment was calculated based on third party sales only. If the Adjusted EBITDA margin was calculated based on total sales, which would include inter-segment sales, of the grain growing operations segment, it would comprise 55.4% in 2010 and 54.5% in 2011 and 35.3% in 2012.

Management believes that the prices at which products are sold amongst its segments are generally consistent with average market prices and therefore reflect actual segment results whilst also complying 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".

External Factors Affecting MHP's Results of Operations

Macroeconomic Conditions in Ukraine

MHP's business, to some extent, is dependent on Ukraine's general economy as the principal business activities of MHP are within the Ukraine. The Ukrainian economy grew at an annual average of approximately 7.4% in real GDP terms, as well as household incomes, from 2000 to 2008, driven mainly by a rapid increase in foreign demand, rising commodity prices in external markets and the availability of foreign financing. In 2009, the Ukrainian economy contracted by 14.8%, due largely to the global financial crisis. Ukraine's economy started to recover in 2010 with GDP growing, mainly due to household consumption, by approximately 4.1% during 2010 and 5.2% during 2011; however, in 2012 growth slowed, with real GDP increasing by only 0.2%, according to SSSU. During the 2010 - 2012 recovery period, the Ukrainian hryvnia remained relatively stable against the U.S. dollar and slightly fluctuated against the Euro in 2010, 2011 and 2012. See "Risk Factors—Risks relating to MHP—MHP is exposed to currency exchange rate risk" and "—Fluctuations in Currency Exchange Rate" below. In line with the decreasing unemployment rate, steady increases in wages and the relatively stable hryvnia, real household incomes gradually increased in 2010 and continued to increase in 2011 and 2012.

The tables below set out the principal macroeconomic indicators for Ukraine for the years ended 31 December 2010, 2011 and 2012.

	Year ended 31 December		
	2010	2011	2012
Real GDP (% change)(1)	4.1%	5.2%	0.2%
Nominal GDP (% change)(2)	18.5%	21.6%	2.4%*
Consumer price index(3)	9.1%	4.6%	(0.2)%*
Real household income (% change)(4)	17.0%	8.0%	13.5%*
Real GDP in agricultural sector (% change)	(1.0)%	17.6%	(8.4)%*
Real GDP in industrial sector (% change)	11.2%	7.6%	(6.4)%*
(Devaluation)/appreciation of the hryvnia against the U.S. dollar (based on end of period exchange rate)(5)	(0.3)%	0.4%	0.0%
(Devaluation)/appreciation of the hryvnia against the euro based on end of period exchange rate)(5)	(7.6)%	(2.6)%	2.3%
Appreciation of the hryvnia against the U.S. dollar (based on average for the period exchange rate)(6)	1.8%	0.4%	0.3%
(Devaluation)/ appreciation of the hryvnia against the euro (based on average for the period exchange rate)(6)	(3.2)%	5.3%	(7.4)%
UAH/$ (end of period)	7.96	7.99	7.99
UAH/€ (end of period)	10.57	10.30	10.54
UAH/$ (average for the period)	7.94	7.97	7.99
UAH/€ (average for the period)	10.53	11.09	10.27

Source: SSSU, EIU.

Notes:

* *Data available for nine months of 2012 only.*

Real GDP is an inflation-adjusted measure that reflects the value of all goods and services produced in a given year, expressed in base-year prices, whereas nominal GDP is a figure that has not been adjusted for inflation

(1) The SSSU 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) Nominal GDP is 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 to the last month of the previous year.

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

(5) Assets and liabilities for MHP's consolidated statements of financial position are affected by the devaluation/appreciation of the hryvnia based on the end of period exchange rate because they are translated at the closing rate as at the date of each consolidated statement of financial position.

(6) Income and expenses for MHP's consolidated statements of comprehensive income are affected by devaluation/appreciation of the hryvnia based on the historic exchange rate prevailing at the date of the transaction or the average exchange rate for the quarter. Annual average rates are presented in this table for information, but do not represent actual rates used to translate MHP's consolidated statements of comprehensive income. See "—Functional and Presentation Currency" above.

Inflation

Inflation rates have gradually fallen since 2008, comprising 9.1% in 2010 and 4.6% in 2011 and an estimated deflation rate of 0.2% in 2012. During the period under review, MHP has benefited from increases in the prices of chicken meat, its principal product sold to third parties. The average sales price (excluding VAT) for MHP's chicken products (on an adjusted weight basis) was U.S.$1.71 per kilogram, U.S.$1.88 per kilogram and U.S.$2.15 per kilogram in 2010, 2011 and 2012, respectively. The principal reasons for the price increases from 2010 to 2012 were increasing household income, strong demand for chicken and an increase in global prices for chicken. The other significant components of MHP's revenue, sunflower oil and grain, are determined by reference to global prices which are unrelated to the inflation rate in Ukraine. Similarly, although labour costs are an important component of MHP's costs, increases have been negotiated without reference to and below headline inflation rates. As a result, MHP believes that, during the period under review, inflation rates in Ukraine have had a relatively minor indirect impact on MHP's financial results as compared to various other external factors affecting results of operations, but there can be no guarantee that inflation will not have a significant impact on MHP's financial results in the future.

Fluctuations in Currency Exchange Rates

MHP's operating assets are located in Ukraine and denominated primarily in hryvnia and its revenues and costs are also denominated primarily in hryvnia (although certain of those revenues and costs are correlated to the U.S. dollar prices of various grain commodities). The functional currency of the Group is hryvnia, but its reporting currency is the U.S. dollar. See "—Functional and presentation currency" above. Accordingly, any changes in hryvnia and U.S. dollar exchange rates significantly impact the financial statements of MHP when viewed in U.S. dollars, as compared to those statements viewed in hryvnia, as its functional currency. In addition, MHP's bank borrowings and bonds issued are mostly foreign currency denominated, which has led to a further sensitivity of net profit given the increased amount of hryvnia, in the case of hryvnia depreciation, or decreased amount of hryvnia, in the case of hryvnia appreciation, required to meet such obligations. During 2010 and 2011 the hryvnia was relatively stable against the U.S. dollar and moderately grew against the Euro due to the Euro devaluation against the U.S. dollar from the sovereign-debt crisis of the European Union. During 2012 the hryvnia experienced moderate depreciation against the Euro as the Euro strengthened against the U.S. dollar. As a result, MHP recognised non-cash foreign exchange gains, in an amount of U.S.$11.0 million, U.S.$2.3 million and non-cash foreign exchange losses in amount of U.S.$3.3 million in the consolidated statement of comprehensive income in 2010, 2011 and 2012, respectively. In addition, foreign currency rate fluctuations impact the prices MHP has to pay in hryvnia for certain of its inputs, in particular, corn and sunflower seeds, which although purchased in hryvnia, are correlated to global prices denominated in U.S. dollars. The Group expects any negative effect of hryvnia devaluation against the U.S. dollar would be sufficiently offset by sales of sunflower oil, various grains and chicken meat export sales, which are correlated to global prices in U.S. dollars. MHP is further impacted as a result of the fact that the price of chicken meat in Ukraine tends to correlate to U.S. dollar-denominated global prices for chicken meat. See "—Fluctuations in Market Price for Chicken Products". As a result, exchange rate movements between the U.S. dollar and the hryvnia have an impact on the price at which MHP sells its chicken products.

MHP's foreign currency revenues consist principally of revenues from export sales of sunflower oil and related products, grain and chicken meat and related products, which accounted for 47.5%, 28.9% and 23.5% respectively, of MHP's total exports sales in 2012, and increased significantly year-on-year during the periods under review. The increase in MHP's foreign currency revenues from U.S.$240.0 million in 2010 to U.S.$353.9 million in 2011 and to U.S.$479.8 million in 2012 was mainly attributable to the increase in the volume of grain and chicken meat export sales, as well as the increase in the price of grain and chicken meat sold for export during the periods under review.

MHP's foreign currency expenditures consist principally of the cost of purchasing breeder flocks, non-grain components for mixed fodder, production equipment and finance costs. From a cash-flow perspective, MHP's exposure to currency exchange rate fluctuations as a result of its foreign currency payments is partially offset by its U.S. dollar revenues from export sales of sunflower oil, grain and chicken meat, which were sufficient in 2012 to cover foreign currency-denominated finance costs, loans repayments and import purchases for operational activities, including breeder flocks and non-grain components for mixed fodder but not MHP's foreign currency denominated capital expenditure requirements.

In accordance with market practice and certain regulatory restrictions in Ukraine, MHP does not use any financial instruments to hedge against currency exchange rate fluctuations; however, MHP's currency proceeds from export sales exceeded its foreign currency requirements during the periods under review.

Interest Rates

MHP is exposed to interest rate fluctuation risk on its variable interest-rate borrowings, as 44.0% of MHP's total indebtedness provides for floating interest rates. The amount of MHP's outstanding bank borrowings bearing a floating rate as at 31 December 2012 was U.S.$501.1 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". Consequently, fluctuations in LIBOR and EURIBOR resulted in corresponding fluctuations in MHP's finance costs related to its floating-rate borrowings, which in turn had an impact on MHP's results of operations during the period under review.

The table below sets forth the rates of one year U.S. dollar LIBOR and one year EURIBOR as at 31 December 2010, 2011 and 2012.

	As at 31 December		
	2010	2011	2012
One year U.S. dollar LIBOR[(1)]	0.78%	1.13%	0.84%
One year EURIBOR[(2)]	1.47%	1.91%	0.44%

Sources:

(1) The British Bankers Association.

(2) The European Banking Federation.

In 2012 finance costs of MHP were 15.6% as a percentage of operating profit and with the weighted average interest rates for bank borrowing (both long and short term) being as follows:

	2010	2011	2012
USD—Foreign Banks	5.52%	4.39%	5.14%
EUR—Foreign Banks	3.12%	3.13%	2.15%
USD—Ukrainian Banks	6.25%	5.39%	5.43%
UAH—Ukrainian Banks	7.75%	—	—

MHP's most significant non-bank borrowings are the Existing Notes. In November 2006, MHP S.A. issued U.S.$250,000 thousand 10.25% Senior Notes ("**2006 Senior Notes**"), due in November 2011, at par. In April 2010, MHP S.A. issued U.S.$330,000 thousand 10.25% Senior Notes due in 2015 for an issue price of 101.452% of principal amount ("**the Existing Notes**"). In addition, as of 13 May 2010 MHP S.A. exchanged 96.01% (U.S.$240,033 thousand) of the 2006 Senior Notes for the Existing Notes. As a result of the exchange, new senior notes were issued for the total par value of U.S.$254,767 thousand and the total par value of senior notes outstanding as of 31 December 2012 comprised U.S.$584,767 thousand. See "—Liquidity and Capital Resources—Capital Resources" below.

Fluctuations in Demand for Chicken Products

In line with MHP's expectations, the demand for chicken meat remained strong during the period under review. According to MHP's calculations based on the SSSU data, per capita consumption of chicken meat increased to 26 kilograms in 2012 from 24 kilograms in 2011 and 23 kilograms in 2010. This indicates continuing positive trends for MHP in consumer buying habits; instead of buying more expensive pork and beef with a retail price about 50% higher than chicken, consumers are increasingly choosing to buy locally produced chicken. MHP's chicken sales volume increased from 331,400 tonnes of adjusted weight in 2010, to 370,900 tonnes in 2011 and to 375,300 tonnes in 2012. During the periods under discussion, MHP's market share of industrially produced chicken meat was relatively stable at approximately 50%. MHP was able to operate its facilities at virtually full capacity and sell almost all of the chicken meat produced.

As the feed grain consumption per kilogram of live weight of poultry is much lower than that for beef and pork, poultry 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. Management believes that demand for chicken products in Ukraine will increase further from its current level due to a number of factors, including the relatively low per capita consumption of meat in Ukraine compared with other European countries and the replacement by consumers of other types of meat with poultry. See "Industry Overview—Overview of the Ukrainian Markets for Meat Products—Poultry Consumption in Ukraine".

Although the level of demand for chicken products in Ukraine has increased during the period under review, demand does fluctuate during the year for various reasons including, amongst 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 strong increase in demand.

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's prices are subject to slight seasonal fluctuations so as to try to manage and stimulate demand, which allows it 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 (including export sales) it later as frozen chicken products, which can generally be stored for up to six months. 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 than chilled chicken products to seasonal fluctuations in demand. The impact on the timing of MHP's cash flows due to freezing and processing chicken into convenience food is not significant.

Closing stocks of chicken products at year-end 2010, 2011 and 2012 amounted to approximately 15,300 tonnes, 5,600 tonnes and 14,700 tonnes, respectively, and represented 46%, 17% and 41% of the respective December production volume. MHP believes that these balances were attributable almost entirely to seasonality and to ensure export supplies in early 2013 and were substantially sold during the first quarters of 2011 and 2012, respectively. The volumes of chicken meat sold since 1 January 2013 are in line with the seasonal norms. MHP is currently continuing to operate its chicken production facilities at full capacity. See "Business—Overview of Operations—Poultry and Related Operations—New Production Facilities for Chicken Operations". For information regarding market demand during the first quarter of 2013, see "—Recent Trends and Developments" below.

Management believes that the factors which are expected to increase demand for chicken products in Ukraine, including the growing per capita consumption of meat, 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 and improve 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".

MHP's export sales of chicken meat in 2012 increased by more than 65% compared to 2011 and constituted around 58,000 tonnes of chicken meat, which is around 15% of MHP's total chicken sales volumes. These trends are in line with MHP's strategy to gradually increase its export operations of chicken meat across all export regions. While the main direction of MHP's chicken meat export remains CIS countries, predominantly Kazakhstan and Russia, in 2012 the Company opened new export sales markets both in Asia and Africa.

Pursuant to the EU Regulation No. 88/2013 of 31 January 2013, Ukraine has received permission for export of poultry products into EU countries and several of MHP's production sites were pre-certified by the EU Commission in 2010. Upon the completion of various formalities and final accrediatation of MHP's facilities by the EU Commission this development is expected to present the opportunity for MHP to increase its chicken meat export sales in the near future. See "Risk Factors—MHP may be unsuccessful in its attempt to increase market share in export markets for its chicken meat products".

Fluctuations in Market Price for Chicken Products

Ukrainian chicken prices fluctuate as a result of fluctuations in the price of grain, as grain is the main element in the cost structure. MHP's poultry production costs in 2011 were influenced by the significant increase in grain prices worldwide at the end of 2010. Generally there is a several month delay between increases in production costs and a corresponding increase in poultry prices. Reflecting worldwide poultry price trends, poultry prices in Ukraine remained relatively flat in the first half of 2011 and partially recovered in the second half of 2011. Overall, in 2011 poultry prices increased by 10% year-on-year. In 2012, the price of poultry increased by 15% year-on-year, primarily as a result of an increase in poultry prices by 28% in the first half of 2012 compared to the lower base in 2011.

Under Ukrainian legislation, local state authorities may regulate prices of certain food products, including chicken meat, pork and beef. Before increasing wholesale prices for such products by more than 1% in any given month producers of certain food products, including chicken meat, pork and beef, must obtain the conclusion of the State Prices Inspection that the calculation of expenses in the course of price determination was economically justified. After MHP obtains such conclusion of the State Prices Inspection it must inform the local state authorities about the respective change in wholesale prices. Furthermore, in April 2008 the Cabinet of Ministers of Ukraine introduced a procedure for the determination of prices of food products which are subject to state regulation. This procedure provides a formula for the calculation of wholesale prices of food products. Management believes that the approach MHP uses for determining the wholesale prices for MHP's products is in line with the applicable legislation. The procedure introduced by the Cabinet of Ministers of Ukraine also provides a formula for calculation of profits from sales of food products. However, as of the date of this Offering Memorandum the profitability coefficient for calculation of profit margin has not yet been approved by state authorities.

The average sales price (excluding VAT) for MHP's chicken products (on an adjusted weight basis) was U.S.$1.71 per kilogram, U.S.$1.88 per kilogram and U.S.$2.15 per kilogram in 2010, 2011 and 2012, respectively. Detailed information on average selling prices and volumes is presented below in the discussion of revenues from poultry for 2012 compared with 2011, and 2011 compared with 2010.

For information regarding market prices during 2013, see "—Recent Trends and Developments" below.

Fluctuations in Grain Prices

Grain prices represent a significant portion of the cost of producing poultry and other types of meat, and fluctuations in grain prices have a significant effect on meat producers. Since the conversion rate of feed consumed to produce the live weight of beef and pork is higher than that for poultry, the cost of beef and pork is more susceptible to increases in grain prices.

MHP uses feed grains, such as corn and sunflower seeds, in its chicken production. MHP produces internally, by volume, 100% of its requirements for corn and approximately 16% of its requirements for sunflower seeds and sources the remainder from Ukrainian suppliers at prices which generally follow the trends of world commodities markets. During the periods under review, the costs of corn, sunflower seeds and other grains for fodder production represented a significant part of MHP's total costs relating to its production of chicken meat. As sunflower oil is a by-product of manufacturing sunflower cake, proceeds from sales of sunflower oil are netted off against the cost of producing sunflower cake so that it is sold with zero margin, higher prices for sunflower oil lead to lower costs of sunflower cake used in fodder production and vice versa, but usually sunflower oil prices correlate with prices of sunflower seeds and result in limited effects on chicken production cost.

In addition to the purchases of grain made by MHP's poultry and related operations segment, MHP's grain growing segment sells a significant amount of grain to third parties at prices based upon world grain prices. Revenue from grain sales, both internal and to third parties was U.S.$121.3 million in 2010, U.S.$221.6 million in 2011 and U.S.$316.9 million in 2012.

When grain and sunflower prices are low, MHP benefits from lower raw material costs and the margin in the poultry and related operations segment improves. Conversely, when grain prices are high, MHP benefits from third party sales of grain which improve the margin on third party sales in the grain growing segment and provide foreign currency cash flows from grain export. Given MHP's competitive position in the poultry market in Ukraine and its ability to pass on price increases to its customers, MHP believes, on balance, that it generally benefits from increases in grain prices due to its expanding grain production business.

Fluctuations in grain prices correlate to trends in world commodities markets and during the periods under review were as follows:

- during 2010 grain prices for the major crops of MHP increased compared to lower prices in 2009;
- during 2011 grain prices for the major crops of MHP decreased due to substantially higher yields for most crops harvested, especially corn, compared to 2010; and
- during 2012 grain prices for the major crops of MHP increased due to lower yields, attributable to the challenging weather conditions, compared to 2011.

Since grains consumed in the poultry and related operations segment are generally harvested in the preceding year, any fluctuations in grain prices in that year affect the results of the segment in the following year.

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 was provided in various forms, including special tax regimes and tax privileges. Grants and other privileges to the agricultural sector are established by the Parliament of Ukraine, the Agrarian Ministry, the Ministry of

Finance, the State Committee of the Water Industry, customs authorities and local state district administrations, as well as other government departments and agencies.

In 2010, 2011 and 2012, MHP benefited from various forms of state support, which resulted in significant tax savings for MHP. MHP has organised its corporate structure to increase its eligibility for state subsidies and to maximise the effect of state support on MHP's financial results. The principal tax benefits and state support programmes from which MHP has benefited are summarised below.

Tax Benefits

Except to the extent that the Advance CIT and witholding tax are payable, most 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 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 is calculated as a percentage of the deemed value (determined as of 1 July 1995) of all land plots used for agricultural production that are leased or owned by a taxpayer, at the rate of 0.15%. In 2012, the amount of FAT paid by MHP was U.S.$0.2 million, which represented approximately 0.1% of its net profit which was broadly constant compared to 2011 and 2010. If MHP were not eligible for the FAT regime, it would be taxed on its corporate profits at a rate of 21%. FAT expenses are recorded under selling, general and administrative expenses and were not material in any of the periods under review. Pursuant to amendments to the relevant legislation in 2008, the FAT regime was extended for an unlimited period of time.

VAT refunds and other government grants income

In 2010, 2011 and 2012, MHP recognised U.S.$82.1 million, U.S.$88.0 million and U.S.$102.4 million, respectively, of VAT refunds and other government grants. During the period of review, in general terms, VAT refunds and other government grants increased in line with increased gross profit. Government grants recognised as income, including VAT refunds, as a percentage of operating profit were 32.0%, 27.4% and 26.9% in 2010, 2011 and 2012, respectively. The grants received in the periods under review were of the following principal types:

	Year ended 31 December		
	2010	**2011**	**2012**
		(U.S.$'000)	
VAT refunds	80,223	87,476	101,581
Fruits and vine cultivation	1,219	26	343
Other government grants	616	483	445
Total	**82,058**	**87,985**	**102,369**
% of operating profit	*32.0%*	*27.4%*	*26.9%*

- *Government VAT refunds for the agricultural industry.* According to the Tax Code of Ukraine issued in December 2010 and effective as of January 1, 2011, Ukrainian agricultural producers in Ukraine generating not less than 75% of gross revenues for the previous tax year from sales of own agricultural products, including MHP, are permitted to retain the difference between the VAT that they charge on their agricultural products and the VAT that they pay on items purchased for their operations (currently at a rate of 20% and to be decreased to 17% after 1 January 2014). The amount of subsidy received as a result of the application of this special VAT regime may be used for agricultural purposes as well as for any other business purposes. This VAT benefit was received by MHP in 2010, 2011 and 2012 and continues to be available to MHP until 1 January 2018.

  Included in VAT refunds for the years ended 31 December 2012, 2011 and 2010 were specific VAT subsidies for the production and sale of milk and live animals for further processing in the amount of U.S.$1.4 million, U.S.$0.4 million and U.S.$2.1 million, respectively.

  Although not specific to the agricultural industry, MHP also benefits from VAT refunds because export sales are generally taxed at the rate of 0% and MHP's input VAT accumulated on purchases related to such export sales is subject to reimbursement by the government. This refunded VAT is not included in government grants.

- *Government grants on fruits and vine cultivation.* In accordance with the Law "On State Budget of Ukraine" the Group was entitled to receive grants for the years ended 31 December 2012, 2011 and 2010 for the creation and cultivation of orchards, vines and berry-fields.
- *Compensation for finance costs under loans from Ukrainian banks.* Some of MHP's Ukrainian subsidiaries receive partial compensation for interest expenses under loans received from Ukrainian commercial banks. The amount of government grants received as compensation for finance costs decreased to U.S.$ *nil* in 2012 compared to U.S.$1.8 million in 2011 and U.S.$5.0 million in 2010. 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.

Acquisitions and Disposals

In December 2012 the Group increased its effective ownership interest in Urozhay to 99.9% through the exchange of 1,257,032 shares held in treasury for a non-controlling interest previously held by one of its key management personnel.

During the year ended 31 December 2010 the Group substantially increased its agricultural land bank to 280,000 hectares from 180,000 hectares previously held, as part of its vertical integration and diversification strategy through acquisitions of land lease rights. As a result, MHP acquired from a third party 100% interests in a number of entities engaged in grain growing activities. MHP's effective ownership interest in these subsidiaries following the acquisition and as of 31 December 2010, 2011 and 2012 was 99.9%, see Note 2 to the Audited Consolidated Financial Statements for the year ended 31 December 2012. The 100,000 hectares acquired during 2010 were cultivated for the first time in 2011.

The land bank increase led to the increased self-sufficiency of MHP in corn and sunflower as well as an increase in grain export sales from U.S.$22.5 million in 2010 to U.S.$63.1 million in 2011 and to U.S.$138.6 million in 2012.

Vinnytsia Complex Launch

In 2010, MHP commenced the construction of the Vinnytsia Complex in the Vinnytsia region. The Vinnytsia Complex incorporates different production sites such as a fodder plant, a sunflower crushing plant, a hatchery, rearing sites, a slaughter house as well as infrastructure and social responsibility projects. The total capacity of the Vinnytsia Complex is 440,000 tonnes of chicken meat per annum. The construction of the Vinnytsia Complex comprises the development of two phases of 220,000 tonne production capacity of chicken meat each. In the middle of 2012, the first phase was launched in trial mode and began industrial production by the end of 2012. In 2012, the Vinnytsia Complex produced around 20,000 tonnes of chicken meat. MHP expects that the first phase will become fully operational in the middle of 2014. The construction of the second phase is scheduled to begin in 2015 with an industrial launch during 2017-2018. When both phases of the Vinnytsia Complex are completed, MHP is expected to double its current production of chicken meat to 800,000 tonnes. As a result of its expansion programme, MHP expects to achieve further economies of scale, decrease its per unit operating costs and acquire greater market share in Ukraine.

Recent Trends and Developments

MHP expects to produce at least 60,000 additional tonnes of chicken meat in 2013 as a result of the Vinnytsia Complex coming into operation.

As a result of increasing production, MHP will continue to increase its domestic sales of poultry products as well as export sales through developing new markets.

The price for chicken meat in Ukraine in January and February 2013 remained broadly the same as in the same period in 2012 and the fourth quarter of 2012, notwithstanding the higher production costs faced by all meat producers. (See "—External Factors Affecting MHP's Results of Operations"). MHP production costs for January and February 2013 increased as compared to the same period in 2012, mainly due to the increase in grain prices during the fourth quarter of 2012. This increase in production costs resulted in lower Adjusted EBITDA margin for MHP's poultry and related operations segment as compared to 2012. Management expects that following the increase in price of grain, prices for chicken meat will increase in 2013.

Winter crops are progressing well and the 2013 spring sowing campaign is underway with all the required seeds and fertilisers already purchased. Management expects the current high grain prices to benefit MHP's grain growing segment.

During forthcoming years, and in line with its vertical integration and diversification strategy, MHP expects to gradually increase its land bank through acquisitions of land lease rights and interests in a number of entities engaged in grain growing activities.

In 2013 MHP expects its capital investments to be lower than in prior years as a substantial part of the equipment required for the first phase of the Vinnytsia Complex has been purchased and the completed production facilities have been operational since the end of 2012. MHP's capital investments in 2013 will be mostly related to the construction of additional rearing sites at the Vinnytsia Complex. With decreasing capital investments and increasing sales volume, MHP intends to improve its cash flows creating a sound platform to continue its growth strategy.

The hryvnia/U.S. dollar exchange rate remained stable and consistent in January 2013 relative to the exchange rate at 31 December 2012 and the Euro slightly strengthened against the hryvnia. See "—Functional and presentation currency" and "Exchange Rate Information" above.

On 4 March 2013 the Board of Directors of the Issuer approved the adoption of a dividend policy and the payment of the dividend of U.S.$1.13 per share, equivalent to approximately U.S.$120 million. The dividend is conditional upon the finalisation of the Issuer's interim accounts reflecting distributions of profit by subsidiaries and is expected to be declared and paid as an interim dividend in 2013.

MHP is currently considering a potential acquisition of certain farming assets in Russia, comprising around 40,000 hectares of land, over 200,000 tonnes of storage facilities and certain agricultural machinery. Should MHP decide to proceed with the acquisition, it will need to obtain relevant clearances from competition authorities in Russia and Ukraine.

Results of Operations

The following table summarises MHP's results of operations for the years ended 31 December 2010, 2011 and 2012.

	Year ended 31 December					
	2010		2011		2012	
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue
	(U.S.$'000)		(U.S.$'000)		(U.S.$'000)	
Revenue	944,206	100.0%	1,229,090	100.0%	1,407,522	100.0%
Net change in fair value of biological assets and agricultural produce	29,014	3.1%	21,288	1.7%	16,734	1.2%
Cost of sales	(680,637)	(72.1)%	(889,127)	(72.3)%	(1,001,909)	(71.2)%
Gross profit	292,583	31.0%	361,251	29.4%	422,347	30.0%
Selling, general and administrative expenses	(102,107)	(10.8)%	(106,447)	(8.7)%	(120,485)	(8.6)%
VAT refunds and other government grants income	82,058	8.7%	87,985	7.2%	102,369	7.3%
Other operating expenses, net	(15,750)	(1.7)%	(22,045)	(1.8)%	(23,648)	(1.7)%
Operating profit	256,784	27.2%	320,744	26.1%	380,583	27.0%
Finance income	13,309	1.4%	6,356	0.5%	3,350	0.2%
Finance costs	(62,944)	(6.7)%	(65,918)	(5.4)%	(59,311)	(4.2)%
Foreign exchange gains/(loss), net	10,965	1.2%	2,318	0.2%	(3,285)	(0.2)%
Other expenses, net	(793)	(0.1)%	(1,385)	(0.1)%	(2,633)	(0.2)%
Other expenses, net	(39,463)	(4.2)%	(58,629)	(4.8)%	(61,879)	(4.4)%
Profit before tax	217,321	23.0%	262,115	21.3%	318,704	22.6%
Income tax expense	(1,873)	(0.2)%	(2,760)	(0.2)%	(7,788)	(0.6)%
Profit for the year	215,448	22.8%	259,355	21.1%	310,916	22.1%
Profit attributable to:						
Equity holders of the Parent	205,395	21.8%	243,376	19.8%	297,104	21.1%
Non-controlling interests	10,053	1.1%	15,979	1.3%	13,812	1.0%

The Year Ended 31 December 2012 Compared to the Year Ended 31 December 2011

During the year ended 31 December 2012, MHP's key financial indicators generally increased year-on-year compared to the year ended 31 December 2011.

Revenue

MHP's total revenue increased by 14.5% to U.S.$1,407.5 million in 2012 from U.S.$1,229.1 million in 2011. External sales of the poultry and related operations segment accounted for U.S.$1,083.0 million, or approximately 76.9% of MHP's total revenues in 2012. External sales of the grain growing segment accounted for U.S.$169.1 million, or approximately 12.0% in of MHP's total revenues in 2012. External sales of the other agricultural operations segment accounted for U.S.$155.4 million, or approximately 11.0% of MHP's total revenues in 2012.

The following table presents MHP's revenues by type for 2011 and 2012. Segregated numbers are presented after intersegment eliminations.

	Year ended 31 December				
	2011		2012		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(U.S.$'000)		(U.S.$'000)		
Poultry and related operations segment:					
Revenue from sales of chicken meat and related products	693,207	56.4%	804,381	57.1%	16.0%
Revenue from sunflower oil sales	216,030	17.6%	216,434	15.4%	0.2%
Revenue from other poultry related sales	69,634	5.7%	62,163	4.4%	(10.7)%
Sales to external customers	978,871	79.6%	1,082,978	76.9%	10.6%
Grain growing segment:					
Revenue from sales of grains to external customers	103,739	8.4%	169,142	12.0%	63.0%
Other agricultural operations segment:					
Revenue from sales of processed meat	99,740	8.1%	102,959	7.3%	3.2%
Other agricultural sales	46,740	3.8%	52,443	3.7%	12.2%
Sales to external customers	146,480	11.9%	155,402	11.0%	6.1%
Total revenues	**1,229,090**	**100.0%**	**1,407,522**	**100.0%**	**14.5%**

Note:

All revenue amounts reported above are excluding intersegment sales.

Poultry and Related Operations Segment

MHP's revenues from sales of chicken meat and related products to external customers increased by 16.0% from U.S.$693.2 million in 2011 to U.S.$804.4 million in 2012 mainly due to a substantial increase in prices and a slight increase in volumes of chicken products sold. MHP's export sales of chicken meat increased by 66.4% from U.S.$67.9 million or 5.5% of total revenues in 2011 to U.S.$112.9 million or 8.0% of total revenues in 2012.

During 2012, MHP started commissioning production facilities of the first phase of the Vinnytsia Complex. Since the end of 2012 commissioned production facilities have become operational and are expected to reach their full production capacity in the middle of 2014. During 2012 production volumes at the Vinnytsia Complex totalled approximately 20,000 tonnes. Management expects that during 2013, the first year of the operation, the Vinnytsia Complex will produce at least 60,000 additional tonnes of chicken meat.

Revenues from sales of sunflower oil to external customers were largely flat at U.S.$216.4 million or 15.4% of total revenues in 2012 compared to U.S.$216.0 million or 17.6% of total revenues in 2011. Almost 100% of the sunflower oil produced is exported.

Revenues from other poultry related sales to external customers decreased to U.S.$62.2 million in 2012 from U.S.$69.6 million in 2011 mainly due to a decrease in sales of convenience food products. During 2011 and 2012, revenues from other poultry related sales to external customers constituted 5.7% of total revenues and 4.4% of total revenues, respectively.

As a result of the factors described above, the poultry and related operations segment's revenue from sales to external customers increased by 10.6% from U.S.$978.9 million in 2011 to U.S.$1,083.0 million in 2012.

Grain Growing Operations

In 2012 MHP's revenue from sales of grains to third parties comprised sales of corn, wheat, rapeseed soybeans and barley, a significant portion of which was harvested during 2011.

During 2011 MHP substantially increased its yields of corn which led to production in excess of internal consumption as well as increased grain sales to third parties during 2012. MHP's revenue from sales of grains to third parties was U.S.$169.1 million in 2012 of which U.S.$78.3 million was from grain harvested in 2011, as compared to U.S.$103.7 million in 2011 of which U.S.$16.2 million was from grain harvested in 2010. This 63.0% increase was attributable to an increase in sales volume, especially of corn. Export sales have increased by 119.7% from U.S.$63.1 million or 5.1% of total revenues in 2011 to U.S.$138.6 million or 9.8% from total revenues in 2012.

The table below represents grain sales in 2012 as compared to 2011:

	Year ended 31 December					
	2011	2012	Change	2011	2012	Change in volumes
	(U.S.$'000)			(Tonnes in '000)		
Third party sales	103,739	169,142	63.0%	482	665	38.0%
Internal sales	117,831	147,719	25.4%	599	752	25.5%
Total sales	**221,570**	**316,861**	**43.0%**	**1,081**	**1,417**	**31.1%**

In 2012, MHP had approximately 280,000 hectares of land for its operations, of which approximately 250,000 hectares were used for grain production in its grain growing segment, broadly the same amount as in 2011. MHP's yields across all cultivated crops were significantly higher than Ukraine's average in 2012 as presented in the table below:

	MHP average yield			Ukraine average yield		MHP vs. Ukraine average	
	2011	2012	Change	2011	2012	2011	2012
	(Tonnes per hectare)			(Tonnes per hectare)			
Total production:							
Corn	9.5	7.6	(20.0)%	6.4	4.8	48.4%	58.3%
Sunflower	2.7	3.0	11.1%	1.8	1.7	50.0%	76.5%
Wheat	5.1	5.1	0.0%	3.4	2.8	50.0%	82.1%
Rapeseed	2.8	3.4	21.4%	1.7	2.3	64.7%	47.8%

Source: Management information, SSSU

Other Agricultural Operations

MHP's revenues from sales to external customers in the other agricultural operations segment increased by 6.1% and reached U.S.$155.4 million in 2012 compared to U.S.$146.5 million in 2011.

MHP's revenues from sales of processed meat to external customers were 3.2% higher at U.S.$103.0 million in 2012, as compared to U.S.$99.7 million in 2011, mainly due to an increase in sausage and cooked meat prices.

MHP's average sausage and cooked meat prices during 2012 increased by 10.8% to U.S.$2.78 per kilogram excluding VAT, compared to average prices of U.S.$2.51 per kilogram excluding VAT in 2011 mainly due to product mix optimisation.

MHP's revenues from other agricultural sales were 12.2% higher at U.S.$52.4 million in 2012 as compared U.S.$46.7 million in 2011 and included sales of fruit and milk, goose meat, foie gras, beef, pork and other agricultural products. The increase in revenues was primarily due to an increase in volume of the various products within this segment with prices remaining largely stable.

Net Change in Fair Value of Biological Assets and Agricultural Produce

The difference between fair value less costs to sell and total production costs is allocated to biological assets and agricultural produce held in stock as of each year-end 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 statement of comprehensive income. The net change in fair value of biological assets and agricultural produce was U.S.$16.7 million in 2012 as compared to U.S.$21.3 million in 2011.

In 2012 the net change in fair value of biological assets and agricultural produce mainly comprised of U.S.$12.0 million of gain related to poultry and related operations. Gain related to poultry and related operations was primarily driven by an increase in volume of chicken meat held in stock as of 31 December 2012 as well as an increase in volume of poultry due to the launched operations at the Vinnytsia Complex.

In 2011 the net change in fair value of biological assets and agricultural produce mainly comprised of U.S.$17.3 million of gain related to grain growing operations and was primarily driven by an increase in volume of grain held in stock as of 31 December 2011 due to an additional 100,000 hectares which were cultivated and harvested for the first time in 2011.

The table below represents the net change in fair value of biological assets in 2011 and 2012.

	Year ended 31 December				
	2011		2012		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(U.S.$'000)		(U.S.$'000)		
Poultry and related operations	2,665	0.2%	11,955	0.8%	348.6%
Grain growing operations	17,322	1.4%	4,329	0.3%	(75.0)%
Other agricultural operations	1,301	0.1%	450	0.0%	(65.4)%
Total	**21,288**	**1.7%**	**16,734**	**1.2%**	**(21.4)%**

Cost of Sales

MHP's cost of sales increased by 12.7% to U.S.$1,001.9 million in 2012 from U.S.$889.1 million in 2011 mainly due to increase in sales volume, largely attributable to the grain growing operations segment. Overall, cost of sales as a percentage of total revenue was relatively stable at 71.2% in 2012 compared to 72.3% in 2011. The table below sets forth MHP's cost of sales by segment in 2011 and 2012:

	Year ended 31 December				
	2011		2012		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(U.S.$'000)		(U.S.$'000)		
Cost of sales related to poultry and related operations	684,001	55.7%	705,128	50.1%	3.1%
Cost of sales related to grain growing operations	71,883	5.8%	147,821	10.5%	105.6%
Cost of sales related to other agricultural operations	133,243	10.8%	148,960	10.6%	11.8%
Total cost of sales	**889,127**	**72.3%**	**1,001,909**	**71.2%**	**12.7%**

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

	Year ended 31 December				
	2011		2012		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(U.S.$'000)		(U.S.$'000)		
Cost of raw materials and other inventory used	620,385	50.5%	700,410	49.8%	12.9%
Payroll and related expenses(1)	131,840	10.7%	151,538	10.8%	14.9%
Depreciation and amortisation expenses(2)	66,675	5.4%	74,870	5.3%	12.3%
Other costs	70,227	5.7%	75,091	5.3%	6.9%
Total cost of sales	**889,127**	**72.3%**	**1,001,909**	**71.2%**	**12.7%**

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, as well as MHP's trucks used in the production process.

Raw materials and other inventory used increased by 12.9% to U.S.$700.4 million in 2012 from U.S.$620.4 million in 2011 mainly due to an increase in sales volume in the grain growing operations segment which was significantly attributable to sales of crops harvested in 2011 and sold during 2012, as well as a slight increase in raw materials used in the poultry and related operations segment for the Vinnytsia Complex launch. Raw materials costs as a percentage of both revenue and total costs of sales were relatively stable in 2011 and 2012.

MHP's payroll and related expenses were relatively stable as percentage of total cost of sales and constituted 10.8% of MHP's total cost of sales in 2012 as compared to 10.7% of MHP's total cost of sales in 2011. Payroll and related expenses increased by 14.9% to U.S.$151.5 million in 2012 from U.S.$131.8 million in 2011 primarily due to an increase in sales volume, especially in the grain growing operations segment.

Depreciation expenses increased by 12.3% to U.S.$74.9 million in 2012 from U.S.$66.7 million in 2011 due to the increase in sales volume primarily in the grain growing operations segment as well as due to production facilities at the Vinnytsia Complex being commissioned during the fourth quarter of 2012. Depreciation expenses were relatively stable as a percentage of both revenue and total cost of sales in 2011 and 2012.

Other costs increased by 6.9% to U.S.$75.1 million in 2012 from U.S.$70.2 million in 2011, which was in line with all other components of cost of sales and was driven by increased sales.

Cost of Sales Related to Poultry and Related Operations

MHP's cost of sales for the poultry and related operations segment increased by 3.1% to U.S.$705.1 million in 2012 from U.S.$684.0 million in 2011. This increase was mainly attributable to the slight increase in sales volume of chicken meat by approximately 1.0% and the increase in production costs attributable to the higher prices of grain consumed during the fourth quarter of 2012, following world trends, as well as higher prices for electricity and utilities to operate production facilities as compared to 2011. See "—External Factors Affecting MHP's Results of Operations—Fluctuations in Grain Prices".

Depreciation and amortisation costs increased due to the commissioning of the production facilities at the Vinnytsia Complex during 2012.

The revenue related to the poultry and related operations segment increased by 10.6% in 2012, accompanied by a 3.1% increase in the cost of sales.

Cost of Sales Related to Grain Growing Operations

MHP's cost of sales for its grain growing operations is attributable to both the cost of sales of crops harvested in 2012 and the cost of sales of crops harvested in 2011.

MHP's cost of sales increased by 105.6% to U.S.$147.8 million in 2012 from U.S.$71.9 million in 2011 which was primarily attributable to a 63.0% increase in third party sales of grains and the cost attributable thereto, as well as increased production costs due to a 20.0% decrease in yields achieved for corn in 2012 compared to 2011. Meanwhile, MHP's yields of corn as well as other crops remain significantly higher than Ukraine's average.

Cost of Sales Related to Other Agricultural Operations

MHP's cost of sales for its other agricultural operations increased by 11.8% to U.S.$149.0 million in 2012 from U.S.$133.2 million in 2011 which was mainly attributable to the 6.1% increase in revenues from other agricultural operations. The cost of raw materials and other inventory used consisted primarily of seeds, fertilisers, pesticides and veterinary medicines. In addition costs included payroll expenses, depreciation of agricultural machinery, equipment and buildings and fuel, electricity and natural gas used in the production process.

Gross Profit

MHP's gross profit increased by 16.9% in 2012 compared to 2011. The following table provides information relating to MHP's gross profit by segments results for the years ended 31 December 2011 and 2012:

	Year ended 31 December				
	2011		2012		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change in U.S.$
	(U.S.$000)		(U.S.$000)		
Poultry and related operations:					
Gross profit net of change in fair value effect	294,870	24.0%	377,850	26.8%	28.1%
Net change in fair value of biological assets and agricultural produce	2,665	0.2%	11,955	0.8%	348.6%
Total	297,535	24.2%	389,805	27.7%	31.0%
Grain growing operations:					
Gross profit net of change in fair value effect	31,856	2.6%	21,321	1.5%	(33.1)%
Net change in fair value of biological assets and agricultural produce	17,322	1.4%	4,329	0.3%	(75.0)%
Total	49,178	4.0%	25,650	1.8%	(47.8)%
Other agricultural operations:					
Gross profit net of change in fair value effect	13,237	1.1%	6,442	0.5%	(51.3)%
Net change in fair value of biological assets and agricultural produce	1,301	0.1%	450	0.0%	(65.4)%
Total	14,538	1.2%	6,892	0.5%	(52.6)%
Total	**361,251**	**29.4%**	**422,347**	**30.0%**	**16.9%**

Gross Profit Related to Poultry and Related Operations

Gross profit from the poultry and related operations segment increased by 31.0% from U.S.$297.5 million in 2011 to U.S.$389.8 million in 2012. The increase was primarily attributable to the 15% increase in the average sale price for chicken meat.

Gross Profit Related to Grain Growing Operations

Gross profit from MHP's grain growing operations comprised only results from third party sales. Gross profits from MHP's grain growing operations comprised only the results of crops harvested in 2012. Gross profit from MHP's grain growing operations from crops harvested in 2011 was recognised in the consolidated financial statements as of 31 December 2011.

Gross profit from MHP's grain growing operations decreased to U.S.$25.7 million in 2012 from U.S.$49.2 million in 2011, and it also decreased as a percentage of the total gross profit and this was mainly attributable to a decrease in corn yields by 20.0% to 7.6 tonnes per hectare in 2012, compared to 9.5 tonnes per hectare in 2011, as well as to a decrease in net change in fair value of biological assets and agricultural produce as discussed above.

Gross Profit Related to Other Agricultural Operations

Gross profit from MHP's other agricultural operations decreased to U.S.$6.9 million in 2012 as compared to U.S.$14.5 million in 2011. Such a decrease was mainly attributable to a lower return earned in goose meat, fruit operations and milk.

Gross Profit Margin

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

MHP's gross profit margin was relatively stable at 30.0% in 2012 and 29.4% in 2011 mainly due to an increase in gross profit margin in the poultry and related operations segment to 36.0% in 2012 from 30.4% in 2011, which was offset by a decrease in the gross profit margin in the grain growing operations segment to 15.2% in 2012 from 47.4% in 2011 as well as by a decrease in the gross profit margin in other agricultural operations to 4.4% in 2012 from 9.9% in 2011.

The decrease in the gross profit margin in the grain growing operations segment was mainly attributable to the fact that it is calculated as a percentage of revenue for both crops harvested in 2011 and crops harvested in 2012, while gross profit for the grain growing operations segment comprised only the results for crops harvested in 2012. The gross profit for crops harvested in 2011 was recognised as of 31 December 2011, in line with IFRS requirements.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to U.S.$120.5 million in 2012 from U.S.$106.4 million in 2011. As a percentage of total revenue, these expenses were stable at approximately 8.7% and 8.6% during 2011 and 2012, respectively. MHP's selling, general and administrative expenses during these years were as follows:

	Year ended 31 December				
	2011		2012		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change in U.S.$
	(U.S.$'000)		(U.S.$'000)		
Payroll and related expenses(1)	40,391	3.3%	46,414	3.3%	14.9%
Services	24,381	2.0%	20,738	1.5%	(14.9)%
Fuel and other materials used	12,433	1.0%	13,646	1.0%	9.8%
Advertising expenses	2,415	0.2%	12,691	0.9%	425.5%
Depreciation expense(2)	13,666	1.1%	12,265	0.9%	(10.3)%
Representative costs and business trips	8,330	0.7%	8,641	0.6%	3.7%
Insurance expenses	1,919	0.2%	1,594	0.1%	(16.9)%
Bank services and conversion fees	486	0.0%	474	0.0%	(2.5)%
Other	2,426	0.2%	4,022	0.3%	65.8%
Total	**106,447**	**8.7%**	**120,485**	**8.6%**	**13.2%**

Notes:

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

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

Payroll and related expenses for administration, sales and distribution employees increased by 14.9% to U.S.$46.4 million in 2012 from U.S.$40.4 million in 2011. The growth was primarily due to an increase in headcount of the sales and logistics department related to the launch of operations at the Vinnytsia Complex and the corresponding increase in sales.

Services costs decreased by 14.9% to U.S.$20.7 million in 2012 from U.S.$24.4 million in 2011 mainly due to a decrease in logistics costs and warehouse rent. During 2012 MHP ceased to rent vehicles due to an increase in its own fleet as well as ceasing to rent warehouses due to the construction of its own storage premises which is in line with MHP's strategy for operational efficiency optimisation.

Advertising expenses increased by 425.5% to U.S.$12.7 million in 2012 from U.S.$2.4 million in 2011 due to the wide advertising campaign implemented for the majority of MHP's brands.

Representative costs and business trips were largely flat and comprised U.S.$8.6 million in 2012 and U.S.$8.3 million in 2011.

MHP's costs for fuel and other materials increased by 9.8% to U.S.$13.6 million in 2012 from U.S.$12.4 million in 2011 as a result of increased sales volume and fuel prices in 2012, compared to 2011.

Depreciation expense related to administration, sales and distribution assets was relatively stable and comprised U.S.$12.3 million in 2012 and U.S.$13.7 million in 2011.

VAT refunds and other government grants income

The table below summarises the government grants recognised as income by MHP in 2011 and 2012:

	Year ended 31 December				
	2011		2012		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change in U.S.$
	(U.S.$'000)		(U.S.$'000)		
VAT refunds	87,476	7.1%	101,581	7.2%	16.1%
Fruits and vine cultivation	26	0.0%	343	0.0%	1219.2%
Other government grants	483	0.0%	445	0.0%	(7.9)%
Total	**87,985**	**7.2%**	**102,369**	**7.3%**	**16.3%**
% of operating profit	*27.4%*		*26.9%*		

Government grants were 7.3% and 7.2% of total revenue in 2012 and in 2011, respectively.

VAT refunds for the agricultural industry increased to U.S.$101.6 million in 2012 from U.S.$87.5 million in 2011 and were largely flat as a percentage of total government grants recognised as income. The increase in VAT refunds from 2011 to 2012 was mainly due to an increase in gross profit.

Operating Profit

MHP's operating profit increased by 18.7% to U.S.$380.6 million in 2012 from U.S.$320.7 million in 2011 as a result of the factors described above. Operating profit margin was relatively stable and comprised 26.1% in 2011 and 27.0% in 2012. The following table shows the segment results for each of MHP's segments for the periods shown, which represents operating profit under IFRS before unallocated corporate expenses.

	Year ended 31 December				
	2011		2012		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change in U.S.$
	(U.S.$'000)		(U.S.$'000)		
Poultry and related operations segment result	236,602	19.3%	318,537	22.6%	34.6%
Grain growing operations segment result	104,286	8.5%	92,139	6.5%	(11.6)%
Other agricultural operations segment result	9,651	0.8%	3,494	0.2%	(63.8)%
Unallocated corporate expenses	(29,795)	(2.4)%	(33,587)	(2.4)%	12.7%
Operating profit	**320,744**	**26.1%**	**380,583**	**27.0%**	**18.7%**

Segment Adjusted EBITDA

The following tables provide information relating to MHP's segment results and Adjusted EBITDA:

	Poultry and related operations		Grain growing operations		Other agricultural operations		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2011	2012	2011	2012	2011	2012	2011	2012
	(U.S.$'000)							
Segment result	236,602	318,537	104,286	92,139	9,651	3,494	350,539	414,170
Unallocated corporate expenses							(29,795)	(33,587)
Operating profit							**320,744**	**380,583**
Add back:								
Depreciation	53,879	57,922	16,422	19,569	6,742	6,522	77,043	84,013
Unallocated depreciation and amortisation							3,298	3,122
Adjusted EBITDA	**290,481**	**376,459**	**120,708**	**111,708**	**16,393**	**10,016**	**401,085**	**467,718**
Adjusted EBITDA margin, %	29.7%	34.8%	116.4%(1)	66.0%(1)	11.2%	6.4%	32.6%	33.2%
Contribution to Adjusted EBITDA	72.4%	80.5%	30.1%	23.9%	4.1%	2.1%	100.0%	100.0%

Note:

(1) The Adjusted EBITDA margin for the grain growing operations segment was calculated based on third party sales only. If the Adjusted EBITDA margin was calculated based on total sales, which would include inter-segment sales, of the grain growing operations segment, it would comprise 54.5% in 2011 and 35.3% in 2012.

Adjusted EBITDA increased by 16.6% from U.S.$401.1 million in 2011 to U.S.$467.7 million in 2012. The poultry and related operations segment accounted for U.S.$376.5 million, or 80.5% of MHP's total Adjusted EBITDA, in 2012, an increase of 29.6% from U.S.$290.5 million in 2011. Such an increase was mainly due to the increase in chicken meat prices and a slight increase in volumes of chicken products sold, partially offset by the increase in production costs.

The grain growing segment accounted for U.S.$111.7 million, or approximately 23.9% of MHP's total Adjusted EBITDA, in 2012, a decrease of 7.5% from U.S.$120.7 million in 2011 mainly due to lower yields achieved for corn, as a result of challenging weather conditions in Ukraine. The other agricultural operations segment accounted for U.S.$10.0 million, or approximately 2.1% of MHP's total Adjusted EBITDA, in 2012, a decrease of 38.9% from U.S.$16.4 million in 2011 mainly due to lower returns earned from goose meat and fruit operations.

Other Expenses, net

Other net expenses were largely flat at U.S.$61.9 million in 2012 and U.S.$58.6 million in 2011. Finance costs have decreased from U.S.$65.9 million in 2011 to U.S.$59.3 million in 2012, primarily due to an increase in amount of finance costs eligible for capitalisation. MHP capitalised eligible finance costs into costs of construction in progress. The decrease of finance costs was mainly offset by an increase of foreign exchange loss to U.S.$3.3 million in 2012 from U.S.$2.3 million of the foreign exchange gain in 2011.

Profit Before Income Tax, Income Tax Expense and Net Profit

MHP's profit before income tax increased by 21.6% to U.S.$318.7 million in 2012 from U.S.$262.1 million in 2011 as a result of higher returns earned in poultry and related operations segment. The following table provides information relating to MHP's net profit for the periods presented:

	Year ended 31 December		
	2011	2012	Change in U.S.$
	(U.S.$'000)		
Profit before tax	262,115	318,704	21.6%
Income tax expense	2,760	7,788	182.2%
Net profit for the year	**259,355**	**310,916**	**19.9%**

The Year Ended 31 December 2010 Compared to the Year Ended 31 December 2011

During the year ended 31 December 2011, MHP's key financial indicators generally increased year-on-year compared to the year ended 31 December 2010.

Revenue

MHP's total revenues increased by 30.2% to U.S.$1,229.1 million in 2011 from U.S.$944.2 million in 2010. This increase was mainly attributable to an increase in revenue in the poultry and related operations segment by 22.3% from U.S.$800.2 million in 2010 to U.S.$978.9 million in 2011 and an increase in the grain growing segment by 191.1% from U.S.$35.6 million in 2010 to U.S.$103.7 million in 2011.

External sales of the poultry and related operations segment accounted for U.S.$978.9 million, or approximately 79.6% of MHP's total revenues in 2011. External sales of the other agricultural operations segment accounted for U.S.$146.5 million, or approximately 11.9%, and external sales of the grain growing segment accounted for U.S.$103.7 million, or approximately 8.4% of MHP's total revenues in 2011.

The following table presents MHP's revenues by type for 2010 and 2011:

	Year ended 31 December				
	2010		2011		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change in U.S.$
	(U.S.$'000)		(U.S.$'000)		
Poultry and related operations segment:					
Revenue from sales of chicken meat	562,982	59.6%	693,207	56.4%	23.1%
Revenue from sunflower oil sales	179,982	19.1%	216,030	17.6%	20.0%
Revenue from other poultry related sales	57,273	6.1%	69,634	5.7%	21.6%
Sales to external customers	800,237	84.8%	978,871	79.6%	22.3%
Grain growing segment:					
Revenue from sales of grains to external customers	35,631	3.8%	103,739	8.4%	191.1%
Other agricultural operations segment:					
Revenue from sales of processed meat	79,185	8.4%	99,740	8.1%	26.0%
Other agricultural sales	29,153	3.1%	46,740	3.8%	60.3%
Sales to external customers	108,338	11.5%	146,480	11.9%	35.2%
Total revenues	**944,206**	**100.0%**	**1,229,090**	**100.0%**	**30.2%**

Note:

All revenue amounts reported above are excluding intersegment sales.

Poultry and Related Operations

MHP's revenues in the poultry and related operations segment, which mainly consisted of revenue from sales of chicken meat and sunflower oil sales to external customers, increased by 22.3%, mostly due to an increase of 23.1% in revenue from sales of chicken meat from U.S.$563.0 million in 2010 to U.S.$693.2 million in 2011 as a result of a 12.0% increase in sales volumes, as well as a 10.0% increase in the average selling price.

Due to consumer demand for chicken meat remaining stable during 2011, all MHP's poultry production units continued to operate at 100% capacity and MHP was able to sell close to 100% of the chicken produced.

In 2011, MHP's chicken meat sales volumes to the third parties on an adjusted-weight basis increased by 12% to 370,900 thousand tonnes from 331,400 thousand tonnes in 2010 as a result of increased production volume as well as chicken meat held in stock as of 31 December 2010 were sold in 2011. The production volume increase was attributable to more effective use of existing production facilities which operated at their full production capacity during 2011.

The average selling price for chicken meat increased by 10% to U.S.$1.88 per kg, (net of VAT) in 2011 from U.S.$1.72 per kg (net of VAT) in 2010. The chicken meat price growth was the result of the grain price increase in Ukraine and worldwide at the end of 2010 and following the world poultry price trends during 2011. As usual in the poultry industry, following increased production costs, prices for chicken meat are expected to increase in the coming months.

Export sales of chicken increased by 132.9% to U.S.$67.9 million in 2011 from U.S.$29.1 million in 2010 and constituted around 10% of total sales volumes. In 2011 MHP entered new export sales markets in the Middle East and Africa.

Revenues from sales of sunflower oil to external customers were U.S.$216.0 million, or 17.6% of total revenue, in 2011 and U.S.$180.0 million, or 19.1% of total revenue, in 2010. Revenues increased by 20.0% as a result of the increase in average selling price for sunflower oil, which offset a decrease in sales volumes.

In 2011 MHP sold 173,600 tonnes of sunflower oil, which is 11% less than in 2010. The reason for the decrease in sunflower oil production volumes was a partial purchase of sunflower meal at the lower market price despite own production of sunflower meal that is needed for further fodder production and lower oil content of sunflower. All sunflower oil produced was sold to external customers at an average price of U.S.$1,245 per tonne, which is 35% higher than the average price of U.S.$919 in 2010. Nearly 100% of the sunflower oil MHP produced was exported in both years.

Revenues from other poultry related sales to external customers increased to U.S.$69.6 million in 2011 from U.S.$57.3 million in 2010, mainly as a result of an increase in sales prices for convenience foods due to stable demand.

Grain Growing Operations

MHP's revenue from sales of feed grains to third parties increased by 191.1% to U.S.$103.7 million in 2011, as compared to U.S.$35.6 million in 2010, and included sales of wheat, barley, rapeseed, soybeans and external sales of corn in excess of internal consumption. MHP currently sells 100% of its rapeseeds, soybeans and a major part of wheat and barley as well as corn in excess of internal consumption, which constituted the revenue of the grain growing segment. The intersegment sales of corn and sunflower seeds by the grain growing segment, which were eliminated from MHP's revenues, increased to U.S.$117.8 million or by 37.5% in 2011 compared to U.S.$85.7 million in 2010 primarily due to increase in internal consumption by the poultry and related operations segment, partially offset by low grain prices in 2011.

The table below represents grain sales in 2011 as compared to 2010:

	Year ended 31 December					
	2010	**2011**	**Change in U.S.$**	**2010**	**2011**	**Change in volumes**
	(U.S.$'000)		**(%)**	**(Tonnes in '000)**		**(%)**
Third party sales	35,631	103,739	191.1%	219	482	120.1%
Internal sales	85,668	117,831	37.5%	528	599	13.4%
Total sales	**121,299**	**221,570**	**82.7%**	**747**	**1,081**	**44.7%**

This 191.1% increase was attributable primarily to an increase in harvested volumes resulting from increases in the area of land under cultivation and in yields, where MHP achieved significantly higher yields for major crops, especially for corn, and partially offset by low grain prices in 2011.

During 2010, the division increased the area of land under cultivation by 100,000 hectares to 250,000 thousand hectares in 2010 from 150,000 hectares in 2009, leading to an 87.5% harvest increase, from 0.9 million tonnes of grains in 2010 to 1.7 million tonnes of grains in 2011, as a majority of the land acquired in 2010 was cultivated and harvested for the first time in 2011.

Good weather conditions in 2011 stimulated a large harvest throughout Ukraine and there were high average grain yields across all crops in Ukraine. MHP obtained higher yields than Ukraine's average, particularly in corn. As a result of the high yields within the country in 2011, grain prices decreased as a consequence of large supply.

The table below represents average yields achieved by MHP in comparison with the Ukrainian average in 2011 as compared to 2010:

	MHP average yield Year ended 31 December			Ukraine average yield Year ended 31 December			MHP vs. Ukraine average Year ended 31 December	
	2010	2011	Change	2010	2011	Change	2010	2011
	(Tonnes per ha)		(%)	(Tonnes per ha)		(%)	(%)	(%)
Corn	7.8	9.5	21.8%	4.3	6.4	48.8%	81.4%	48.4%
Wheat	4.7	5.1	8.5%	2.9	3.4	17.2%	62.1%	50.0%
Sunflower	2.6	2.7	3.8%	1.6	1.8	12.5%	62.5%	50.0%
Rapeseed	3.0	2.8	(6.7%)	1.7	1.7	—	76.5%	64.7%

Other Agricultural Operations

MHP's revenue in its other agricultural operations segment was mainly generated from the sale of sausages and cooked meat, produced by Druzhba and Ukrainian Bacon, and sales of goose meat, foie gras, beef, pork, milk and fruit.

Revenues from sales to external customers in the other agricultural operations segment increased by 35.2% in 2011 and reached U.S.$146.5 million, or 11.9% of MHP's total revenues in 2011, as compared to U.S.$108.3 million in 2010 or 11.5% of MHP's total revenues.

MHP's revenues from sales of processed meat to external customers increased by 26.0% to U.S.$99.7 million in 2011, compared to U.S.$79.2 million in 2010, primarily due to an increase in sausage and cooked meat production volumes by 12.5% to 37,000 tonnes in 2011 from 32,900 tonnes in 2010, primarily due to launch of new production capacity at Ukrainian Bacon. Average sausage and cooked meat prices during 2011 increased by 14% to U.S.$2.51 per kg (excluding VAT) compared to U.S.$2.22 per kg in 2010.

MHP's revenues from other agricultural sales to external customers, which primarily included sales of fruit, milk, foie gras, goose meat and other agricultural products, increased by 60.3% to U.S.$46.7 million in 2011, compared to U.S.$29.2 million in 2010, as a result of higher returns earned from fruit and milk.

Net Change in Fair Value of Biological Assets and Agricultural Produce

The difference between fair value less costs to sell and total production costs is allocated to biological assets held in stock as of each year end 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 profit or loss. The net change in fair value of biological assets and agricultural produce was U.S.$21.3 million in the year ended 31 December 2011 as compared to U.S.$29.0 million in the year ended 31 December 2010.

In 2011 the net change in fair value of biological assets and agricultural produce mainly comprised of U.S.$17.3 million of gain related to grain growing operations and was primarily driven by an increase in volume of grain held in stock as of 31 December 2011 due to an additional 100,000 hectares which were cultivated and harvested for the first time in 2011.

In 2010 the net change in fair value of biological assets and agricultural produce mainly comprised of U.S.$17.0 million of gain related to grain growing operations and U.S.$9.5 million of gain related to poultry and related operations. U.S.$17.0 million of gain related to grain growing operations was manly attributable to the higher price of grain in 2010 compared to 2009, following the global trend. U.S.$9.5 million of gain relating to poultry and related operations was mainly driven by an increase in volume of chicken meat held in stock as of 31 December 2010.

The table below represents the net change in fair value of biological assets in 2010 and 2011.

	Year ended 31 December				
	2010		2011		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(U.S.$'000)		(U.S.$'000)		
Poultry and related operations	9,473	1.0%	2,665	0.2%	(71.9)%
Grain growing operations	17,019	1.8%	17,322	1.4%	1.8%
Other agricultural operations	2,522	0.3%	1,301	0.1%	(48.4)%
Total	**29,014**	**3.1%**	**21,288**	**1.7%**	**(26.6)%**

Cost of Sales

MHP's cost of sales increased by 30.6% to U.S.$889.1 million in 2011 from U.S.$680.6 million in 2010 in line with a significant increase in sales volume. The table below sets forth MHP's cost of sales by segment for 2010 and 2011:

	Year ended 31 December				
	2010		2011		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(U.S.$'000)		(U.S.$'000)		
Cost of sales related to poultry and related operations	546,494	57.9%	684,001	55.7%	25.2%
Cost of sales related to grain growing operations	29,771	3.2%	71,883	5.8%	141.5%
Cost of sales related to other agricultural operations	104,372	11.1%	133,243	10.8%	27.7%
Total costs of sales	**680,637**	**72.1%**	**889,127**	**72.3%**	**30.6%**

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

	Year ended 31 December				
	2010		2011		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(U.S.$'000)		(U.S.$'000)		
Cost of raw materials and other inventory used	475,093	50.3%	620,385	50.5%	30.6%
Payroll and related expenses(1)	101,425	10.7%	131,840	10.7%	30.0%
Depreciation and amortisation expenses(2)	56,799	6.0%	66,675	5.4%	17.4%
Other costs	47,320	5.0%	70,227	5.7%	48.4%
Total costs of sales	**680,637**	**72.1%**	**889,127**	**72.3%**	**30.6%**

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 primary reason for the 30.6% increase in cost of sales during 2011 compared to 2010 was increased sales volumes. At the same time cost of sales as a percentage of revenues remained relatively stable—72.1% during 2010 and 72.3% during 2011.

Cost of raw materials and other inventory used increased by 30.6% to U.S.$620.4 million in 2011 from U.S.$475.1 million in 2010, primarily due to the increased use of raw material in grain growing operations segment following the cultivation of an additional 100,000 hectares for the first time during 2011.

MHP's payroll and related expenses incurred increased by 30.0% to U.S.$131.8 million in 2011 from U.S.$101.4 million in 2010. This increase was mainly attributable to an increase in headcount due to increased area of land under cultivation.

Depreciation increased by 17.4% to U.S.$66.7 million in 2011 from U.S.$56.8 million in 2010 due to additional capital expenditures in respect of new grain storage facilities, as well as agricultural vehicles due to increased land bank, spent in 2010 and 2011 to support increase in production capacities, which is discussed below in "—Liquidity and Capital Resources".

Other costs were relatively stable as percentage from total cost of sales at 5.7% in 2011 compared to 5.0% in 2010.

Cost of Sales Related to Poultry and Related Operations

MHP's cost of sales for the poultry and related operations segment increased by 25.2% to U.S.$684.0 million in 2011 from U.S.$546.5 million in 2010 and decreased as a percentage of total revenue to 55.7% in 2011 from 57.9% in 2010. The increase in cost of sales was mainly attributable to an increase in sales volume of 12% in 2011 compared to 2010 and an increase in poultry production costs by approximately 15% against 2010. This increase in costs was a worldwide trend due to an increase in market grain prices for grain harvested in 2010 and primarily consumed in 2011 as well as an increase in utilities prices during 2011.

The cost of raw materials and other inventory in the poultry segment was primarily related to feed grain and other items associated with chicken meat production, such as non-grain fodder components, veterinary products and utilities. Feed grain and sunflower protein represented the major portion of the poultry segment's costs. Feed grain, primarily corn, was produced by the Group's grain growing segment and sold between the segments at prices generally consistent with average market prices at the time of harvesting. Sunflower seeds produced internally constituted approximately 15% of the poultry segment's needs for sunflower seeds.

Cost of Sales Related to Grain Growing Operations

The cost of sales for MHP's grain growing operations increased by 141.5% to U.S.$71.9 million compared to U.S.$29.8 million in 2010. This increase was mainly attributable to an increase in harvested land used in grain operations.

Cost of Sales Related to Other Agricultural Operations

MHP's cost of sales for its other agricultural operations segment increased by 27.7% to U.S.$133.2 million in 2011 compared to U.S.$104.4 million in 2010 primarily due to increased sausage and cooked meat sales volumes.

Gross Profit

MHP's gross profit increased by 23.5% to U.S.$361.3 million in 2011 from U.S.$292.6 million in 2010. The following table provides information relating to MHP's gross profit by segment for the periods presented.

	Year ended 31 December				
	2010		2011		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change
	(U.S.$'000)		(U.S.$'000)		
Poultry and related operations:					
Gross profit net of change in fair value effect	253,743	26.9%	294,870	24.0%	16.2%
Net change in fair value of biological assets and agricultural produce	9,473	1.0%	2,665	0.2%	(71.9)%
Total poultry and related operations	263,216	27.9%	297,535	24.2%	13.0%
Grain growing operations:					
Gross profit net of change in fair value effect	5,860	0.6%	31,856	2.6%	443.6%
Net change in fair value of biological assets and agricultural produce	17,019	1.8%	17,322	1.4%	1.8%
Total grain growing operations	22,879	2.4%	49,178	4.0%	114.9%
Other agricultural operations:					
Gross profit net of change in fair value effect	3,966	0.4%	13,237	1.1%	233.8%
Net change in fair value of biological assets and agricultural produce	2,522	0.3%	1,301	0.1%	(48.4)%
Total other agricultural operations	6,488	0.7%	14,538	1.2%	124.1%
Total	**292,583**	**31.0%**	**361,251**	**29.4%**	**23.5%**

Gross Profit Related to Poultry and Related Operations

Gross profit from the poultry and related operations segment increased to U.S.$297.5 million in 2011 from U.S.$263.2 million in 2010. The increase was primarily attributable to the 12.1% increase in sales volumes and 10.2% increase in the average sale price for chicken meat in 2011 compared to 2010.

Gross Profit Related to Grain Growing Operations

Gross profit from MHP's grain growing operations comprised only results from third party sales.

Gross profit from the grain growing operations segment increased to U.S.$49.2 million in 2011 from U.S.$22.9 million in 2010 primarily due to increases in the area of land under cultivation and significantly higher yields achieved for major crops, especially for corn.

Gross Profit Related to Other Agricultural Operations

The other agricultural operations segment increased gross profit to U.S.$14.5 million in 2011 which was twice as high as a profit of U.S.$6.5 million in 2010 and was primarily driven by an increase in volume and prices in meat processing operations, and higher returns earned from fruit and animal milk.

Gross Profit Margin

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

MHP's gross profit margin slightly decreased to 29.4% in 2011 from 31.0% in 2010 mainly due to a decrease in the gross profit margin in the poultry and related operations segment to 30.4% in 2011 from 32.9% in 2010 as well as a decrease in the gross profit margin in the grain growing operations segment to 47.4% in 2011 from 64.2% in 2010 which was partly offset by an increase in the gross profit margin in the other agricultural operations segment to 9.9% in 2011 from 6.0% in 2010.

MHP's gross profit margin in the other agricultural operations segment increased to 9.9% in 2011 from 6.0% in 2010, mostly as a result of an increase in average sausage and cooked meat prices and higher returns earned from fruit and milk as discussed in "—Revenues—Other Agricultural Operations" above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 4.3% to U.S.$106.4 million in 2011 from U.S.$102.1 million in 2010. Selling, general and administrative expenses as a percentage of total revenue decreased to approximately 8.7% in 2011 from approximately 10.8% in 2010.

MHP's selling, general and administrative expenses during these years were as follows:

	Year ended 31 December				
	2010		2011		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change in U.S.$
	(U.S.$'000)		(U.S.$'000)		
Payroll and related expenses[1]	43,576	4.6%	40,391	3.3%	(7.3%)
Services	17,517	1.9%	24,381	2.0%	39.2%
Fuel and other materials used	9,166	1.0%	12,433	1.0%	35.6%
Depreciation expense[2]	11,103	1.2%	13,666	1.1%	23.1%
Representative costs and business trips	8,611	0.9%	8,330	0.7%	(3.3%)
Advertising expenses	9,094	1.0%	2,415	0.2%	(73.4%)
Insurance expenses	1,734	0.2%	1,919	0.2%	10.7%
Bank services and conversion fees	535	0.1%	486	0.0%	(9.2%)
Other	771	0.1%	2,426	0.2%	214.7%
Total	**102,107**	**10.8%**	**106,447**	**8.7%**	**4.3%**

Notes:

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

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

Payroll expenses for administration, sales and distribution employees decreased by 7.3% to U.S.$40.4 million in 2011 from U.S.$43.6 million in 2010. This decrease was attributable to a one-off bonus paid in 2010 by the Group to one of the top managers in the amount of U.S.$7.6 million, including payroll related taxes of U.S.$1.1 million, recognised as part of selling, general and administrative expenses, partially offset by increase in payroll costs due to increased headcount of selling and administrative personnel.

Services costs increased by 39.2% in 2011 to U.S.$24.4 million in 2011 from U.S.$17.5 million in 2010 mainly due to increased logistics and distribution costs to support increased production and sales volumes.

MHP's costs for fuel and other materials increased by 35.6% to U.S.$12.4 million in 2011 from U.S.$9.2 million in 2010 due to increased production and sales volumes and the consequent expansion in the use of MHP's distribution truck fleet, as well as an increase in fuel prices.

MHP's depreciation expense increased by 23.1% to U.S.$13.7 million in 2011 from U.S.$11.1 million in 2010 due to an increase in sales and distribution assets, including the fleet of trucks used for distribution.

The decrease in advertising expenses to U.S.$2.4 million in 2011 from U.S.$9.1 million in 2010 was primarily due to developing a new marketing strategy by Management.

VAT refunds and other government grants income

The table below summarises the government grants recognised as income by MHP in 2010 and 2011:

	Year ended 31 December				
	2010		2011		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change in U.S.$
	(U.S.$'000)		(U.S.$'000)		
VAT refunds	80,223	8.5%	87,476	7.1%	9.0%
Fruits and vine cultivation	1,219	0.1%	26	0.0%	(97.9%)
Other government grants	616	0.1%	483	0.0%	(21.6%)
Total	**82,058**	**8.7%**	**87,985**	**7.2%**	**7.2%**
% of operating profit	*32.0%*		*27.4%*		

Government VAT refunds increased by 9.0% to U.S.$87.5 million in 2011 from U.S.$80.2 million in 2010, primarily due to MHP's gross profit growth.

Operating Profit

Operating profit increased by 24.9% to U.S.$320.7 million in 2011 from U.S.$256.8 million in 2010. The increase primarily reflected the U.S.$68.7 million increase in gross profit and the U.S.$5.9 million increase in grant income, partially offset by the U.S.$4.3 million increase in selling, general and administrative expenses from 2010 to 2011.

The following table provides information relating to MHP's operating profit in 2010 and 2011.

	Year ended 31 December				
	2010		2011		
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Change in U.S.$
	(U.S.$'000)		(U.S.$'000)		
Poultry and related operations segment result	225,073	23.8%	236,602	19.3%	5.1%
Grain growing operations segment result	55,765	5.9%	104,286	8.5%	87.0%
Other agricultural operations segment result	3,738	0.4%	9,651	0.8%	158.2%
Unallocated corporate expenses	(27,792)	(2.9%)	(29,795)	(2.4%)	7.2%
Operating profit	**256,784**	**27.2%**	**320,744**	**26.1%**	**24.9%**

Segment Adjusted EBITDA

The following tables provide information relating to MHP's segment results and Adjusted EBITDA:

	Poultry and related operations		Grain growing operations		Other agricultural operations		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2010	2011	2010	2011	2010	2011	2010	2011
	(U.S.$'000)							
Segment result	225,073	236,602	55,765	104,286	3,738	9,651	284,576	350,539
Unallocated corporate expenses							(27,792)	(29,795)
Operating profit							**256,784**	**320,744**
Add back:								
Depreciation allocated to segments	47,600	53,879	11,397	16,422	5,585	6,742	64,582	77,043
Unallocated depreciation and amortisation							3,320	3,298
Adjusted EBITDA	**272,673**	**290,481**	**67,162**	**120,708**	**9,323**	**16,393**	**324,686**	**401,085**
Adjusted EBITDA margin, %	34.1%	29.7%	188.5%(1)	116.4%(1)	8.6%	11.2%	34.4%	32.6%
Contribution to Adjusted EBITDA	84.0%	72.4%	20.7%	30.1%	2.9%	4.1%	100.0%	100.0%

Note:

(1) Adjusted EBITDA margin for grain growing operations segment was calculated based on the third parties sales, only. If Adjusted EBITDA margin was calculated based on total sales, which would include inter-segment sales, of grain growing operations segment it would comprise 55.4% in 2010 and 54.5% in 2011.

Adjusted EBITDA increased by 23.5% from U.S.$324.7 million in 2010 to U.S.$401.1 million in 2011. The poultry and related operations segment accounted for U.S.$290.5 million, or 72.4% of MHP's total Adjusted EBITDA, in 2011, an increase of 6.5% from U.S.$272.7 million in 2010, mainly due to increased prices for chicken meat and increased production volumes, and partially offset by increased poultry production costs. The grain growing segment accounted for U.S.$120.7 million, or approximately 30.1%, of MHP's total Adjusted EBITDA in 2011, an increase of 79.7% from U.S.$67.2 million in 2010, which was mainly due to an increase in harvested volumes resulting from increases in the area of land under cultivation and in yields, and partially offset by low grain prices in 2011. The other agricultural operations segment accounted for U.S.$16.4 million, or approximately 4.1%, of MHP's total Adjusted EBITDA in 2011, an increase of 75.8% from U.S.$9.3 million in 2010, which was mainly due to the increase in average sausage and cooked meat prices and higher returns earned from fruit and milk.

Other expenses, net

Other expenses, net, comprised U.S.$58.6 million in 2011 and U.S.$39.5 million in 2010.

This U.S.$19.2 million increase in other expenses, net, was primarily attributable to a U.S.$9.9 million increase in net finance costs (a combined impact of a U.S.$6.9 million decrease in finance income to U.S.$6.4 million in 2011 from U.S.$13.3 million in 2010 and a U.S.$3.0 million increase in finance costs to U.S.$65.9 million in 2011 from U.S.$62.9 million in 2010), and a U.S.$8.7 decrease in foreign exchange gain to U.S.$2.3 million in 2011 from U.S.$11.0 million in 2010.

Profit Before Income Tax, Income Tax Expense and Net Profit

Profit before income tax amounted to U.S.$262.1 million in 2011. The following table provides information relating to MHP's net profit for the periods presented:

	Year ended 31 December		
	2010	2011	Change
	(U.S.$'000)	(U.S.$'000)	
Profit before tax	217,321	262,115	20.6%
Income tax expense	(1,873)	(2,760)	47.4%
Net profit for the year	**215,448**	**259,355**	**20.4%**

Liquidity and Capital Resources

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

Working capital, defined as current assets (excluding cash and cash equivalents and bank deposits) minus current liabilities (excluding short-term bank borrowings, bonds issued, lease obligations, accrued interest, accounts payable for property, plant and equipment) was U.S.$492.6 million, U.S.$616.5 million and U.S.$786.0 million as at 31 December 2010, 2011 and 2012, respectively. In 2010, 2011 and 2012 the total contribution to working capital was U.S.$166.7 million, U.S.$125.1 million, and U.S.$185.6 million, respectively (for details see "—Cash Flows—Net Cash Generated by Operating Activities" below).

In 2010, 2011 and 2012, MHP had U.S.$141.9 million, U.S.$182.2 million and U.S.$311.9 million of short-term working capital bank loans from Ukrainian and foreign banks as well as medium term working capital loans from ERBD and IFC at the end of each respective year. Approximately 27.4% of MHP's total indebtedness as of 31 December 2012 was represented by short term and medium 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 Offering Memorandum.

Cash Flows

The following is a summary of MHP's cash flows in 2010, 2011 and 2012:

	Year ended 31 December		
	2010	2011	2012
		(U.S.$'000)	
Net cash generated by operating activities	96,580	197,661	198,134
Net cash used in investing activities	(329,728)	(121,137)	(260,406)
Net cash generated by/(used in) financing activities	250,150	(21,114)	62,279
Net increase in cash and cash equivalents	**17,002**	**55,410**	**7**

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		
	2010	2011	2012
		(U.S.$'000)	
Operating cash flows before movements in working capital	311,557	397,650	474,127
Working capital changes	(166,651)	(125,148)	(185,597)
Other operating cash flow(1)	(48,326)	(74,841)	(90,396)
Net cash generated by operating activities	**96,580**	**197,661**	**198,134**

Note:

(1) Other operating cash flow is represented by the net of interest received, interest paid and income tax paid.

MHP's cash flows from operating activities primarily resulted from operating profit, as adjusted for non-cash items such as depreciation, net change in fair value of biological assets and agricultural produce, foreign exchange losses and other non-cash items and for changes in working capital. The stronger cash flow in 2011 and 2012 as compared to 2010 was driven primarily by higher prices and greater sales volumes.

The main contributors to working capital relate to the development of MHP's business and the increasing scale of its operations, particularly flowing from the investments relating to the Vinnytsia Poultry Complex which commenced production operations in the fourth quarter of 2012, and the expansion of MHP's crop production business in 2011 and 2012, reflected in required increases of inventories, biological assets and trade and VAT receivables.

In 2012, the total contribution to working capital was U.S.$185.6 million. The main contributors to working capital were:

- a U.S.$92.9 million increase in VAT receivables (in relation to VAT refunds in the ordinary course of business, not government grants, see "—State Support for Agricultural Production in Ukraine—Government Grants—Government VAT refunds for the agricultural industry") resulting from significant capital expenditure in 2012 and increased grain inventory as at 31 December 2012 compared to 31 December 2011;
- a U.S.$75.5 million contribution to inventories related primarily to the increase in sunflower inventories for the purposes of hedging against future price increases; and
- a U.S.$12.1 million increase in biological assets, principally attributable to expenditure on poultry production in respect of the Vinnytsia Complex launch.

In 2011, the net contribution in working capital was U.S.$125.1 million, which mostly reflected increased taxes recoverable, agricultural produce, biological assets trade accounts receivable and inventories, which were partially offset by in trade accounts payable and other current liabilities. The main contributors to working capital were:

- a U.S.$47.1 million increase in taxes recoverable mostly related to increased VAT receivables as a result of increased export sales, significant capital expenditure and increased grain inventory as at 31 December 2011 compared to 31 December 2010;
- a U.S.$43.3 million contribution to agricultural produce related primarily to the increase in corn which was sold to third parties in 2012;
- a U.S.$29.0 million contribution to inventories related primarily to the increase in sunflower inventories for the purposes of hedging against future price increases;
- a U.S.$ 13.0 million increase in biological assets, principally in expenditure on grain growing production due to some changes in technology with an increased proportion of fertilizer application in autumn in the 2011/2012 sowing campaign; and
- a U.S.$12.7 million increase in trade accounts receivable related to increased sales.

The major component of other operating cash flow was interest paid which relates to external funding and which increased in line with increased interest payments from 2011 to 2012 reflected in finance costs, net in the consolidated statement of comprehensive income.

Net Cash Used In Investing Activities

Net cash used in investing activities was U.S.$329.7 million, U.S.$121.1 million and U.S.$260.4 million in 2010, 2011 and 2012, respectively. The following table provides additional information relating to the net cash generated by MHP's investing activities for the period under review.

	Year ended 31 December		
	2010	2011	2012
		(U.S.$'000)	
Purchases of property, plant and equipment, including non-cash investments	(159,492)	(320,797)	(381,370)
Acquisition of subsidiaries, net of cash acquired and financing provided in relation to acquisition of subsidiaries	(52,067)	—	—
Purchase of other non-current assets, net of proceeds from investing activities	(11,450)	(12,385)	(4,527)
Total capital expenditures and acquisition of subsidiaries	**(223,009)**	**(333,182)**	**(385,897)**
Non-cash investments	20,335	85,902	123,703
Short-term and long-term deposits (placements)/withdrawals, net	(127,054)	126,143	1,788
Net cash flows used in investing activities	**(329,728)**	**(121,137)**	**(260,406)**

In 2010, MHP spent U.S.$159.5 million on property, plant and equipment primarily related to the Vinnytsia Complex, and also in connection with the acquisition of additional agricultural machinery for crop production. In 2011, MHP spent U.S.$320.8 million on purchases of property, plant and equipment, substantially all of which related to the construction of the Vinnytsia Complex and the acquisition of additional agricultural machinery for arable farms. In 2012, MHP spent U.S.$381.4 million on property, plant and equipment mainly at its Vinnytsia Complex and additional grain growing agricultural machinery.

In 2010 acquisition of subsidiaries, net of cash acquired and financing provided in relation to acquisition of subsidiaries, represented expenditures incurred in respect of MHP expanding its land bank through acquisition from a third party of 100% interests in a number of entities engaged in grain growing activities. See "—Acquisitions and Disposals".

Non-cash investments of U.S.$20.3 million, U.S.$85.9 million and U.S.$123.7 million in 2010, 2011 and 2012, respectively, primarily represented finance leases and vendor financing arrangements in respect of the purchase of equipment for the Vinnytsia Complex, trucks and agricultural machinery. Non-cash investments comprised direct payments from the lender to the vendor of the equipment, trucks and agricultural machinery.

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

Net Cash flows from/(used in) Financing Activities

	Year ended 31 December		
	2010	**2011**	**2012**
		(U.S.$'000)	
Net proceeds from loans received	4,825	15,204	126,513
Proceeds from bonds issued	323,018	—	—
Acquisition of treasury shares	(46,288)	—	(41,465)
Repayments of corporate bonds issued	—	(9,976)	—
Finance lease payments	(24,532)	(25,740)	(22,268)
Repayment of other financing	(6,873)	(602)	(501)
Net cash flows from/(used) in financing activities	**250,150**	**(21,114)**	**62,279**

Cash flows from financing activities do not include non-cash borrowings of U.S.$20.3 million, U.S.$85.9 million and U.S.$123.7 million in 2010, 2011 and 2012, respectively, primarily represented by finance leases and vendor financing arrangements in respect of the purchase of equipment for the Vinnytsia Complex, trucks and agricultural machinery, as discussed above.

Net cash generated by financing activities was U.S.$250.2 million in 2010 and U.S.$62.3 million in 2012, as compared to net cash used in financing activities of U.S.$21.1 million in 2011.

During the years ended 31 December 2010 and 2012, MHP acquired, under its share buy-back program, 3,370,144 shares for a cash consideration of U.S.$46,288 thousand, and 3,445,000 shares for cash consideration of U.S.$41,465 thousand. The negative cash flow from financing activities in 2010 was primarily due to reduced external financing of capital expenditures, as well as the repayment of corporate bonds and lease indebtedness in accordance with their payment schedules.

Capital Expenditures

MHP has substantially expanded its operations and 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 and purchasing equipment, vehicles and other miscellaneous items, especially for grain production.

Historical Capital Expenditures

MHP's capital expenditures for PPE, including those purchased through finance lease and direct bank lender payments to the vendor for the periods under review amounted to U.S.$159.5 million, U.S.$320.8 million and U.S.$381.4 million in 2010, 2011 and 2012, respectively, and mostly related to the construction of the Vinnytsia Complex, which will achieve full operational capacity in forthcoming years.

Budgeted Capital Expenditure

MHP expects to reduce its capital expenditures in forthcoming years as a result of already having in stock the equipment required for completion of the Vinnytsia Complex. A substantial portion of the capital expenditure budgeted in 2013 is for the construction of the rearing sites at the Vinnytsia Complex.

Due to the continued strong performance of the grain growing segment and in line with its strategy of vertical integration, Management has decided to increase MHP's grain growing capacities in the near term up to a total of 450,000 hectares, concentrating on fertile "black soil" areas to the extent land is available at appropriate prices, which will result in the need for additional plant and equipment. See "—Recent Trends and Developments".

Capital Resources

To date, MHP has relied on net cash generated by operating activities, bank loans and issuances of bonds and shares (in the form of global depositary receipts) to finance its capital expenditures. In addition, MHP has financed a certain amount of its equipment purchases through vendor financing and leasing.

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 Issuer 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".

As at 31 December 2012, MHP had total indebtedness of U.S$1,140.1 million. The table below sets out MHP's indebtedness as at 31 December 2012:

Indebtedness	Maturity Date	Original currency	Amount Outstanding as at 31 December 2012	Interest Rate
			(U.S.$'000)	
Senior Notes due 2015[(1)]	29/04/2015	USD	571,515	10.25%
Long-term loans including current portion	2014/2020	EUR	162,675	EURIBOR plus 1.05%-1.75%
Long-term loans including current portion	2014/2018	USD	105,976	LIBOR plus 1.1%-6.0%
Short-term bank borrowings	2013	USD	232,490	LIBOR plus 4.0%-5.5%
Finance lease obligations[(2)]	2013 2017	EUR and USD	67,447	5%-10.9%
Total indebtedness			**1,140,103**	

Notes:

(1) The principal amount of the Existing Notes outstanding as of 31 December 2012 was U.S.$584.8 million. The carrying amount of the Existing Notes includes the unamortised premium on bonds issued and unamortised debt issuance costs.

(2) Finance lease obligations relate to purchases of trucks, equipment and agricultural machinery. This table does not include vendor financing which at 31 December 2012 amounted to U.S.$11.4 million.

Approximately 28.3% (U.S.$323.2 million of U.S.$1,140.1 million) of MHP's total indebtedness as of 31 December 2012 was represented by short term indebtedness (including short term bank borrowings from Ukrainian banks, the current portion of long term bank borrowings and the current portion of finance lease obligations).

Debt Securities in Issue

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

- Senior Guaranteed Notes due in 2015. In 2010, the Issuer issued senior guaranteed notes in an aggregate amount of U.S.$584,767 thousand. The Existing Notes bear interest at a fixed rate of 10.25% per annum payable semi-annually and mature on April 29, 2015. PJSC MHP, Druzhba, Druzhba Nova, MFC, Oril Leader, Katerynopolsky Elevator, Peremoga, Zernoproduct, Myronivka, Starynska, Shahtarska, Agrofort, Urozhay and Vinnytsia jointly and severally guaranteed all amounts in respect of the Existing Notes. The net proceeds from the offering of the Existing Notes were used by MHP in part to repay indebtedness under certain loan facilities. The Existing Notes contain covenants that, subject to certain exceptions and qualifications, limit the ability of the Issuer and certain of its subsidiaries to:

- incur additional indebtedness or issue preference shares (Consolidated Leverage Ratio, determined as net debt to EBITDA for MHP's most recently ended four full fiscal quarters for which publicly available financial statements are available, should not exceed 2.5 to 1);
- 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 Issuer's restricted subsidiaries;
- create restrictions on the ability of the Issuer's restricted subsidiaries to pay dividends or make other payments to the Issuer;
- 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 Issuer served by the Notes' trustee or the holders of at least 25% in principal amounts of then outstanding Notes. Such events include, amongst other things:

- default for 30 days on payment when due of interest on the Notes;
- default on payment when due of principal of, or premium on, the Notes;
- failure by the Issuer 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 Issuer 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 an event of default arising from certain events in bankruptcy or insolvency, all outstanding Notes become due and payable immediately without further action or notice.

Loan Facilities

See "Description of Other Indebtedness" section for a list of MHP's most significant long-term and short-term loan facilities.

As at 31 December 2012, the aggregate amount outstanding under long-term facilities was U.S.$268.6 million. All long-term loans are unsecured.

As of 31 December 2012, the aggregate amount outstanding under short-term facilities was U.S.$232.5 million. All short-term loans excluding the pre-export financing are unsecured.

As of 31 December 2012, the aggregate amount of available undrawn facilities of U.S.$134.0 million with maturity between January 2013 and June 2020.

MHP's loan facilities contain covenants that restrict, subject to exceptions in respect of certain of these covenants, amongst other things, the ability of companies in the Group to (i) create liens or grant pledges over their assets; (ii) sell, assign, lease or otherwise dispose of all or any substantial part of their assets; (iii) reorganise or merge with other entities; or (iv) acquire all or substantially all of the assets of another entity; (v) change its shareholder structures or (vi) incur or permit to subsist any financial indebtedness and (vii) create or permit to subsist any security interest over any of its assets; and (viii) maintain various financial ratios. In addition, some facilities incorporate the covenants applicable to the Existing Notes. In connection with the Consent Solicitation to amend certain provisions of the Existing Notes, MHP has obtained (or is in the process of obtaining) waivers or agreements to amend such facilities from the relevant lenders to bring the covenants under those facilities in line with the covenants that will be applicable to the Existing Notes.

MHP's facilities also contain various events of default, including, amongst other things, non-payment of principal or interest due under the facility; misrepresentation, certain insolvency and bankruptcy events, cessation of business operations, regulatory intervention or loss of material licenses or approvals, non-payment of other indebtedness of any companies in the Group, certain adverse events relating to the companies in the Group and material adverse change.

Finance Leases

In each of 2010, 2011 and 2012 MHP purchased trucks, equipment and agricultural machinery financed from leases with LLC Scania Credit Ukraine, LLC ING Lease Ukraine, LLC UniCredit Leasing, LLC Raiffeisen Leasing Aval. As at 31 December 2012 the aggregate amount outstanding under financial lease agreements was U.S.$67.4 million. As of 31 December 2012, the weighted average interest rates on finance lease obligations were 7.28% and 7.69% for finance lease obligations denominated in EUR and USD, respectively.

Contractual Obligations

The following table summarises MHP's contractual obligations as at 31 December 2012 under its operating leases and other agreements:

	Less than 1 Year	2-5 Years	More than 5 Years	Total as at 31 December 2012
		(U.S.$'000)		
Debt securities in issue(1)	—	584,767	—	584,767
Short-term bank loans	232,490	—	—	232,490
Long-term bank loans	69,168	182,156	17,327	268,651
Finance leases	21,492	45,955	—	67,447
Vendor financing(2)	11,415	—	—	11,415
Operating lease obligations	22,011	74,288	79,551	175,850
Purchases obligations on property, plant and equipment(3)	14,689	—	—	14,689
Total	**371,265**	**887,166**	**96,878**	**1,355,309**

Notes:

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

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

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

As at 31 December 2012, 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

As of 31 December 2012, the Group had U.S.$50.0 million of sunflower oil pre-export finance borrowings that were secured. These borrowings were secured by sunflower seeds with a carrying amount of U.S.$62.5 million.

Risk Management Policies

Capital Risk Management

MHP manages its capital to ensure that MHP entities will be able to continue as a going concern whilst maximising the return to its 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. 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 the issuance of new shares and new debt or the redemption of existing debt.

MHP's objective is to maintain a leverage ratio of not higher than 2.5 after 31 December 2012 (2.5 up to 31 December 2010 and 2.5 up to 31 December 2011), determined as the proportion of net debt to adjusted operating profit. For purposes of this leverage ratio, net debt is defined as bank borrowings, bonds issued and finance lease and vendor financing obligations less cash and cash equivalents and short-term bank deposits. For the purposes of the leverage ratio, debt does not include interest-bearing liabilities, which are included in trade accounts payable. Adjusted operating profit is defined as operating profit as adjusted for the depreciation expense and losses and gains believed by Management to be non-recurring in nature, as this measure produces results substantially comparable to those reviewed for the purposes of financial covenants under the Group's borrowings.

As at 31 December 2010, 2011 and 2012 the leverage ratio was determined as follows:

	2010	2011	2012
	(U.S.$'000, except ratios)		
Bank borrowings	198,518	279,488	501,141
Bonds issued	572,778	567,000	571,515
Finance lease obligations	61,216	51,825	67,447
Debt	832,512	898,313	1,140,103
Less:			
Cash and cash equivalents and Short-term bank deposits	(173,781)	(96,535)	(94,785)
Net debt	658,731	801,778	1,045,318
Operating profit	256,784	320,744	380,583
Adjustments for:			
Depreciation expense	67,902	80,341	87,135
Adjusted operating profit	**324,686**	**401,085**	**467,718**
Net debt to adjusted operating profit	2.03	2.00	2.23
Covenants under Existing Notes	2.5	2.5	2.5

Credit Risk

MHP 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.

MHP 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. No single customer represents more than 7% of sales. 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 customers are approved and monitored on a regular basis by Management, who assess 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. About 31.0% of trade receivables comprise amounts due from large supermarkets, which have the longest contractual receivable settlement period amongst customers.

Of the trade accounts receivable balance as at 31 December 2012, MHP's five largest customers represent 22.1% of the outstanding balance.

MHP held all cash and cash equivalents, primarily in USD, with reputable foreign and Ukrainian banks.

Liquidity Risk

Liquidity risk is the risk that MHP will not be able to settle all liabilities as they are due. Management carefully monitors and manages MHP's liquidity position. MHP has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

The following table details MHP's remaining contractual maturity for its non-derivative financial liabilities. Undiscounted cash flows of financial liabilities are based on the earliest date on which MHP can be required to pay. The table includes both interest and principal cash flows as at 31 December 2012. The amounts in the table may not be equal to the carrying amounts in the consolidated statement of financial position since the table includes all cash outflows on an undiscounted basis.

	Carrying Amount	Contractual Amounts	Less than 1 Year	1-5 Years	6 or More Years
			(U.S.$'000)		
Borrowings	501,141	526,824	313,702	195,146	17,976
Bonds issued	571,515	734,613	59,939	674,674	—
Finance lease obligations	67,447	76,735	25,705	51,030	—
Total	**1,140,103**	**1,338,172**	**399,346**	**920,850**	**17,976**

MHP's target is to maintain its current ratio, defined as a proportion of current assets to current liabilities, at the level of not less than 1.2. As at 31 December 2012, 2011 and 2010, the current ratio was as follows:

	Year ended 31 December		
	2010	2011	2012
	(U.S.$'000, except ratios)		
Current assets	719,082	808,745	1,001,248
Current liabilities	242,438	307,678	469,147
Current ratio	**2.97**	**2.63**	**2.13**

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. Management sets limits on its level of currency exposures. MHP does not use any financial instruments, which are neither available nor routinely used in Ukraine, to hedge against currency exchange rate fluctuations.

The carrying amount of MHP's foreign currency denominated monetary assets and liabilities as at 31 December 2012 were as follows:

Assets	USD-denominated 2012	EUR-denominated 2012
	(U.S.$'000)	
Long-term bank deposits	—	6,154
Trade accounts receivable	8,607	—
Other current assets	732	35
Cash and cash equivalents	73,270	1,017
Total assets	**82,609**	**7,206**

Liabilities	USD-denominated 2012	EUR-denominated 2012
	(U.S.$'000)	
Trade accounts payable	30,592	4,897
Other current liabilities	593	5,508
Interest accrued	13,312	813
Long-term bank borrowings	68,104	131,379
Short-term bank borrowings including current portion of long-term bank borrowings	270,362	31,296
Long-term finance lease and vendor financing obligations	25,013	20,536
Short-term finance lease and vendor financing obligations	12,794	8,698
Bonds issued	584,767	—
Total liabilities	**1,005,537**	**203,127**

The below details MHP's sensitivity to the strengthening of the hryvnia against the U.S. dollar and Euro by 5% and weakening of the hryvnia against the U.S. dollar and Euro by 10%. These sensitivity rates represent Management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for possible change in foreign currency rates.

	Change in foreign currency exchange rates	Effect on profit before tax
	2012	
Increase in USD exchange rate	10%	(92,293)
Increase in EUR exchange rate	10%	(19,592)
Decrease in USD exchange rate	5%	46,146
Decrease in EUR exchange rate	5%	9,796

During the year ended 31 December 2012, the Ukrainian hryvnia was relatively stable against the U.S. dollar and depreciated against the Euro by 2.3% as a result of Euro appreciation against the U.S. dollar. See also "—External Factors Affecting MHP's Results of Operations—Macroeconomic conditions in Ukraine—Fluctuations in Currency Exchange Rate".

MHP's operating assets are located in Ukraine and denominated primarily in hryvnia and its revenues and costs are also denominated primarily in hryvnia (although certain of those revenues and costs are correlated to the U.S. dollar prices of various grain commodities). The functional currency of the Group is hryvnia, but its reporting currency is U.S. dollars. See "—Functional and presentation currency" above. Accordingly, any changes in hryvnia and U.S. dollar exchange rates significantly impact the financial statements of MHP when viewed in U.S. dollars, as compared to those statements viewed in hryvnia, as its functional currency. In addition, MHP's bank borrowings and bonds issued are mostly foreign currency denominated, which has led to a further sensitivity of net profit given the increased amount of hryvnia, in the case of hryvnia depreciation, or decreased amount of hryvnia, in the case of hryvnia appreciation, required to meet such obligations. During 2010 and 2011 the hryvnia was relatively stable against the U.S. dollar and moderately grew against the Euro due to the Euro devaluation against the U.S. dollar from the sovereign-debt crisis of the European Union. During 2012 the hryvnia experienced moderate depreciation against the Euro as the Euro strengthened against the U.S. dollar. As a result, MHP recognised non-cash foreign exchange gains, in an amount of U.S.$11.0 million, U.S.$2.3 million and non-cash foreign exchange loss in amount of U.S.$3.3 million in the consolidated statement of comprehensive income in 2010, 2011 and 2012, respectively. In addition, foreign currency rate fluctuations impact the prices MHP has to pay in hryvnia for certain of its inputs, in particular, corn and sunflower seeds, which although purchased in hryvnia, are correlated to global prices denominated in U.S. dollars. The Group expects any negative effect of hryvnia devaluation against the U.S. dollar would be sufficiently offset by sales of sunflower oil, various grains and chicken meat export sales, which are correlated to global prices in U.S. dollars. MHP is further impacted as a result of the fact that the price of chicken meat in Ukraine tends to correlate to U.S. dollar-denominated global prices for chicken meat. See "—Fluctuations in Market Price for Chicken Products". As a result, exchange rate movements between the U.S. dollar and the hryvnia have an impact on the price at which MHP sells its chicken products.

MHP's foreign currency revenues consist principally of revenues from export sales of sunflower oil and related products, grain and chicken meat and related products, which accounted for 47.5%, 28.9% and 23.5% respectively, of MHP's total exports sales in 2012, and increased significantly year-on-year during the periods under review. The increase in MHP's foreign currency revenues from U.S.$240.0 million in 2010 to U.S.$353.9 million in 2011 and to U.S.$479.8 million in 2012, was mainly attributable to the increase in the volume of chicken meat and grain export sales as well as an increase in price of grain and chicken meat sold for export, during the periods under review.

MHP's foreign currency expenditures consist principally of the cost of purchasing breeder flocks, non-grain components for mixed fodder, production equipment and finance costs. From a cash-flow perspective, MHP's exposure to currency exchange rate fluctuations as a result of its foreign currency payments is partially offset by its U.S. dollar revenues from export sales of sunflower oil, grain and chicken meat, which have been sufficient in 2012 to cover foreign currency denominated finance costs, loans repayments and import purchases for operational activities, including breeder flocks and non-grain components for mixed fodder but not MHP's foreign currency denominated capital expenditure requirements.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. As of 31 December 2012 MHP principally borrows on variable rate basis. The primary sources of MHP's funds are loans tied to LIBOR and EURIBOR and are generally at lower interest rates than are available in Ukraine.

The table below details MHP's sensitivity to an increase or decrease of LIBOR or EURIBOR by 5% for 2012 and 2011 and sensitivity to an increase or decrease of LIBOR or EURIBOR by 10% for 2010. The analysis was applied to interest bearing liabilities (bank borrowings, finance lease obligations and accounts payable under grain purchase financing arrangements) based on the assumption that the amount of liability outstanding as at the statement of financial position date was outstanding for the whole year.

	Increase/ (decrease) of floating rate	Effect on profit before tax
		(U.S.$'000)
2012		
LIBOR	5%	(17,146)
LIBOR	(5)%	17,146
EURIBOR	5%	(8,189)
EURIBOR	(5)%	8,189
2011		
LIBOR	5%	(9,263)
LIBOR	(5)%	9,263
EURIBOR	5%	(4,781)
EURIBOR	(5)%	4,781
2010		
LIBOR	10%	(11,825)
LIBOR	(10)%	11,825
EURIBOR	10%	(5,778)
EURIBOR	(10)%	5,778

The effect of interest rate sensitivity on shareholders' equity is equal to that on the consolidated statement of comprehensive income.

Livestock Diseases Risk

MHP's agro-industrial business is subject to risks of outbreaks of various diseases. MHP faces the risk of outbreaks of diseases, which are highly contagious and destructive to livestock, such as bird flu, which is a risk to its poultry operations. These and other diseases could result in the death of livestock or a required cull of livestock. Disease control measures were 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 prevent any outbreak of livestock diseases and related losses.

Commodity Price and Procurement Risk

Commodity price risk arises from the risk of an adverse effect on current or future earnings from fluctuations in the prices of commodities. To mitigate this risk the Group continues expansion of its grain growing segment, as part of the vertical integration strategy, and also accumulates sufficient commodity stock to meet its production needs.

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 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 it 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:

Revenue Recognition

MHP generates revenue primarily from the sale of agricultural products to the end customers. Revenue is recognised 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.

When goods are exchanged or swapped for goods which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. When goods are sold in exchange for dissimilar goods, the exchange is regarded as a transaction which generates revenue, and revenue is measured at the fair value of the goods received, adjusted by the amount of any cash or cash equivalents transferred.

Recognition of Inventories

Management assesses the criteria for recognition of assets set out in the IFRS, including that significant risks and rewards associated with ownership have transferred to MHP. In making these assessments, Management considers the detailed terms and provisions of agreements with suppliers, involving legal ownership transfer, to identify the date when significant risks and rewards associated with ownership were transferred to MHP.

During the year ended 31 December 2012, MHP acquired components for mixed fodder production from a local supplier under grain purchase financing arrangements. According to the contractual terms, legal ownership to goods passed to MHP on physical delivery to MHP's grain storage facilities, which is generally the date when inventories are recognised in MHP's financial statements. However, based on the assessment of relative significance of risks and rewards associated with ownership of grains, in particular date of transfer of physical damage risk, as well as commercial risks and benefits associated with ownership, Management concluded that these inventories should be recognised on MHP's consolidated statement of financial position from the date when they were acquired by the supplier.

Biological Assets and Agricultural Produce

Biological assets and agricultural produce are recorded at fair values less costs to sell. MHP estimates fair values of biological assets and agricultural produce based on the following key assumptions:

- average meat output for broilers and livestock for meat production;
- average productive life of breeders held for regeneration and cattle held for milk production;
- expected crops output;
- projected orchards output (because orchards involve longer life cycles than other crops, this assumption involves long-term projections, rather than shorter-term estimates);
- estimated changes in future sales prices;

- projected production costs and costs to sell; and
- discount rate.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated on MHP's historical and projected results. If actual results differ from MHP's projections, MHP's results could be negatively impacted.

Property, Plant and Equipment

Management estimates the useful life of an item of property, plant and equipment based upon experience with similar assets. In determining the useful life of an asset, Management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Management reviews its property, plant and equipment each period to determine if any indication of impairment exists. Based on these reviews, there were no indicators of impairment as of 31 December 2012, 2011 and 2010.

As described in Notes 3 and 12 to the Audited Consolidated Financial Statements, the Group applies a revaluation model to the measurement of grain storage facilities. At each reporting date, MHP carries out a review of the carrying amount of these assets to determine whether the carrying amount differs materially from fair value. The Group carries out such review by preparing a discounted cash flow analysis involving assumptions on projected revenues and costs, and a discount rate. Additionally, the Group considers economic stability and availability of transactions with similar assets in the market when determining whether to perform a fair value assessment in a given period. Based on the results of this review, the Group concluded that grain storage facilities should be revalued during the year ended 31 December 2012 only. MHP engaged independent appraisers to revalue its grain storage facilities. The valuation was determined based on a replacement cost approach compared with revaluation performed using an income approach to check for impairment indicators of revalued assets, if any.

VAT recoverable

The balance of VAT recoverable may be realised by MHP either through a cash refund from the state budget or by a set off against VAT liabilities with the state budget in future periods. Management classified the VAT recoverable balance as current or non-current based on expectations as to whether it would be realised within twelve months of the reporting date. In making this assessment, Management considered MHP's past history of receiving VAT refunds from the state budget which on occasion requires claims to be made in relevant courts. As VAT refunds are expected to be set off against VAT liabilities in future periods, Management based its estimates on detailed projections of expected excess of VAT output over VAT input in the normal course of business.

Acquisitions of land lease rights

In the course of expanding its grain growing operations, MHP acquired control over entities owning legal rights for operating leases of agricultural land plots. For each individual acquisition, the Group evaluated whether the acquisition constituted an asset acquisition or a business combination. In making this judgment, Management considered whether the acquired entities are capable of being conducted and managed as a business for the purpose of providing returns, including whether the acquired entities possess other assets and workforce as inputs compared to normal industry requirements.

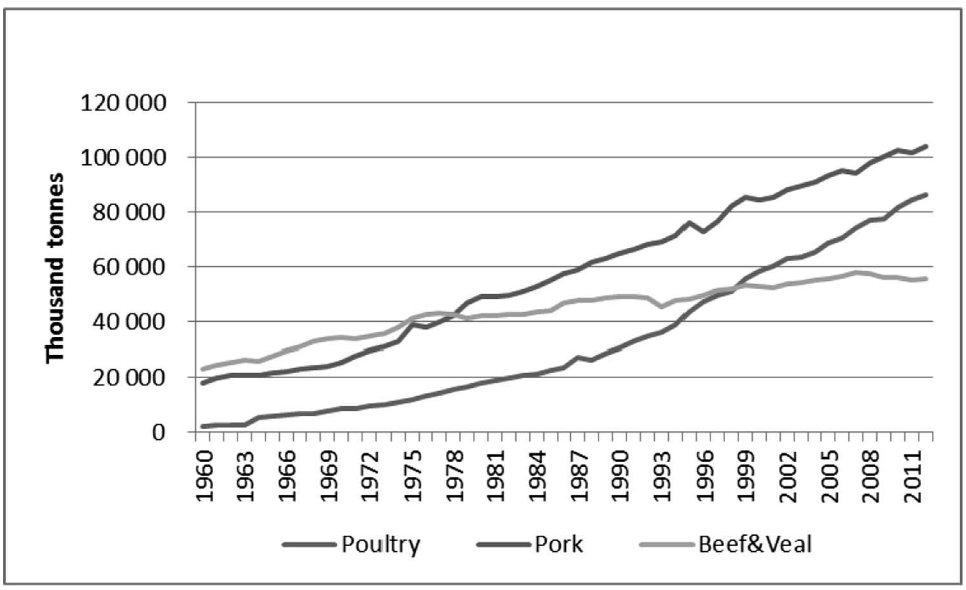
Unless stated otherwise, the statements on markets and competition provided below are based on Management beliefs and estimates, some of which were, in turn, are derived from various sources it believes to be reliable, including industry publications and from surveys or studies conducted by third-party sources, including the SSSU. Management compiled its projections for the market and competitive data beyond 2012 in part on the basis of such historical data and in part on the basis of assumptions and methodology which it believes to be reasonable, as well as various sources it believes to be reliable. In light of the absence of publicly available information on a significant proportion of participants in the industry, and the inherent uncertainties involved in forecasting, data on market sizes and projected growth rates should be viewed with caution. Additional factors, which should be considered in assessing the usefulness of the market and competitive data and, in particular, the projected growth rates, are described elsewhere in this Offering Memorandum, including those set out in the sections titled "Risk Factors" and "Cautionary Note Regarding Forward Looking Statements".

Overview of the International and Ukrainian Markets for Meat Products

World Production, Consumption and Outlook

The global meat industry has demonstrated substantial development over the last 50 years. Global meat consumption has increased significantly, mostly due to the growth of poultry consumption in the emerging market countries. During the same period, the growth rate of beef and veal production has been falling. Poultry, amounting to 34% of the world's meat production volume, is now the second largest meat market after pork. The growth of poultry consumption was primarily a result of the changes in the consumer preferences favouring more dietary meat. A shift from a small-scale to large-scale production units, vertical integration of companies, shorter production cycles and lower production costs of poultry compared to beef and pork further contributed to growth of the poultry industry. Future consumer behaviour will be mostly determined by the pricing, recognising poultry as a cheaper alternative in the protein spectrum.

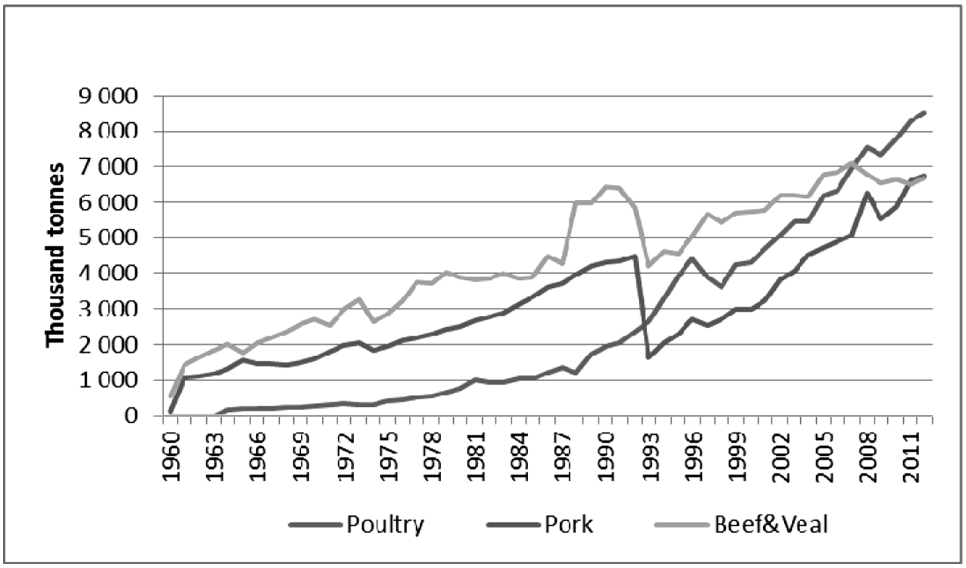
Global Meat Consumption



Source: FAS USDA

Trade volumes of poultry have increased greatly for the last forty years; poultry meat is now the most traded meat, ahead of pork and beef. The global poultry meat trade doubled since 1995 and has grown by 2.0 billion tonnes since 2006. Global meat demand and trade continue to grow strongly, especially in many middle and low income countries. Poultry meat imports by major importing countries such as Japan, Saudi Arabia, other Middle East and African countries are projected to rise by 1.5 million tonnes (21%) between 2012 and 2021, according to the USDA.

Global Meat Trade



Source: FAS USDA

The global poultry export market is highly consolidated. The largest two exporters, Brazil and the United States, account for about 70% of global trade volumes.

Meat Consumption in Ukraine

In accordance with worldwide market trends, the consumption of meat products in Ukraine has grown in line with increasing national income levels. Management therefore believes that consumption of meat in Ukraine will continue to grow. The table below shows the level of meat consumption (measured by processed weight) in Ukraine and per capita income of the Ukrainian population in 2008, 2009, 2010, 2011 and 2012.

	2008	2009	2010	2011	2012
Income (U.S.$ per capita per annum)(1)	2,604.0	1,874.7	2,311.9	2,667.0	2,900.3
Meat consumption (kilograms per capita per annum)(2)	51.4	49.8	52.1	53.6	56.2

Sources:

(1) SSSU

(2) MHP's calculations based on the data of SSSU, MEDTU and Poultry Producers Union of Ukraine. Consumption includes unofficial import of 100,000 tonnes in 2011 and 85,000 tonnes in 2012 based on the MHP's Management's estimation.

The level of meat consumption in Ukraine currently remains below the average consumption level in developing countries and significantly below the consumption levels in the European Union countries. The level of meat consumption in Ukraine is also below the annual recommended dietary requirements, which, according to INRAMS, is approximately 80.0 kilograms per capita per annum. According to MHP's calculations based on the data from SSSU and MEDTU, in 2012, meat consumption in Ukraine was 56.2 kilograms of meat per capita (measured by processed weight), as compared to 108.9 kilograms per capita in the United States, 97.4 kilograms per capita in Brazil, 77.1 kilograms per capita in the EU, 61.9 kilograms per capita in Mexico and 62.1 kilograms per capita in Russia (according to FAPRI). Management expects consumption levels for poultry in Ukraine to continue to grow in the medium to long term.

Meat is produced in Ukraine by both industrial producers and households, with the latter having accounted for 42% of all meat produced in Ukraine in 2012 (in processed weight) according to SSSU. In 2012, the percentage of poultry industrially produced in Ukraine (82% of total domestic poultry output) was significantly higher than that of beef (25%), pork (42%) or of meat generally (58%). 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.

Poultry meat consumption continues to demonstrate significant growth, while beef consumption is stably declining. This is as a result of cheap prices of poultry and lower production costs compared to beef or pork. Management expects consumption levels for poultry in Ukraine to continue to grow in the medium to long term.

Meat production in Ukraine	**2008**	**2009**	**2010**	**2011**	**2012**
	(In thousands of tonnes of processed weight)				
Poultry	799	894	961	1,002	1,066
Beef	451	454	428	408	396
Pork	643	527	631	699	736
Total	**1,893**	**1,875**	**2,020**	**2,109**	**2,198**

Source: SSSU

During the period from 2008 to 2012, the levels of industrial production of poultry and pork increased year-on-year, while the industrial production of beef has decreased year-on-year.

Industrial meat production in Ukraine	**2008**	**2009**	**2010**	**2011**	**2012**
	(In thousands of tonnes of processed weight)				
Poultry	632	712	772	817	875
Beef	130	114	105	97	97
Pork	211	207	256	305	306
Total	**973**	**1,033**	**1,133**	**1,219**	**1,278**

Source: SSSU

In addition, as shown in the table below, in recent years the number of cattle in Ukraine has been continuously decreasing, while poultry has been increasing.

	2008	**2009**	**2010**	**2011**	**2012**
	(In million heads)				
Cattle	6.05	5.80	5.57	5.25	5.20
Pork	6.76	7.20	8.31	8.05	7.85
Poultry	205.60	222.50	233.1	237.40	247.00

Source: SSSU, as of July 1 of each year

Despite the fact that Ukraine is an agrarian country, the share of imports in the total amount of meat consumption remained quite significant, amounting to about 15% of domestic meat supply in Ukraine. Imported meat mainly comprises carcasses and other low-priced parts and is mostly utilised by meat processors.

	2009		**2010**		**2011**		**2012**	
	Amount	**Percentage of total imported meat**	**Amount**	**Percentage of total imported meat**	**Amount**	**Percentage of total imported meat**	**Amount**	**Percentage of total imported meat**
	(In thousands of tonnes of processed weight, except percentages)							
Imported beef	14	3.2%	25	6.7%	23	6.7%	22	4.4%
Imported pork	225	51.7%	193	51.4%	153	44.9%	273	54.8%
Imported poultry meat[(1)]	196	45.1%	157	41.9%	165	48.4%	203	40.8%
Total import	**435**	**100.0%**	**375**	**100.0%**	**341**	**100.%**	**498**	**100.0%**

Source: SSSU

(1) Includes unofficial import of 100,000 tonnes in 2011 and 85,000 tonnes in 2012 based on the MHP's Management's estimation.

Poultry Consumption in Ukraine

According to MHP's estimations, which are based on the data of SSSU, MEDTU and Poultry Producers Union of Ukraine, the aggregate consumption of poultry meat in Ukraine in 2012 was 1,160,000 tonnes. The annual per capita consumption of chicken meat in Ukraine increased by approximately 2% to 25.4 kilograms per capita in 2012 as compared to 24.9 kilograms per capita in 2011, and represented an approximately 9% increase from 23.4 kilograms per capita in 2010. In line with a trend also observed in other markets worldwide, Ukrainian consumers tend to eat more poultry compared to beef or pork, as poultry is cheaper than beef or pork. The lower price is due to the average conversion rate for poultry (the number of kilograms of fodder required to produce one kilogram of increase in live weight) being significantly lower, at approximately two kilograms, than the conversion rate for pork at approximately four kilograms and beef at approximately six kilograms. In addition, the price difference is also due to longer growout periods for beef and pork, which is significant given the recent grain price increases. Moreover, consumers tend to eat more poultry for health reasons, as poultry has a higher protein and lower fat content than beef or pork. The following table shows the relative percentages of meat consumption in Ukraine represented by poultry, pork and beef and per capita consumption of each type of meat for 2009, 2010, 2011 and 2012.

	Poultry Meat		Pork		Beef		Total	
Year	Kilograms per capita	Percentage of total meat consumption	Kilograms per capita	Percentage of total meat consumption	Kilograms per capita	Percentage of total meat consumption	Kilograms per capita(1)	Percentage of total meat consumption
2012	25.4	45.0%	21.1	37.0%	8.7	15.0%	56.2	100.0%
2011	24.9	46.0%	18.5	34.0%	9.2	17.0%	53.6	100.0%
2010	23.4	45.0%	18.0	35.0%	9.7	19.0%	52.1	100.0%
2009	23.0	46.0%	16.1	32.0%	9.7	19.0%	49.8	100.0%

Source: MHP's calculations based on the data of SSSU, MEDTU and Poultry Producers Union of Ukraine. Consumption includes unofficial import of 100,000 tonnes in 2011 and 85,000 tonnes in 2012 based on the MHP's Management's estimation.

(1) Includes other types of meat.

The relatively low level of per capita consumption of meat in Ukraine, the replacement of other types of meat with poultry by consumers, the undersupply of other types of meat (such as beef) resulting in more significant increases in prices for these types of meat and the low income levels of the Ukrainian population are all factors that are expected to contribute to continued increasing demand for poultry in Ukraine.

The table below shows the levels of poultry consumption (measured by processed weight) in Ukraine and certain other countries in 2008, 2009, 2010, 2011 and 2012.

Country	2008	2009	2010	2011	2012
	(In kilograms per capita per annum)				
United States(1)	44.2	42.1	43.6	44.1	43.2
Brazil(1)	37.2	36.9	41.8	44.2	42.7
EU(1)	17.2	17.4	17.8	18.1	18.1
Mexico(1)	29.8	29.3	29.7	30.7	30.5
Russia(1)	20.2	21.3	21.1	21.0	22.9
Ukraine(2)	21.6	23.0	23.4	24.9	25.4

Sources:

(1) The Food and Agricultural Policy Research Institute.

(2) MHP's calculations based on the data of SSSU, MEDTU and Poultry Producers Union of Ukraine.

Poultry Supply in Ukraine

According to MHP's calculations, overall poultry meat supply (including poultry meat imports) in Ukraine was approximately 1,244,000 tonnes in 2012, as compared to 1,189,000 tonnes in 2011, 1,110,000 tonnes in 2010 and 1,084,000 tonnes in 2009. As indicated in the following table, the increase in supply of poultry in 2012 as compared to 2011 was a result of the increased output of chicken meat by domestic producers as well as increased import.

	2008		2009		2010		2011		2012	
	Amount	Percentage of total supply	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	**799**	**79.0%**	**894**	**82.0%**	**961**	**87.0%**	**1,002**	**84.0%**	**1,066**	**86.0%**
Imported supply[1]	262	26.0%	196	18.0%	157	14.0%	65	6.0%	118	9.0%
Unofficial Import[2]							100	8.0%	85	7.0%
Domestic Stocks Changes	(46)	(5.0)%	(6)	—	(8)	(1.0)%	22	2.0%	(25)	(2.0)%
Total supply	**1,015**	**100.0%**	**1,084**	**100.0%**	**1,110**	**100.0%**	**1,189**	**100.0%**	**1,244**	**100.0%**

Source: MHP's calculations based on the data of SSSU and MEDTU.

(1) SSSU

(2) Unofficial imports based on MHP's Management's estimation.

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 almost all poultry meat produced in Ukraine is consumed domestically.

Industrial production of chicken meat typically involves large-scale production conducted in 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 domestic poultry supply in Ukraine by category of producer in 2009, 2010, 2011 and 2012.

	2009		2010		2011		2012	
	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	712	80.0%	772	80.0%	817	82.0%	875	82.0%
Domestic household production	182	20.0%	188	20.0%	185	18.0%	191	18.0%
Total domestic supply	**894**	**100.0%**	**960**	**100.0%**	**1,002**	**100.0%**	**1,066**	**100.0%**

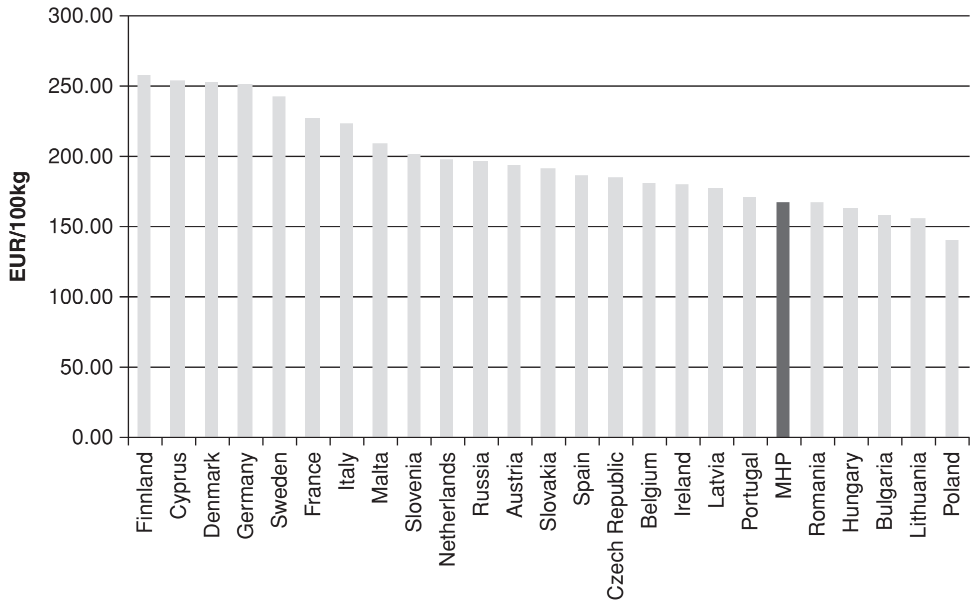
Source: SSSU

Industrial production of poultry in Ukraine increased by approximately 7% in volume in 2012 as compared to 2011, by approximately 6% in 2011 as compared to 2010 and by approximately 8% in 2010 as compared to 2009. 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. Household production slightly increased in 2012 following a decrease in 2011 caused by growing production costs resulting from high fodder prices. Moreover, household production decreased as a percentage of total domestic supply to 18% in 2011-2012 compared to 20% in 2009-2010. 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 during 2009-2012, enabling consumers to buy chicken products instead of raising their own chicken; an increase in the supply of chicken meat in the market; economic inefficiency of household production; and the higher susceptibility of birds raised in households to bird diseases and the resulting decrease in demand from customers for chicken produced by households.

Notwithstanding the growth in the 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 SSSU, MEDTU and MHP's Management's estimation of unofficial imports, during 2012 Ukraine imported 203,000 tonnes of chicken meat, as compared to 165,000 tonnes in 2011, 157,000 tonnes in 2010 and 196,000 tonnes in 2009. These figures include 100,000 tonnes of unofficial imports of chicken products in 2011 and 85,000 tonnes in 2012 that were sold into the Ukrainian 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.

While the prices for MHP's chicken products increased during 2010-2012 in UAH terms, 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 the 12 months ended 31 December 2012.

Average for 12 months ended 31 December 2012



Source: CIRCA, Bloomberg

(1) Based on the prices of the leading poultry producer in Russia, OJSC "Cherkizovo Group"

The price of chicken meat in Ukraine tends to correlate with U.S. dollar denominated global prices as according to the SSSU and the Management's estimation, imported frozen chicken products accounted for approximately 15% of all chicken meat sold in Ukraine in 2010-2012 due to the direct correlation between Ukrainian grain prices and world grain prices. Average sale prices for chicken meat in Russia and Europe are much higher than in Ukraine, which presents a potential future export opportunity for growth and which Management expects to support increasing prices for chicken meat in Ukraine.

Pursuant to the EU Regulation No. 88/2013 of 31 January 2013, Ukraine has received permission for export of poultry products into EU countries and several of MHP's production sites were pre-certified by the EU Commission in 2010. Upon the completion of various formalities and final accreditation of MHP's facilities by the EU Commission, this development is expected to present the opportunity for MHP to increase its chicken meat export sales in the near future.

Poultry Product Distribution in Ukraine

Poultry products in Ukraine are mainly distributed through two distinct wholesale channels: retailers and 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 75% of the market in 2012.

While there are currently approximately 60 Ukrainian industrial enterprises that produce chicken meat, only one of these is considered by MHP to be a significant competitor. Currently, approximately 75% of the overall industrial production of poultry in Ukraine is attributable to the four largest companies operating in the sector. In 2012, MHP's share of the Ukrainian market for industrially produced poultry was approximately 50%. Its closest competitors CJSC "Complex Agromars" ("**Agromars**"), CJSC Poultry Processing Plant "Dniprovsky" ("**Dniprovsky**") and LLC "Agrooven" ("**Agrooven**") accounted for 14%, 6% and 5% of the market, respectively, in 2012.

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 in order to achieve a comparable position. For example, 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"). Further, 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. Such competitors may have difficulty adapting to the Ukrainian market. Finally, 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 primarily competes with the other vertically integrated Ukrainian industrial producer of chicken meat, Agromars.

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 2012, Agromars accounted for approximately 14% of the poultry industrially produced in Ukraine.

Dniprovsky is an industrial poultry producer, located in the Dnipropetrovsk region, which is self-sufficient in hatching eggs and mixed fodder. It sells its products mainly in eastern Ukraine under the trademark "Dniprovsky Chicken". In 2012, Dniprovsky accounted for approximately 6% of the poultry industrially produced in Ukraine.

Agrooven is an industrial poultry producer, located in the Dnipropetrovsk region, which is self-sufficient in fodder and purchases hatching eggs from external sources. The poultry complex consists of hatchery, fodder plant, 3 broiler farms, processing plant and distribution network. The company also produces grain, pork, beef and convenience food. It sells its products under the trademark "Agrooven". In 2012, Agrooven accounted for approximately 5% of the poultry industrially produced in Ukraine.

In 2012, MHP's share of the Ukrainian market for industrially produced poultry was 50.1%, as compared to 50.2% and 49.8% in 2011 and 2010, respectively. The market share of MHP was stable as there was no increase in production capacity of MHP's facilities.

The following table sets out the market share and production volumes of the top three Ukrainian industrial poultry producers and other industrial producers as a whole for the period from 2010 to 2012.

Producer	2010		2011		2012	
	Production volume	Market share	Production volume	Market share	Production volume	Market share
	(In thousands of tonnes of processed weight)	(%)	(In thousands of tonnes of processed weight)	(%)	(In thousands of tonnes of processed weight)	(%)
MHP	385.0	49.8%	410.4	50.2%	438.4	50.1%
Agromars	114.2	14.8%	115.4	14.1%	122.8	14.0%
Dniprovsky	52.9	6.8%	49.1	6.0%	50.4	5.8%
Agrooven	27.5	3.6%	42.3	5.2%	43.3	4.9%
Others	192.9	25.0%	200.0	24.5%	220.3	25.2%
Total	**772.5**	**100.0%**	**817.2**	**100.0%**	**875.2**	**100.0%**

Source: SSSU, Poultry Producers Union of Ukraine

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 slightly increased in 2012, following a decrease in 2011, and a further fall in household production volumes is expected. 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.

Important Developments in the Ukrainian Poultry Industry

Under Ukrainian legislation, local state authorities regulate prices of certain food products, including chicken meat, pork and beef. Before increasing wholesale prices for such products by more than 1% in any given month producers of certain food products, including chicken meat, pork and beef, must obtain the conclusion of the State Prices Inspection that the calculation of expenses in the course of price determination was economically justified and inform the local state authorities about the respective change in wholesale prices. Furthermore, in April 2008 the Cabinet of Ministers of Ukraine (the "**CMU**") introduced a procedure for the determination of prices of food products which are subject to state regulation. This procedure provides a formula for the calculation of wholesale prices of food products. Management believes that the approach MHP uses for determining the wholesale prices for MHP's products is in line with the applicable legislation. The procedure introduced by the Cabinet of Ministers of Ukraine also provides a formula for calculation of profits from sales of food products. However, as of the date of this Offering Memorandum the profitability coefficient for calculation of profit margin has not yet been approved by state authorities.

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 Parliament cancelled all of the tax, customs duty and other incentives and exemptions for such zones. This effectively increased the cost of imported poultry products by an amount equivalent to EUR 0.7 per kilogram 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 kilogram 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. 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 kilogram of processed weight (while the tariff for legs and thighs remained unchanged at EUR 0.7 per kilogram). 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. After Ukraine became a member of the WTO on 16 May 2008, the import tariffs on most poultry products (including frozen legs and thighs) were set at 10% of the customs value but not less than EUR 0.4 per kilogram of processed weight. At the same time, the import tariffs for fresh and chilled chicken parts were set at EUR 0.7 per kilogram for certain types of products and 30% of the customs value but not less than EUR 1.5 per kilogram of processed weight for other types of products. In December 2008, import tariffs on poultry products were further amended. As of the date of this Offering Memorandum, import tariffs for whole chickens are 15% (fresh and chilled) and 12% (frozen) of the customs value, while import tariffs for chicken parts (including legs and thighs) are 12% (fresh and chilled) and 10% (frozen) of the customs value. Similar trade barriers apply to other types of meat, in particular, import tariffs for beef (fresh, chilled and frozen) are 15% of the customs value and for pork are 12% (fresh and chilled) and 10% (frozen) of the customs value.

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 was reported at a poultry farm in Romania near the Ukrainian border in March 2010, which resulted in Ukrainian state authorities prohibiting importation of poultry products from Romania. 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. This included imposing local quarantine measures in affected areas, as well as mandatory seizures and slaughtering of birds. As of the date of this Offering Memorandum, 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 a 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. In January 2010, Ukraine restricted importation of poultry products from Israel following a reported outbreak to have occurred in Israel's territory. In July 2012, Ukraine also restricted import of poultry products from some provinces in China due to occurrences of bird flu in these regions.

Pursuant to the EU Regulation No. 88/2013 of 31 January 2013, Ukraine has received permission for export of poultry products into EU countries and several of MHP's production sites were pre-certified by the EU Commission in 2010. Upon the completion of various formalities and final accreditation of MHP's facilities by the EU Commission, this development is expected to present the opportunity for MHP to increase its chicken meat export sales in the near future. See "Risk Factors—MHP may be unsuccessful in its attempt to increase market share in export markets for its chicken meat products".

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

Overview of the International 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, Russia and Ukraine.

As shown in the table below, world grain production for the agricultural year 2012/2013 is forecast at 1,776 million tonnes, a decrease of 4% compared to the volume in 2011/2012. For the agricultural year 2012/2013 coarse grain is expected to account for over 63% of total grain production. According to FAS USDA Report on "Grain World Markets and Trade, January 2013" ("**FAS USDA Report**"), from 2011/2012 to 2012/2013, grain consumption is anticipated to decrease by 2% from 1,853 to 1,816 million tonnes. Consequently, for the agricultural year 2012/2013 consumption is expected to be more than production by 40 million tonnes, thus decreasing year end stocks.

The table below provides information on world grain production (total and by crop) in the agricultural years starting from 2008/2009 to 2012/2013.

	Agricultural Year(1)				
	2008/2009	**2009/2010**	**2010/2011**	**2011/2012**	**2012/2013**
			(In million tonnes)		
Wheat	682.7	677.4	652.2	696.4	654.3
Coarse grain total including:	1,101.6	1,095.5	1,099.3	1,154.4	1,121.2
Corn	791.5	797.8	832.3	883.5	852.3
Barley	154.0	148.9	122.7	134.3	129.8
Sorghum	64.5	62.3	62.5	54.0	59.1
Oats	26.4	24.2	19.8	22.6	20.6
Rye	17.4	17.4	11.4	12.2	13.8
Other	47.8	44.9	50.6	47.8	45.6
Total:	**1,784.3**	**1,772.9**	**1,751.5**	**1,850.8**	**1,775.5**

Source: FAS USDA Report "World Agricultural Production"

(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 2011/2012 are for the period from July 2011 to June 2012 whereas production figures for coarse grains in 2011/2012 are for the period from October 2011 to September 2012.

According to FAS USDA Report, in the agricultural year 2012/2013, the world's five largest grain producers (the United States, China, the European Union, India and Brazil) are expected to account for approximately 66% of the world's total grain output. The United States is the largest overall grain producer, accounting for the largest quantity of coarse grains and fourth largest quantity of wheat.

World Trade in Grain

According to FAS USDA Report, the five major wheat exporting countries by volume are the United States, Australia, Russia, Canada and the European Union. The United States is the leading wheat and corn exporter in the world and it also expected to reach a market share of approximately 27% of the world export volumes of corn and 21% of the world export volumes of wheat in the agricultural year 2012/2013.

The table below provides information on major wheat[1] exporters and wheat export volumes:

	Agricultural Year				
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
			(In thousand tonnes)		
United States	27,101	24,172	35,977	28,071	29,500
Australia	13,450	13,764	18,477	23,041	19,000
Russia	18,393	18,556	3,983	21,627	10,500
Canada	18,674	18,992	16,768	17,603	18,500
EU	25,351	22,115	22,906	16,569	18,000
Argentina	8,651	5,255	7,742	11,949	7,500
Kazakhstan	5,701	7,871	5,519	11,069	7,000
Ukraine	**13,037**	**9,337**	**4,302**	**5,436**	**6,200**
Turkey	2,342	4,363	2,945	3,680	3,300
India	21	62	74	1,699	8,000
Paraguay	784	648	1,269	829	1,600
Others	10,042	10,428	13,691	11,746	11,390
World Total	**143,547**	**135,563**	**133,653**	**153,319**	**140,490**

Source: FAS USDA Report

(1) Wheat statistics include wheat, flour and other products on a grain equivalent basis.

The table below provides information on major coarse grain exporters and coarse grain export volumes:

	Agricultural Year				
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
			(In thousand tonnes)		
The United States	51,558	53,989	49,292	40,192	27,645
Argentina	10,249	19,030	18,628	22,300	26,505
Brazil	7,187	8,627	11,592	12,679	22,505
Ukraine	**11,380**	**10,936**	**7,456**	**17,333**	**15,010**
Australia	4,873	4,414	4,899	7,278	5,050
EU	4,338	4,262	5,894	7,097	4,705
Russia	4,945	2,526	1,029	5,994	4,580
India	2,642	2,072	3,437	4,803	3,050
Canada	3,852	3,070	4,428	3,854	4,675
Paraguay	1,864	1,392	1,203	2,206	2,405
South Africa	2,159	1,634	2,857	1,853	2,520
Others	5,638	7,113	5,515	7,340	4,480
World Total	**110,685**	**119,065**	**116,230**	**132,929**	**123,130**

Source: FAS USDA Report

The largest importers of wheat are Egypt, Brazil, Indonesia, Japan and Algeria, while the main importers of coarse grain are Japan, Mexico, Saudi Arabia, China and South Korea.

Grain Prices

Prices of major grains increased significantly during the 2011 calendar year due to the low harvest. In 2012, the price of wheat matched the price of corn, while historically wheat was more expensive than corn. The table below provides information on average global prices in USD for wheat, corn and soybean.

	2010	2011	2012
		(In USD per tonne)	
Wheat, No.1 Hard	195.4	280.1	276.4
Corn No.2 Yellow	159.7	264.7	276.3
Soybean No.1 Yellow	378.5	479.4	537.9

Source: Bloomberg

The Ukrainian Grain Market

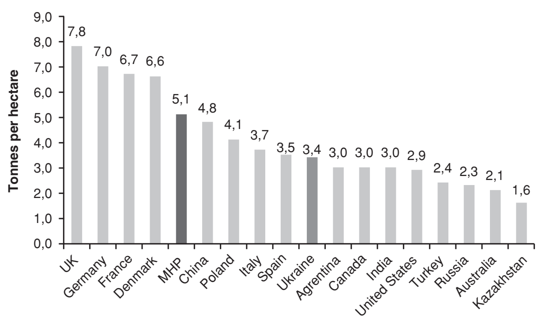
Overview

Ukraine has a long history of grain production as it benefits from favourable weather conditions and fertile soils. 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%, respectively, of the country's total land area. Ukraine's agricultural land benefits from its extremely fertile black soil (*chernozem*), which accounts for about 25% of total world black soil reserves. According to the SSSU, in 2012 wheat, barley, corn, sunflowers, sugar beet, soybean and rape accounted for 17%, 10%, 13%, 16%, 1%, 4%, and 2%, respectively, of arable land in Ukraine.

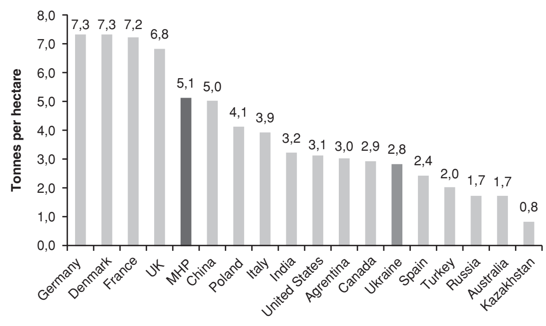
Land under cultivation, and hence grain production, decreased significantly after the collapse of the Soviet Union due to the lack of capital and other resources, the disappearance of farming cooperatives and the absence of incentives for entrepreneurship. In recent years rising demand in the domestic market as well as export markets, the emergence of large farming enterprises and the general revival of the farming industry have all contributed to significant increases in land under crop and grain production.

According to the SSSU, 46.2 million tonnes of grain were harvested in Ukraine in 2012, compared to 56.7 million tonnes in 2011. The average grain yield was 3.1 tonnes per hectare in 2012 as compared to 3.7 tonnes in 2011. The following charts show the wheat and corn yields for different countries in 2012. MHP has a high grain yield compared to other countries and producers in Ukraine, although there is still a big potential for yields to grow to the levels of other European countries.

Wheat Yield in 2011/2012

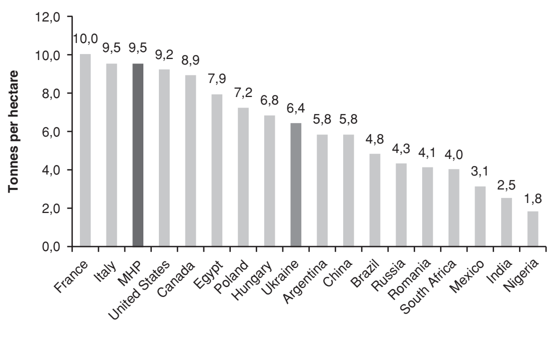


Wheat Yield in 2012/2013

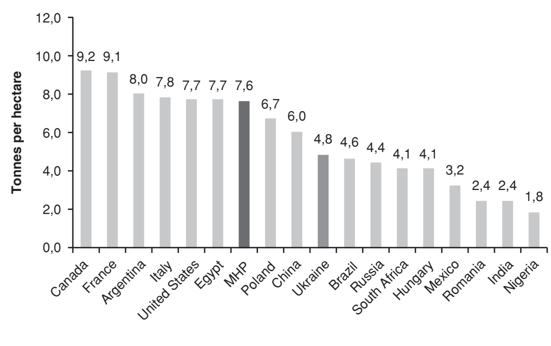


Source: FAS USDA Report, SSSU

Corn Yield in 2011/2012



Corn Yield in 2012/2013



Source: FAS USDA Report, SSSU

Grain Consumption

According to FAS USDA Report, domestic consumption of wheat in Ukraine is forecast at 11.8 million tonnes for the agricultural year 2012/2013, a decrease of approximately 21% from the previous year due to low yield of wheat in 2012 and partial substitution of wheat consumption by corn consumption.

Grain exports

Ukraine borders Russia and several EU member states (Poland, Slovakia, Hungary and Romania), which provides it with easy geographic access to large consumer markets for grain. Ukraine also benefits from a well-developed transport infrastructure, including railroads, highways, airports and seaports linking the country to global markets.

Historically, wheat and barley have been the main export crops of Ukraine, while export volumes for corn, which has not traditionally been a large export crop for Ukraine, have been generally increasing since 2006/2007. According to FAS USDA Report, Ukraine is the eighth largest wheat exporter and the third largest corn exporter in the world after the United States and Argentina.

Three major importers of Ukrainian wheat are Egypt, Spain and Israel, and they account for a combined share of approximately 50% of total Ukrainian wheat exports. Main markets of Ukrainian imported barley are Saudi Arabia, Iran and Israel with a combined share of about 80% of total Ukrainian barley exports. Egypt, Spain and Iran are three largest importers of Ukrainian corn with a combined share of about 50% of total Ukrainian corn exports.

Further development in the poultry and swine industry, along with growing demand from Ukrainian poultry and swine feed producers, is expected to further increase Ukrainian grain production, especially corn.

Regulation of the Ukrainian Agricultural 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 kinds of agricultural products, including grain crops and chicken meat, in any given year will be subject to state pricing regulation. Once specified by the CMU, the Agrarian Ministry sets the minimum and maximum interventional prices for the relevant agricultural products 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 prices for agricultural products in Ukraine. Stabilisation of prices for agricultural products is carried out by the Agrarian Fund of Ukraine (the "**Agrarian Fund**"), a state specialised institution which is authorised to implement a pricing policy in agrarian industry.

State Price Stabilisation

Although prices for agricultural products in Ukraine generally follow global prices, the Agrarian Fund carries out price stabilisation for a particular agricultural product when prices exceed or fall below the maximum or minimum interventional prices by 5% or more.

The Agrarian Fund carries out price stabilisation by conducting forward purchases of agricultural products into the State Intervention Fund (maintained by the Agrarian Fund) or selling agricultural products from the State Intervention Fund.

When prices for a particular agricultural product deviate by more than 20% from the maximum/minimum interventional price, the Agrarian Fund may suspend trade in the agricultural product and consult with market participants. If the consultation process is not successful, the Agrarian Fund may request that the CMU impose, amongst other measures, mandatory maximum and minimum interventional prices for all participants in the market of such agricultural product. If temporary price regulation fails to improve the market of such agricultural product, the CMU must prepare and submit to the Parliament a draft law for the provision of temporary budget subsidies to the relevant Ukrainian agricultural producers.

The establishment and operation of the domestic grain market is further regulated by the Law of Ukraine, "On Grain and Grain Market in Ukraine" dated 4 July 2002. This law defines, among other things, the participants in the grain market, the scope of the state regulation of this market and general requirements for the storage of grain.

Imports and Exports

The Law of Ukraine "On Amendments to the Law of Ukraine "On Amendments to the Tax Code of Ukraine and the rates of import (export) duties imposed on certain types of grain crops" effective as of 22 October 2011 abolished import duties imposed on grain crops, except for barley. The import duty imposed on barley is equal to 14% of customs value of imported barley. The Resolution of the CMU No.566 dated 25 May 2011 abolished export quotas on seed wheat, meslin, spelt and barley and at the date of this Offering Memorandum there is no information that such quotas will be introduced again.

State Support for Agricultural Producers

As a matter of state policy and to enhance the development of its agricultural industry, Ukraine provides various types of support to Ukrainian agricultural producers (See "Risk Factors—Risks Relating to MHP—State support from which MHP currently benefits is significant and could be discontinued"). 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 Tax Code, 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 75% of their gross revenue or more. FAT is paid in lieu of corporate income tax, land tax, duties for special use of water resources and duty for certain types of entrepreneurial activity. The amount of FAT payable is calculated as a percentage of the deemed value of all land plots (determined as of 1 July 1995) used for agricultural production that are leased or owned by a taxpayer, at the rate of 0.15%. There is no guarantee that the FAT regime will not be discontinued in the future.

State Subsidies

VAT Refunds for the Agriculture Industry

The Ukrainian government provides various types of financial support to agricultural producers, including MHP. The amount and nature of such financial support varies from year to year but has in the past accounted for a significant proportion of MHP's operating profit before loss on impairment of property, plant and equipment.

According to the Tax Code, effective from 1 January 2011, the VAT subsidy provisions for agricultural companies, which were received by MHP in 2010, 2011 and 2012, will apply until 1 January 2018. These provisions allow agricultural producers in Ukraine, including MHP, to retain the difference between the VAT that they charge on their agricultural products (currently at the rate of 20% and to be decreased to 17% after 1 January 2014) and the input VAT that they pay on items purchased for their operations, rather than remitting such amounts to the state budget. Such retained amounts have to be transferred to and accumulated on special bank accounts of the company and can be used for any production purposes of the company. Under the current law, the subsidy will increase or decrease in line with sales of the relevant products. The value of this benefit to MHP amounted to U.S.$101.6 million in 2012.

As long as MHP is entitled to retain VAT from the sales of its agricultural products, any reduction of the VAT 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 output or retention benefit received by MHP in such period. The cessation of the VAT subsidy or 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, financial condition and prospects.

There is no guarantee that the VAT subsidy, will not be discontinued in the future, and any cancellations or limitations of the subsidy 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 the 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. (See "Risk Factors—Risks Relating to MHP—State support from which MHP currently benefits is significant and could be discontinued").

Government grants on fruits and vine cultivation

In accordance with the Law "On State Budget of Ukraine", the Group was entitled to receive grants for the years ended 31 December 2012, 2011 and 2010 for the creation and cultivation of orchards, vines and berry fields.

Partial Compensation for Finance Costs

Agricultural producers are entitled to receive partial compensation for finance costs under loans and finance lease agreements. The aggregate amount of this benefit is determined by the annual state budget of Ukraine. The State Budget of Ukraine for 2012 provided for such benefit in the amount of UAH827.4 million (US$103.4 million), whereas the State Budget of Ukraine for 2013 provides for such benefit in the amount of UAH96.8 million (US$12 million). On 11 August 2010, the CMU adopted the Resolution "On approval of procedure of use of funds allocated in state budget as financial aid for agricultural companies through mechanism of compensation of financial costs under loans and finance lease agreements" (the "**CMU Resolution**"), which established that certain types of loans (depending on, amongst 116 other things, their designated purpose and term) and lease payments will be subsidised by the state, as well as the amount to be compensated.

The CMU Resolution provided for an interest rate rebate, subject to compliance with the rebate requirements, for companies that secured agricultural loans in relation to (i) the construction of poultry farms for loans granted after 2009 (ii) the reconstruction of poultry farms, acquisition of machinery and equipment for loans granted within the previous seven years and (iii) the purchase of animal feed and feed grains for loans granted within the previous three years.

The amount of compensation for financial costs under loans is capped at the level of the double discount rate of the NBU for loans in hryvnia and 7% p.a. for loans in foreign currency. The CMU Resolution limits rebate for the financial lease payments at (i) 40% of the value of the leased property of Ukrainian production and (ii) 1.5 times the discount rate of the NBU for commissions payable to the lessor.

Such compensation is allocated to agricultural producers by local authorities on a competitive basis by tender committees organised by local state administrations and consisting of representatives of various state authorities. Tender committees publicly announce the terms and conditions of the tender following the announcement by the Agrarian Ministry or chief departments of agricultural development of local state administrations of the allocation of the state budget funds for the purposes of such compensation. If an application is successful, the applicant is provided with a certificate confirming, among other things, the total amount to be received by the applicant and is included in the register of borrowers qualifying for such compensation.

Other Subsidies

The state also partially subsidies 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 agro-industrial companies in Ukraine, focusing on the production of chicken meat and the cultivation of various grains. MHP is the leading poultry company in Ukraine, accounting for approximately 50% of all chicken meat industrially produced in Ukraine in 2012, according to SSSU. MHP also has an important and expanding grain operation with what Management believes to be one of the largest agricultural land portfolios in Ukraine. During 2012 MHP increased its land bank from 280,000 hectares to approximately 285,000 hectares, of which approximately 255,000 hectares are used in the grain growing segment for grain production and approximately 30,000 hectares are used in the other agricultural segment as pasture for cattle and pigs, to grow grain for fodder for cattle and pigs and for fruit orchards. In addition, MHP produces and sells sunflower oil as a by-product of its fodder production, as well as sausages, cooked meats, convenience food products, goose meat, foie gras, beef and fruit.

In 2012, MHP had revenues of U.S.$1,407.5 million and profit of U.S.$310.9 million. Chicken meat and grain sales accounted for approximately 57.1% and 12.0%, respectively, of MHP's revenues in 2012. MHP has grown significantly in recent years. As at 31 December 2012, MHP's total assets were U.S.$2,488.1 million as compared to assets of U.S.$1,944.4 million as at 31 December 2011.

MHP's business is divided into the following three segments: poultry and related operations, grain growing operations and other agricultural operations. MHP's facilities are amongst the most technologically advanced in Ukraine:

- *Chicken production and distribution facilities.* MHP operates vertically integrated chicken production facilities comprising five chicken farms, which produced approximately 404,000 tonnes of chicken meat in 2012 as compared to approximately 384,000 tonnes in 2011. The chicken farms are serviced by two breeder farms (at which hatching eggs are produced), four fodder mills and 11 distribution centres. Management believes this vertical integration allows MHP to reduce production and transportation costs, better coordinate and control 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, grownout and processed within the same chicken farm, providing a significant biosecurity advantage over other industrial producers which acquire eggs or chicks from third parties for growout and processing. In line with industry practice, MHP acquires its breeder flocks from a specialist producer in Germany.

  In 2004, MHP commenced the construction of the Myronivka chicken farm in the Cherkasy region. MHP completed the first phase of the Myronivka project in October 2007, resulting in an annual production capacity of 110,000 tonnes of chicken meat at that farm. After the completion of the second phase of the Myronivka project in June 2009, the Myronivka chicken farm became fully operational with an annual production capacity of approximately 220,000 tonnes of chicken meat at that farm. Management believes that the Myronivka chicken farm is currently one of the largest chicken meat production facilities by volume in Ukraine and one of the largest chicken meat production facilities in Europe.

  In 2010, MHP commenced the construction of the Vinnytsia Complex in the Vinnytsia region. The Vinnytsia Complex incorporates different production sites such as a fodder plant, a sunflower crushing plant, a hatchery, rearing sites, a slaughter house as well as infrastructure and social responsibility projects. The total capacity of the Vinnytsia Complex is 440,000 tonnes of chicken meat per annum. The construction of the Vinnytsia Complex comprises the development of two phases of 220,000 tonne production capacity of chicken meat each. In the middle of 2012, the first phase was launched in trial mode and began industrial production by the end of 2012. In 2012, the Vinnytsia Complex produced around 20,000 tonnes of chicken meat. MHP expects that the first phase will become fully operational in the middle of 2014. The construction of the second phase is scheduled to begin in 2015 with an industrial launch during 2017-2018. When both phases of the Vinnytsia Complex are completed, MHP is expected to double its current production of chicken meat to 800,000 tonnes. As a result of its expansion programme, MHP expects to achieve further economies of scale, decrease its per unit operating costs and further develop its export opportunities.

  In line with MHP's strategy of developing its customer base in Ukraine and worldwide, during the last three years MHP has been gradually increasing its export sales to the CIS, the Middle East, Central Asia and Africa. In 2012 MHP exported approximately 58,000 tonnes of chicken meat, which represents an increase of more than 65% compared to 2011 and accounts for approximately 15% of MHP's total chicken sales volumes.

Pursuant to the EU Regulation No. 88/2013 of 31 January 2013, Ukraine has received permission for export of poultry products into EU countries and several of MHP's production sites were pre-certified by the EU Commission in 2010. Upon the completion of various formalities and final accreditation of MHP's facilities by the EU Commission, this development is expected to present the opportunity for MHP to increase its chicken meat export sales in the near future. See "Risk Factors—MHP may be unsuccessful in its attempt to increase market share in export markets for its chicken meat products".

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 255,000 hectares of land at its five principal grain growing facilities where it cultivates corn and sunflowers in support of its chicken operations and, to an increasing extent, other grains such as wheat and rape for sale to third parties. In 2012, MHP produced approximately 1.6 million tonnes of grain with yields per hectare significantly higher than Ukraine's average. See "—Business—Products—Grains". Since 2008, MHP has been self-sufficient in corn, which is its main fodder ingredient. MHP intends to expand its grain growing capacities in Ukraine in the near future up to a total of 450,000 hectares, concentrating on fertile "black soil" areas.
- *Other agricultural facilities.* MHP operates facilities for the production of sausages, cooked meats, goose meat, beef, foie gras and fruit. These facilities utilise approximately 30,000 hectares of leased land. This land is primarily used by MHP to farm pigs and cattle and to grow various fodder crops, including corn, wheat and barley. According to SSSU, MHP is the leader in a highly fragmented meat-processing market in Ukraine, accounting for approximately 10% of all sausages and cooked meats produced in Ukraine in 2012.

MHP distributes its chicken products through its branded franchise points of sale and on a wholesale basis directly to retailers, including supermarkets and hypermarkets, foodservice businesses and industrial producers. In 2012, MHP sold approximately 40% of its chilled chicken through "Nasha Riaba" branded franchise outlets, 40% to supermarkets and other retail chains and 20% to other retailers, including traditional independent shops and convenience stores. MHP currently exports its frozen chicken and convenience food products primarily to the CIS, as well as to the Middle East, Central Asia and Africa, which together account for approximately 15% of its 2012 volumes of poultry meat sold. MHP sells most of its chicken products under the "Nasha Riaba" 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 and cooked meat products under the "Druzhba Narodiv", "Baschinsky" and "Europroduct" brands. MHP's other meat products are sold principally to retailers and supermarkets.

Most of the corn and sunflowers produced by MHP is used internally at MHP's fodder production facilities in order to be self-sufficient in feed, while the remainder of crops such as wheat, rapeseed and soybeans was sold to domestic and international traders. In 2012 MHP sold all of the rapeseed it produced, approximately 90% of the wheat and approximately 12% of the corn it produced to Ukraine-based traders for export using forward-dated contracts denominated in U.S. dollars, with the remaining portion of wheat sold through the spot markets in Ukraine and insignificant amounts used for fodder production.

In 2012 the first fermenter of a biogas station in the "Oril-Leader" poultry farm commenced operations as a pilot project generating 1MW of power per hour. During 2013, MHP expects to gradually launch the project into full operation. MHP expects that the station will generate 5MW of power per hour once fully operational. MHP is also currently preparing for the launch of other fermenters, which are scheduled to become operational in 2013. It is anticipated that each year the biogas station will consume a substantial amount of raw materials, including chicken manure, poultry wastewater and silage, which will improve MHP's resources utilisation, minimise energy consumption and contribute to MHP's strategy of becoming self-sufficient in heat, gas and electricity and moving towards a more environmentally friendly and cost efficient agriculture operation.

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 2012 market share for industrially produced chicken meat of approximately 50%, and with a 35% share of total poultry consumption in Ukraine according to SSSU. Management expects the annual consumption levels of meat in Ukraine to continue to grow in the medium to long term, to be in line with other more developed countries and to take advantage of the trend in the increasing consumption of protein-based products in Ukraine in the last 10 years.

  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 both existing competitors and possible new entrants due to the significant time and investment that would be required for them to achieve a comparable market position.

- ***Vertically integrated operations which reduce costs and enhance quality control.*** Management believes that MHP is the lowest cost producer in Ukraine and one of the lowest cost producers worldwide. 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). Since 2005 MHP has been self-sufficient in fodder and in 2012, MHP internally produced all of the fodder required for its chicken operations. Since 2008 MHP has been self-sufficient in corn, the main ingredient in its fodder. The use of sunflower protein as a substitute for imported soy protein reduces MHP's fodder production costs and provides MHP with sunflower oil, as a by-product of its fodder production, which is sold mainly for hard currency and represents approximately 47% of total US-denominated revenues. Since 2011, MHP has become once again fully self-sufficient in hatching eggs, following a period of launching Myronivka between 2008 and 2010 when MHP purchased 10-15% of its hatching eggs externally, as a result of the expansion of the hatching facilities at the Starynska and Shakhtarska chicken farms in light of the increased production at Myronivka and the Vinnytsia Complex. In addition, MHP's land plots are consolidated at five principal farms. 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 for part of its needs for fertiliser for grain production.

  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. As such, Management believes that vertical integration also creates synergies in a number of other areas and reduces 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. In 2012, MHP grew corn and sunflowers, to support the vertical integration of its chicken production and, increasingly, other grains such as wheat and rape for sale to third parties, on approximately 250,000 hectares of leased land. In 2012, MHP produced 1,607,900 tonnes of grain (of which approximately 30% was sold to third parties), compared to 1,712,068 tonnes in 2011. MHP leases agricultural land located primarily in the highly fertile black soil regions of Ukraine with considerable amount of rainfall, which excludes irrigation and controls the cost. 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. In addition, Management believes that its grain operations help MHP to exercise strict cost control over its chicken operations and maintain self-sufficiency in corn required for its expanding chicken operations.

- ***Strong brands.*** MHP has strong brands in the consumer markets in which it operates. Based on research conducted by IPSOS in January 2013, unprompted brand recognition of MHP's "Nasha Riaba" brand was 90%, 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 Riaba" which underwent a successful restyling in 2009 and has been relaunched in a modernised form to maintain its appeal to its expanding customer base.
- ***Diversified sales structure.*** In 2012, approximately 40% of MHP's chilled chicken products were sold through branded franchise outlets, 40% were sold through supermarkets and a further 20% to meat processors and HoReCa. MHP operates an extensive branded franchise network, which Management believes is unique among Ukrainian food businesses, consisting of approximately 2,800 franchise outlets as of 31 December 2012. MHP supplies chicken and various other meat products to a number of nationwide supermarket chains, including Fozzy, ATB-Market, Metro Cash & Carry, Auchan, Billa, Furshet and Novus. This makes MHP's products more widely available and helps to increase sales volumes 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 and sales network.*** To support its sales, MHP maintains a distribution network consisting of 11 distribution centres within major Ukrainian cities. MHP uses its own 490 refrigerated 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 eggs or chicks 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. MHP also 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 required to recall any of its products and has not experienced any claims relating to food quality issues, other than the allegations regarding the presence of listeria bacteria in its frozen chicken imported into Russia, which, Management believes, were not present in its products at the time of shipping from Ukraine (See "Risk Factors—Risks Relating to MHP—If MHP's products become contaminated, it may be subject to product liability claims and product recalls").
- ***Modern technology.*** MHP employs advanced technologies at its various production facilities, and Management believes that MHP's chicken farms and its 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 has introduced a new line of gas-packaged chicken products to the market which have extended shelf life. MHP sources the equipment for its chicken production facilities from leading European suppliers, including Nijhuis Water Technology B.V. (the Netherlands), Big Dutchman (Germany), MOBA (the Netherlands), VDL (the Netherlands), Meyn Food (the Netherlands), Pas Reform (the Netherlands), CFS (the Netherlands), Sprout Matador (Denmark), Haarslev (Denmark) Roxell (Belgium), Poultry Tech (USA) 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 and is meeting growing demand in Ukraine by expanding its range of sausages and cooked meats. MHP has also been a leader in retailing and packaging innovation, such as its branded franchise "Nasha Riaba" network and the introduction of a new line of gas-packaged chicken products to the market which have extended shelf life. 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 is comprised of experienced professionals who have worked closely and effectively together, having been with MHP since 1998, since MHP started its grain trading activities, and together 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 agro-industrial companies both within Ukraine and across Europe and CIS by strengthening its position as the leading Ukrainian poultry production company, developing its grain cultivation operations and acquiring companies in the agricultural sector in Europe and CIS. Key elements of its strategy include:

- ***Expanding chicken production capacity.*** In order to meet the expected growth in consumption in Ukraine and in line with MHP's expansion plans, MHP commenced the construction of the Vinnytsia Complex in the Vinnytsia region, in 2010. The Vinnytsia Complex incorporates different production sites such as a fodder plant, a sunflower crushing plant, a hatchery, rearing sites, a slaughter house as well as infrastructure and social responsibility projects. The total capacity of the Vinnytsia Complex is 440,000 tonnes of chicken meat per annum. The construction of the Vinnytsia Complex comprises the development of two phases of 220,000 tonne production capacity of chicken meat each. In the middle of 2012, the first phase was launched in trial mode and began industrial production by the end of 2012. In 2012, the Vinnytsia Complex produced around 20,000 tonnes of chicken meat. MHP expects that the first phase will become fully operational in the middle of 2014. The construction of the second phase is scheduled to begin in 2015 with an industrial launch during 2017-2018. When both phases of the Vinnytsia Complex are completed, MHP is expected to double its current production of chicken meat to 800,000 tonnes. Management believes that, once both phases are in full operation, the Vinnytsia Complex will be the largest chicken meat production facility by volume in Ukraine and Europe. As a result of its expansion programme, MHP expects to achieve further economies of scale, decrease its per unit operating costs and acquire greater market share in Ukraine See "—Overview of Operations—Poultry and Related Operations—New Production Facilities for Chicken Operations" below.
- ***Expanding capacity for grain production.*** In light of global prices, demand and internal needs, 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. MHP intends to expand its grain growing capacities in the medium to long term up to a total of 450,000 hectares, concentrating on fertile "black soil" areas. MHP may also consider purchasing grain growing companies in CIS (See "Management's Discussion and Analysis—Recent Trends and Developments". Management believes that increased grain production complements MHP's chicken capacity expansion programme and constitutes a separate profitable business. 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.

- ***Expanding its operations outside of Ukraine.*** In light of its expansion strategy and Management's expertise and experience in the Ukrainian market, MHP intends to examine suitable acquisition opportunities in Europe and CIS in the agricultural sector, to the extent they may lead to synergies and cost savings and contribute to revenues.

- ***Strengthening vertical integration.*** MHP perceives vertical integration as key to maintaining consistently high quality standards and reducing costs by realising economies of scale, especially in a developing economy like Ukraine. MHP aims to maintain self-sufficiency in corn requirements for its fodder production as it expands its chicken production capacity. 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 for bedding at its chicken production facilities and 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. MHP also uses chicken droppings for part of its needs for fertiliser for grain production.

  In 2012 the first fermenter of a biogas station in the "Oril-Leader" poultry farm commenced operations as a pilot project generating 1MW of power per hour. During 2013 MHP expects to gradually launch the project into full operation. MHP is also currently preparing for the launch of other fermenters, which are scheduled to become operational in 2013. It is anticipated that each year the biogas station will consume a substantial amount of raw materials, including chicken manure, poultry wastewater and silage, which will improve MHP's resources utilisation, minimise energy consumption and contribute to MHP's strategy of becoming self-sufficient in heat, gas and electricity and moving towards a more environmentally friendly and cost efficient agriculture operation. The Oril-Leader biogas station will operate using chicken manure and waste from slaughter houses, and will generate a significant power output using the latest technologies. In addition, MHP plans to sell electricity to the government on "green tariff" terms. Management is also considering the possibility of building similar stations in its other poultry farms.

- ***Continuing to develop MHP's distribution network and customer base in Ukraine and worldwide.*** 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 Riaba" 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 one of their key suppliers for a wide range of chicken and other meat products. MHP currently exports about 15% of its total poultry sales volumes and will continue to develop its export diversity. MHP exports to Asia, the Middle East and Africa, however, CIS countries represent the largest share of its exports. MHP is also considering the possibility of exporting to various EU countries following the inclusion of Ukraine on the list of the third countries that have the right to export poultry products into the EU pursuant to the EU Regulation No. 88/2013 of 31 January 2013. See "Risk Factors—MHP may be unsuccessful in its attempt to increase market share in export markets for its chicken meat products".

- ***Continuing development of value-added products.*** 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. Management believes that the production of value-added products is a logical step in a vertically integrated business and therefore, in addition to the convenience food production, MHP produces a wide range of meat-processed products such as sausages and smoked chicken and uses more than 50% of meat required for such production from internally produced chicken meat. In 2012, MHP optimised its product range by focusing production on its best selling products.

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 Issuer's Chief Executive Officer. 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 Riaba" brand was introduced for chilled chicken meat.

2003 The "Nasha Riaba" 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 and producing foie gras and goose meat products, producing pork, sausages and cooked meats, cultivating 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. Katerynopolsky Elevator, a fodder mill and feed grains storage facility was also added to the MHP group. These initiatives increased MHP's control over its fodder production and allowed MHP to begin selling fodder to third parties. In May 2005, MHP established Zavod ZBV to produce pre-cast concrete panels for the construction of poultry houses.

MHP commences the construction of the Myronivka chicken farm.

2006 The Issuer 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 Druzhba, a producer of sausages and beef, and Crimea Fruit, which cultivates and sells apples, pears, peaches, plums, sweet cherries, grapes and strawberries.

On 30 November 2006, the Issuer issued U.S.$250 million of 10.25% senior notes due 2011 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. MHP also expanded its Starynska breeding farm and installed two new fodder production lines at its Katerynopolsky Elevator facility to ensure sufficient supply of hatching eggs and fodder to the Myronivka chicken farm.

2008 On 9 May, MHP announced the Initial Public Offering of its ordinary shares in the form of global depositary receipts (the "**GDRs**") listed on the London Stock Exchange. MHP is the first Ukrainian agro-industrial company to list on the London Stock Exchange.

As part of this diversification strategy, the group acquired an 80% interest in the meat-processing company, Ukrainian Bacon, to enable it to meet increasing demand for sausages and cooked meat and, as a result, expanded its range of products to include sausages and cooked meat products under the "Baschinsky" and "Europroduct" brands.

In 2008, MHP became self-sufficient in corn which is the main component of fodder for its chicken and other meat products.

2009 In June, the second stage of the Myronivka chicken farm was completed and the farm became fully operational with an annual poultry production level of approximately 220,000 tonnes. Myronivka chicken farm is currently the largest facility by production volume in Ukraine's chicken meat sector and one of the largest poultry production facilities in Europe.

In September, as part of its vertical integration strategy and in addition to the existing sunflower processing facilities at MFC, MHP opened a new sunflower processing factory at its Katerynopolsky Elevator facility which will allow MHP to meet the increased demand for sunflower protein required for the production of fodder as a result of the completion of the Myronivka chicken farm. The factory produces, as a by-product, additional amounts of sunflower oil for export. The factory is currently operating at full capacity of 620 tonnes of sunflower seeds per day. This allowed MHP to increase its total sunflower processing capacity by 50%.

In April, the "Nasha Riaba" brand underwent a successful restyling to maintain its appeal to its expanding customer base.

2010 In 2010, the Issuer exchanged 96.01% of its 2006 Senior Notes and issued further notes in an amount of U.S.$330,000,000 due 2015 listed on the London Stock Exchange.

MHP started the construction of the Vinnytsia Complex with an annual poultry production level of approximately 440,000 tonnes. MHP increased its land bank by acquiring 100,000 hectares which resulted in 280,000 hectares of land in cultivation by the end of 2010.

2011 MHP continued the construction of the Vinnytsia Complex.

MHP cultivated 100,000 hectares of land for the first time.

MHP has become once again fully self-sufficient in hatching eggs, following a period of launching Myronivka between 2008 and 2010 when MHP purchased 10-15% of its hatching eggs externally, due to the expansion of the hatching facilities at the Starynska chicken farm in light of the increased production at Myronivka.

2012 In 2012, the first phase of the Vinnytsia Complex was completed and became operational. An annual production level of approximately 220,000 tonnes is expected to be reached in the middle of 2014.

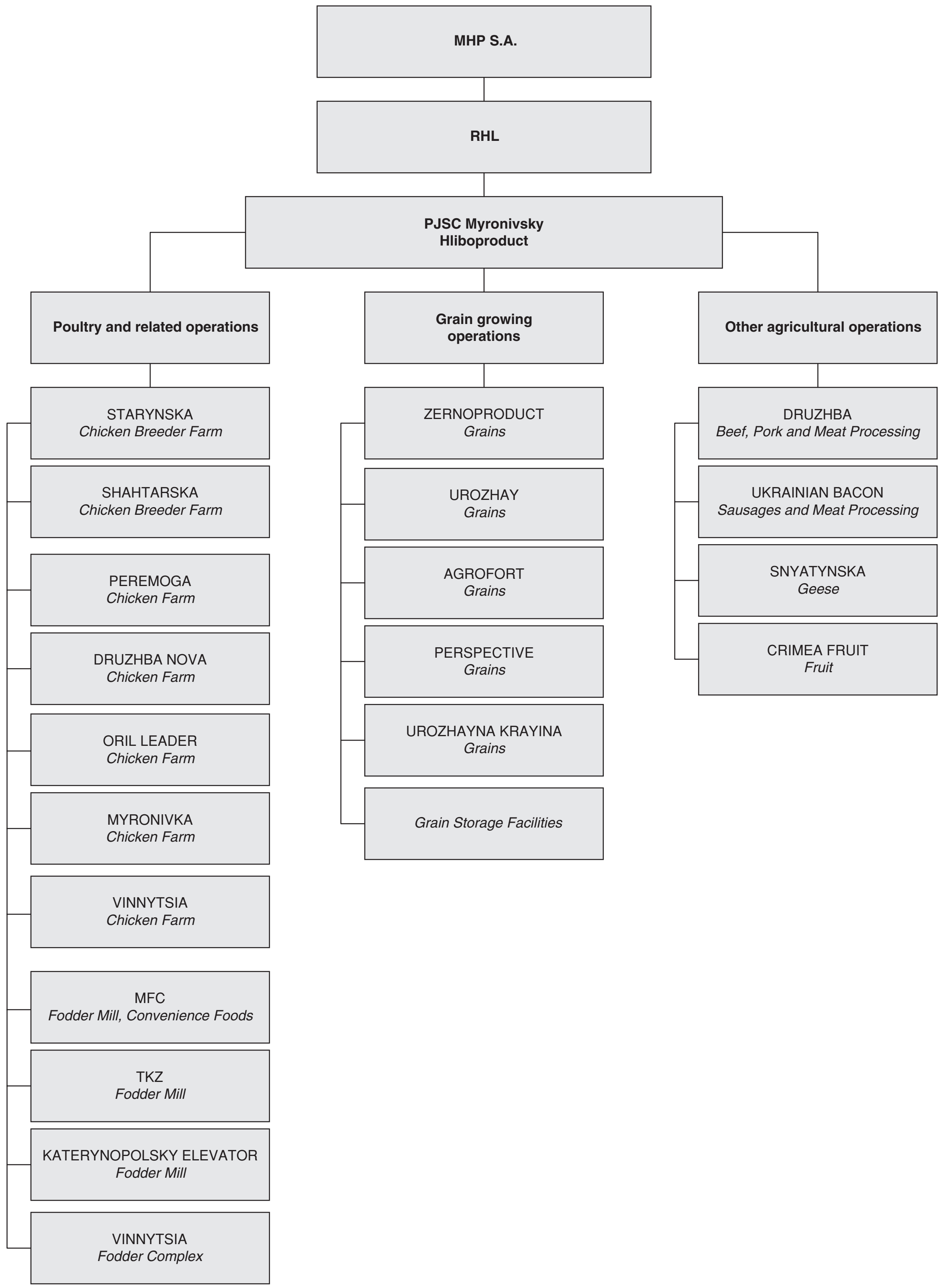
In April, MHP began the construction of the biogas station in the "Oril-Leader" poultry farm with the first fermenter commencing its operation as a pilot scheme in December 2012.

MHP increased its land bank by approximately 5,000 hectares of land.

On 4 December EU authorities voted to include Ukraine on the list of the third countries that have the right to export poultry products to the EU. Pursuant to the EU Regulation No. 88/2013 of 31 January 2013, Ukraine has received permission for export of poultry products into EU countries.

Organisational Structure

The Issuer, 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: (provided in a separate document).



Products

MHP's core business is the production of chicken meat and related products. In addition, MHP cultivates corn which is used in the production of fodder for its chicken operations, as well as wheat and rape for sale to third parties. MHP also produces sunflower oil, convenience food products, sausages, cooked meats, beef, goose meat and foie gras and fruit. The following tables provide information about MHP's sales volumes and revenues from the sales of its principal products with intersegment transactions eliminated for the purpose of the summary below:

	Year ended 31 December					
	2010		2011		2012	
	Amount	Percentage of MHP total revenues	Amount	Percentage of MHP total revenues	Amount	Percentage of MHP total revenues
	U.S.$	%	U.S.$	%	U.S.$	%
	(In thousands, except percentages)					
Poultry and related products	**800,237**	**84.8%**	**978,871**	**79.6%**	**1,082,978**	**76.9%**
Chicken meat	562,982	59.6%	693,207	56.4%	804,381	57.1%
Sunflower oil	179,982	19.1%	216,030	17.6%	216,434	15.4%
Other poultry related products[(1)]	57,273	6.1%	69,634	5.7%	62,163	4.4%
Grains	**35,631**	**3.8%**	**103,739**	**8.4%**	**169,142**	**12.0%**
Other agricultural products	**108,338**	**11.5%**	**146,480**	**11.9%**	**155,402**	**11.0%**
Other meat and meat products[(2)]	79,185	8.4%	99,740	8.1%	102,959	7.3%
Other agricultural products[(3)]	29,153	3.1%	46,740	3.8%	52,443	3.7%
Total revenue	**944,206**	**100.0%**	**1,229,090**	**100.0%**	**1,407,522**	**100.0%**

Notes:

(1) Other poultry related sales include sales of mixed fodder to third parties, convenience food products and poultry related operations.

(2) Sales of other meat include sales of beef, pork, sausages and cooked meats produced by Druzhba and Ukrainian Bacon.

(3) Other agricultural sales include sales of goose meat, foie gras and fruit.

	For the year ended 31 December		
	2010	2011	2012
		(tonnes)	
Poultry and related products			
Chicken meat (adjusted weight)	331,400	370,900	375,300
Sunflower oil	195,800	173,600	195,000
Convenience food products[(1)]	21,000	19,900	14,170
Grains (External Sales)	219,200	282,100	665,000
Other agricultural products			
Meat processing products[(2)]	32,900	37,000	35,200

Notes:

(1) Convenience food products sold under the "Lehko!" brand.

(2) Sales of other meat include sales of beef, pork, sausages and cooked meats produced by Druzhba and Ukrainian Bacon.

Set forth below is a description of each of MHP's principal products.

Poultry and 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 directly to retailers, including supermarkets, foodservice customers ("**HoReCa**") and producers of meat-processed products. Substantially all of MHP's chilled chicken products are sold under the "Nasha Riaba" brand. MHP also produces a variety of convenience foods, mostly based on chicken, under the "Lehko!" brand and sells these through its branded franchise network and retailers. Sales of chicken meat accounted for approximately 59.6%, 56.4% and 57.1% of MHP's revenues in 2010, 2011 and 2012, respectively.

The following table sets forth production information for MHP's chicken operations in 2010, 2011 and 2012:

	2010	2011	2012
Chicken (processed weight), tonnes	385,000	410,400	438,400
Chicken (adjusted weight), tonnes(1)	360,000	384,000	404,000

Note:

(1) Represents production volume in line with industry standards, which adjusts for the price of by-products. The production volumes used throughout this Offering Memorandum (other than in this table) are adjusted unless stated otherwise.

Nasha Riaba Products

"Nasha Riaba" 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 IPSOS. In 2009 "Nasha Riaba" brand underwent a successful restyling and was relaunched in a modernised form to maintain its appeal to its expanding customer base. MHP's "Nasha Riaba" products consist of the following:

- *Unpackaged products.* There are currently 14 different unpackaged Nasha Riaba 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 58 different packaged Nasha Riaba products, including chicken portions and ancillary products. The main advantage of packaged products is their extended shelf life, which is achieved with vacuum technology and the use of multi layer barrier film. In 2008 MHP introduced a new line of gas-packaged chicken products to the market which have extended shelf life. In the middle of 2010, MHP introduced SES packaging, which is a modern way of preserving meat quality and freshness. Every batch of poultry meat is laboratory controlled which guarantees high quality and safety of Nasha Riaba products. This packaging technology extends the period of poultry meat storage and maintains its freshness and quality for up to five days in the refrigerator. During the automated factory packaging of poultry meat, MHP follows international quality and safety standards that prevent penetration of harmful microorganisms into Nasha Riaba products and the hermetic packaging of poultry products excludes any contact with external environment and leakage.
- *"Appetising" range products.* There are currently 11 lines within the Nasha Riaba "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 Riaba 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.

Export

In line with MHP's strategy of developing its customer base in Ukraine and worldwide, MHP exports its frozen chicken products primarily to the CIS, including Russia, Kazakhstan, Moldova and Georgia, as well as Central Asia, the Middle East and Africa. Total exports accounted for approximately 15% of its 2012 volumes of poultry meat sold.

Sunflower Oil

MHP began producing sunflower oil as a by-product in 2004 following its decision to process sunflower seeds to produce vegetable protein for its fodder requirements. MHP produced, as a by-product of its fodder production process, approximately 195,000 tonnes of high-quality unrefined edible sunflower oil in 2012 compared to 173,600 tonnes of sunflower oil in 2011. Sales of sunflower oil accounted for approximately 19.1%, 17.6% and 15.4% of MHP's revenues in U.S. dollar terms in each of 2010, 2011 and 2012, respectively.

In 2012, all of MHP's sunflower oil was sold through international traders to export markets and generated revenues of U.S.$216.4 million.

The table below sets forth the average market prices received by MHP for the sunflower oil it produced in 2010, 2011 and 2012:

Average price received by MHP for sunflower oil for years 2010, 2011 and 2012, per tonne

	2010	Increase in 2011 as compared to 2010	2011	Decrease in 2012 as compared to 2011	2012
		(in thousands, except percentages)			
U.S.$[1]	919	35.5%	1,245	10.9%	1,109

Notes:

(1) Unaudited.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—The Year Ended 31 December 2012 Compared to the Year Ended 31 December 2011—Revenue—Poultry and Related Operations Segment"

Convenience Food Products

MHP is one of the leading Ukrainian industrial producers of chicken, pork and beef pre-cooked convenience food products. 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 products at affordable prices which are available in supermarkets and at "Nasha Riaba" branded franchise outlets. The "Lehko!" range consists of a variety of convenience food products, from raw (marinated) to pre-cooked and MHP uses more than 50% of meat required for the production from internally produced chicken meat. There are currently over 60 SKUs in the "Lehko!" range including, among other items, chicken nuggets, "Chicken Kiev", hamburgers and a variety of cutlets. Unbranded convenience food products include cutlets, nuggets and marinated and breaded chicken parts. In 2008, MHP entered into private label arrangements with Metro Cash & Carry in relation to chicken convenience food products, sausages and cooked meats produced by MHP and sold under the "Aro" and "Horeca Select" brands in Metro Cash & Carry supermarkets. Since 2012 MHP commenced cooperation with "Yum!" brands and became a producer of poultry products for Kentucky Fried Chicken ("**KFC**") restaurants. All of MHP's poultry meat for KFC is processed at the "Lehko" meat processing plant.

Grains

Since 2003, MHP has been producing a variety of grains, including corn and sunflower seeds for use in its chicken operations, and wheat and rape for sale to third parties. In 2012, MHP produced over 1.6 million tonnes of grains. Sales of grains (after eliminating inter-segment sales) accounted for approximately 3.8%, 8.4% and 12.0% of MHP's revenues in U.S. dollar terms in 2010, 2011 and 2012, respectively. MHP uses chicken droppings for part of its needs for fertiliser for grain production. 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's results of harvest campaigns for 2011/2012 are as follows:

	2011		2012	
	Production, tonnes	Cropped hectares	Production, tonnes	Cropped hectares
Corn	1,022,783	107,750	883,580	116,260
Wheat	267,250	52,210	199,900	38,960
Sunflower	73,735	27,000	90,620	30,570
Rapeseed	25,400	9,150	42,350	12,385
Soya	18,000	11,140	24,230	13,715
Other[(1)]	304,900	42,950[(2)]	367,220	38,110[(2)]
Total	**1,712,068**	**250,200**	**1,607,900**	**250,000**

(1) Includes barley, sugar beet and other crops

(2) Includes fallow lands

MHP's crop yields in 2011 and 2012 were significantly higher when compared to Ukraine's average and, Management believes, is on a par with the leading grain producers in Ukraine due to MHP's continuing development and improvement of its land.

	2011		2012	
	MHP average (tonnes per hectare)	Ukraine average[(1)] (tonnes per hectare)	MHP average (tonnes per hectare)	Ukraine average[(1)] (tonnes per hectare)
Corn	9.5	6.4	7.6	4.8
Wheat	5.1	3.4	5.1	2.8
Sunflower	2.7	1.8	3.0	1.7
Rapeseed	2.8	1.7	3.4	2.3
Soya	1.6	2.0	1.8	1.7

Source:

(1) SSSU

Other Agricultural Products

Sausages and Cooked Meat

From its Druzhba facility located in the Crimea and its Ukrainian Bacon facility located in the Donetsk region, MHP produces and sells to the national market various types of chicken, pork and beef sausages, including frankfurters, smoked and semi-smoked sausages, ham and other cooked meat products. MHP sells these products primarily to supermarkets. Most of MHP's processed meat products are sold under the "Druzhba Narodiv", "Baschinsky" and "Europroduct" brands. In 2012, MHP optimised its product range by focusing production on its best selling products.

Beef Products

In 2004, MHP began selling premium beef products under the "Certified Angus" brand. There are currently 13 "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. See "Risk Factors—Risks Relating to MHP—Any failure to protect its brand names and other intellectual property could adversely affect MHP's business".

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. See "Risk Factors—Risks Relating to MHP—Any failure to protect its brand names and other intellectual property could adversely affect MHP's business".

Fruit

At MHP's Crimea Fruit 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 Related Operations

The table below sets forth certain information on MHP's principal facilities for its poultry and related operations.

Operating Company	Location	Year Joined MHP	Indicative Production Capacity[1] (Annual)	2012 Output	Employees[2]
Breeder Farms					
Starynska	Kyiv region	2001	280 million hatching eggs	257 million hatching eggs 1.6 million heads[3]	1,340
Shahtarska	Donetsk region	2003	52 million hatching eggs	54 million hatching eggs 0.3 million heads[3]	760
Breeding Farms Total			**332 million hatching eggs**	**311 million hatching eggs** **1.9 million heads[3]**	**2,100**
Chicken Farms					
Vinnytsia	Vinnytsia region	2012[10]	12 million chickens	12 million chickens 20,000 tonnes adjusted meat	2,025
Myronivka	Cherkasy region	2007[4]	108 million chickens	119 million chickens 225,000 tonnes adjusted meat	3,080
Druzhba Nova	Crimea	2001	38 million chickens	38 million chickens 72,500 tonnes adjusted meat	1,540
Oril Leader	Dnipropetrovsk region	2004	29 million chickens	30 million chickens 55,500 tonnes adjusted meat	1,340
Peremoga	Cherkasy region	1999	20 million chickens	18 million chickens 31,000 tonnes adjusted meat	670
Chicken Farms Total			**207 million chickens**	**217 million chickens** **404,000 tonnes adjusted meat**	**8,655**
Convenience Food Production					
MMPP[5]	Kyiv region	2006	45,000 tonnes	14,170 tonnes	400
Fodder Production					
Vinnytsia Fodder Plant	Vinnytsia region	2012	237,600 tonnes	19,000 tonnes	420
MFC	Kyiv region	1998	440,000tonnes	447,700 tonnes	660[6]
TKZ	Kherson region	2004	220,000 tonnes	201,800 tonnes	165
Katerynopolsky Elevator	Cherkasy region	2005[7]	600,000 tonnes	543,100 tonnes	570[8]
Fodder Plants Total			**1,497,600 tonnes**	**1,211,600 tonnes**	**2,215**
Sunflower Oil Production					
Vinnytsia Fodder Plant	Vinnytsia region	2012	128,640 tonnes	10,500 tonnes	420
MFC	Kyiv region	2004	129,500 tonnes	119,200 tonnes	660[6]
Katerynopolsky Elevator	Cherkasy region	2005[9]	72,000 tonnes	72,250 tonnes	570[8]
Sunflower Oil Total			**330,140 tonnes**	**201,950 tonnes**	**1,650**

Notes:

(1) Unless indicated otherwise, production capacity is stated as of 31 December 2012. 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 2012 survival rate of 96% and a hatch rate of 83%.

(2) As of 31 December 2012.

(3) Only breeding stock, which produced eggs—young generation is not included.

(4) This facility became fully operational in June 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) As MHP's MFC facility there are 660 employees who collectively staff the MFC fodder production, sunflower oil productions and feed grains storage facilities. See "—Grain Cultivation and Storage" below.

(7) MHP began producing fodder at its Katerynopolsky Elevator facility in May 2007.

(8) At MHP's Katerynopolsky Elevator facility there are 570 employees who collectively staff the fodder production, sunflower oil production and feed grains storage facilities. See "—Grain Cultivation and Storage" below.

(9) MHP began producing sunflower oil at its Katerynopolsky Elevator facility in September 2009.

(10) At the end of 2012, the first phase of the Vinnytsia Complex, which includes a Fodder Complex (including grain storage facilities, fodder and sunflower crushing plants) and Poultry Complex (including a hatchery, rearing sites and a slaughter house) was launched into operations. Therefore, the results of its operations do not reflect its full capacity.

Chicken Operations

MHP's chicken production facilities include five principal chicken farms, two breeder farms (which include facilities for the production of hatching eggs), four fodder mills, and six storage facilities for sunflower seed and grain. In 2012, MHP's chicken farms produced 404,000 tonnes of chicken meat. 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. Since 2005, MHP has produced internally all of the fodder required for its chicken operations and since 2008 MHP has been self-sufficient in the corn it requires for fodder production. In addition, since 2011, MHP has become once again fully self-sufficient in hatching eggs, following a period of launching Myronivka between 2008 and 2010 when MHP purchased 10-15% of its hatching eggs externally, as a result of the expansion of the hatching facilities at the Starynska and Shakhtarska chicken farms in light of the increased production at Myronivka and the Vinnytsia Complex. See also "—Raw Materials and Suppliers" below.

The most significant components of MHP's cost of production of chicken meat (calculated per each kilogram of poultry) are grains (including protein), labour and utilities, which typically account for 45%, 16% and 13% of the cost of production, respectively.

The table below sets forth certain information regarding MHP's principal equipment used in its chicken production operations.

	Number	Year Commissioned	Supplier
Hatchers	6	2002-2012	Pas Perform (Netherlands)
Feeding equipment	926(1)	2001-2012	Big Dutchman (Germany), Roxell (Belgium), Poultry Tech (USA)
Processing lines	6	2002-2012	MEYN Food Processing Technology (Netherlands)

(1) Calculated based on total poultry houses at all MHP's poultry farms. One chicken house represents one feeding system.

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 old chicks (known as pullets) 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 2012 average hatch rate was approximately 83%.

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 2012 average survival rate was 96%, which is consistent with results in recent years.

MHP closely monitors the conversion rates in its chicken growout operations. The conversion rate is the number of kilograms of fodder required to produce a one kilogram 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 2012 average conversion rate was 1.96 for birds with an average weight of 2.3-2.5 kilograms, which is consistent with results in recent years.

Production of Hatching Eggs

MHP acquires all of its breeder flocks of Cobb 500 breeds as one-day old chicks 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 22 weeks). Parent stocks are then transferred to the rearing units where they produce eggs for approximately 42 weeks with an average of 165 eggs per each parent stock, after which they are processed for meat used to make convenience food products. Since 2011, MHP has become once again fully self-sufficient in hatching eggs, following a period of launching Myronivka between 2008 and 2010 when MHP purchased 10-15% of its hatching eggs externally, as a result of the expansion of the hatching facilities at the Starynska and Shakhtarska chicken farms in light of the increased production at the Myronivka and the Vinnytsia Complex.

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 21 rearing units, fourteen for young birds and seven for older birds which are laying eggs, with an aggregate capacity to produce 280 million of hatching eggs, as of 31 December 2012. In 2012, the farm produced approximately 257 million hatching eggs as compared to 247 million hatching eggs in 2011. 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 for the period of the launch of the Vinnytsia Complex.
- *Shahtarska.* The Shahtarska breeder farm is located in the village of Sadove in the Donetsk region. The farm has 11 rearing sites, 4 for young birds and 7 for laying hens, with an aggregate capacity to produce 52 million of hatching eggs, as of 31 December 2012. In 2012, the farm produced approximately 54 million hatching eggs as compared to 50 million hatching eggs in 2011. The increase in the output of hatching eggs was primarily due to the recent expansion of the farms to ensure sufficient supply of hatching eggs to all MHP's broiler farms. In line with MHP's strategy, the Shahtarska breeder farm is expected to increase its annual capacity further to satisfy internal needs of the Group in hatching eggs in light of the overall chicken meat capacity increase.

Hatching

Eggs produced from MHP's breeder flocks are transported to MHP's hatcheries, which are located close to the 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.

In 2012, assuming an 83% overall hatch rate, MHP received over 226 million broiler chicks from its hatcheries. 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 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 2.3 to 2.5 kilograms.

Processing

Once the chickens reach processing weight, they are transferred to MHP's 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 2-4°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, in addition to the MHP's other facilities, the two biggest poultry production facilities, Myronivka and Vinnytsia Poultry Complex, can freeze over 40% and 100% of their daily output of chicken meat, respectively.

MHP currently operates the following five chicken farms for growout of chickens and processing of chicken meat. Each of MHP's chicken farms consists of several independent units, each of which, in turn, consists of six to 38 individual chicken barns. MHP's five chicken farms currently have an aggregate processing capacity of approximately 4.8 million chickens per week. In 2012 MHP's poultry farms produced 404,000 tonnes of chicken meat.

- *Vinnytsia.* The Vinnytsia Poultry Complex is located near Ladyzhyn in the Vinnytsia region and, Management believes that once fully operational, it will be the largest facility by production volume not only in Ukraine's chicken meat sector but also in Europe. In aggregate, the Vinnytsia Poultry Complex is comprised of chicken growing facilities (24 brigades with 38 chicken houses in each brigade), a hatchery (14.9 million eggs hatched in 2012) and an automated processing plant. The first phase of the Vinnytsia Complex was launched in operation at the end of 2012 and is expected to gradually reach its full capacity in the middle of 2014. The Vinnytsia Poultry Complex is fully automated and employs new imported equipment and modern energy saving technology. In 2012, the Vinnytsia Poultry Complex accounted for approximately 5% of MHP's output of chicken meat in adjusted weight by volume.
- *Myronivka.* The Myronivka chicken farm is located near Kaniv in the Cherkasy region and, Management believes that it is currently one of the largest facilities by production volume in Ukraine's chicken meat sector and one of the largest poultry production facilities in Europe. Myronivka is fully automated and employs new imported equipment and modern energy saving technology. This farm consists of chicken growing facilities, a hatchery (152.7 million eggs hatched in 2012) and an automated processing plant. Myronivka accounted for approximately 56% of MHP's output of chicken meat in processed weight by volume in 2012.
- *Druzhba Nova.* The Druzhba Nova chicken farm is located in the village of Petrivka in the Crimea and includes chicken growing facilities, two hatcheries (47 million eggs hatched in 2012) and an automated processing plant. Druzhba Nova accounted for approximately 18% of MHP's output of chicken meat in processed weight by volume in 2012.
- *Oril Leader.* The Oril Leader chicken farm is located in the village of Yelizavetivka, in the Dnipropetrovsk region, and consists of chicken growing facilities, a hatchery (37.7 million eggs hatched in 2012) and an automated processing plant. Oril Leader accounted for approximately 14% of MHP's output of chicken meat in processed weight by volume in 2012.
- *Peremoga.* The Peremoga chicken farm is located near Cherkasy and consists of chicken growing facilities, a hatchery (21.7 million eggs hatched in 2012) and an automated processing plant. Peremoga accounted for approximately 7% of MHP's output of chicken meat of processed weight by volume in 2012.

Fodder Production

MHP produces its own mixed fodder at its 4 fodder mills using agricultural commodities such as corn, wheat, sunflower seeds 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 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 all ingredients are thoroughly mixed so that the necessary components are dispersed throughout the fodder. A portion of MHP's granulated fodder is crushed so that it can be fed to 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 substituting some soy protein with sunflower protein, produced at its own sunflower processing factory. MHP uses a particular technology that increases the amount of sunflower protein it produces from sunflower seeds, which MHP purchases from Ukrainian suppliers and also meets 16% of its needs for sunflower seeds from internal production. The use of 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. Since 2008 MHP has been self-sufficient in corn, which it uses for fodder production.

MHP currently operates the following four fodder mills to support its chicken operations, which had an aggregate annual production capacity in 2012 of approximately 1,211 million tonnes of mixed fodder.

- *Vinnytsia Fodder Complex.* The Vinnytsia Complex for manufacturing feeds is located in the Vinnytsia region and principally supplies mixed fodder to the Vinnytsia Poultry Complex. Grain storage facilities were built and launched in 2011 (grain elevator and oilseeds elevator with a capacity of 200,000 cubic meters each). In 2012 the first stage of fodder plant was completed and launched with a current capacity of 40 tonnes per hour which the Management expects to double when the second phase of the Vinnytsia Complex becomes operational. The sunflower crushing plant also began its operations with a current processing capacity of 364 tonnes of sunflower seeds per day, producing approximately 136 tonnes of sunflower oil daily. Management expects the second stage to be launched in 2013, which will double the plant's capacity once the complex is fully operational. The aggregate capacity of the sunflower crushing plant is 1,500 tonnes of sunflower seeds per day. The Vinnytsia Fodder Complex is equipped with new modern machinery produced by European leading companies, such as Schmidt-Seeger, Andritz, Schule, Harburg-Freudenberger Maschinenbau GmbH, Alfa Laval, Geelen Counterflow, Khorolskiy Mechanical Plant. In 2012 the Vinnytsia Fodder Complex produced over 19,000 tonnes of fodder.

- *MFC.* MFC is a multi-product production complex that includes a fodder mill, a protein mill, 3 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 one was supplied by Sprout Matador (Denmark) in 2004. In 2012, MFC produced over 447,700 tonnes of fodder and 119,200 tonnes of sunflower oil. The protein mill provides sunflower protein to be used in mixed fodder. MFC has a processing capacity of 1,050 tonnes of sunflower seeds per day, producing approximately 380 tonnes of sunflower oil daily. The cereals mill is used to process 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 2012, TKZ produced 201,800 tonnes of fodder.

- *Katerynopolsky Elevator.* The Katerynopolsky 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 about 600,000 tonnes of fodder and a sunflower processing factory, which opened in September 2009, with an average processing capacity of 600 tonnes of sunflower seeds and 220 tonnes of sunflower oil per day. In 2012, Katerynopolsky Elevator produced over 543,000 tonnes of fodder and over 72,000 tonnes of sunflower oil. The factory produces as a by-product sunflower oil for export sale. The new factory is equipped with new modern machinery manufactured by Europe's leading companies, such as Harburg Machinery, Schmidt Seeger, Geelen Counterflow, Andritz Sprout and Alfa Laval, which is expected to reduce the cost of production and maximise the quality of the output. The factory is currently operating at full capacity and has production capacity of 620 tonnes of sunflower seeds per day, producing approximately 220 tonnes of sunflower oil daily.

New Production Facilities for Chicken Operations

MHP is pursuing a strategy of expansion. In 2010, MHP commenced the construction of the Vinnytsia Complex in the Vinnytsia region. In line with MHP's business model of vertical integration, the Vinnytsia Complex incorporates different production sites such as a fodder plant, a sunflower crushing plant, a hatchery, rearing sites, a slaughter house as well as infrastructure and social responsibility projects. The total capacity of the Vinnytsia Complex is 440,000 tonnes of chicken meat per annum. The construction of the Vinnytsia Complex comprises the development of two phases of 220,000 tonne production capacity of chicken meat each. In the middle of 2012, the first phase was launched in trial mode and began industrial production by the end of 2012. In 2012, the Vinnytsia Complex produced around 20,000 tonnes of chicken meat. MHP expects that the first phase will become fully operational in the middle of 2014. The construction of the second phase is scheduled to begin in 2015 with an industrial launch during 2017-2018. When both phases of the Vinnytsia Complex are completed, MHP is expected to double its current production of chicken meat to 800,000 tonnes. As a result of its expansion programme, MHP expects to achieve further economies of scale, decrease its per unit operating costs and increase its poultry export sales. Management believes that this project will provide MHP with additional opportunities both in the Ukrainian and EU markets. Management believes that upon completion of the first two construction phases, the Vinnytsia Complex would have the potential to become the largest chicken farm both in Ukraine and in Europe.

Production of Sunflower Oil

Sunflower oil is a by-product of the sunflower protein production operations at MHP's protein mill at the Vinnytsia Fodder Complex, MFC and Katerynopolsky Elevator. The protein mills at all three facilities have an output of approximately 155, 470 and 250 of sunflower cake and approximately 136, 380 and 220 tonnes of sunflower oil per day, respectively. All sunflower cake is used internally as protein added to mixed fodder, and the sunflower oil is sold to external customers. MHP uses a particular technology that increases the amount of sunflower protein it produces from sunflower seeds, which is 42%-45%. MHP purchases sunflower seeds from Ukrainian suppliers and also meets approximately 16% of its needs for sunflower seeds from internal production by the grain growing segment. The use of sunflower protein as a substitute for imported soy protein has reduced MHP's fodder production costs. See "—Products—Poultry and 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 believes it 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 all types of convenience food that MHP sells. The facility is fully-automated and uses equipment sourced from CFS (The Netherlands). In 2012, MMPP produced in aggregate 14,170 tonnes of convenience food products.

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.

Since December 2012, MHP has started production of poultry products for KFC at MMPP and became a producer of poultry products for "Yum!" brands in Ukraine.

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 corn and sunflower seeds. Feed grains, like all agricultural commodities, 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 of 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. Since 2008, MHP has been self-sufficient in corn and currently meets around 16% of its needs for sunflower seeds from internal production. MHP sources the remainder of its requirements in grains and sunflower seeds from domestic suppliers. Although Ukrainian grain prices generally follow world grain prices, the cost of domestic grain to MHP tends to be lower due to lower transportation costs. See "—Raw Materials and Suppliers". MHP also sells grain, primarily wheat and rape, with two thirds sold directly to third parties abroad in U.S. dollars and the balance sold to domestic traders in Ukraine in hryvnia by reference to U.S. dollar prices. MHP's grain sales are an additional source of foreign income which amounted to U.S.$138.6 million in 2012, which represents 28.9% of total export revenues.

The tables below set forth certain information on MHP's principal facilities for its grain cultivation and storage operations.

Operating Company	Location	Year Joined MHP	Area Under Cultivation(1)	2012 Output	Employees(1)
			(hectares)	(tonnes)	
Grain Production(1)					
Zernoproduct	Vinnytsia region,	2005	119,400	780,000	3,530
Urozhay	Cherkasy region	2006	68,210	489,400	1,290
Agrofort	Kyiv region,	2006	13,800	100,000	335
Perspective	Ivano-Frankivsk region	2007	14,100	77,100	200
Urozhayna Kraina	Sumy region	2010	23,360	114,200	340
Other entities			11,130	47,200	n/a
Total			**250,000**	**1,607,900**	**5,695**

Operating Company	Location	Year Joined MHP	Storage Capacity	Employees
			(cubic metres)	
Grain Storage				
Vinnytsia	Vinnytsia region	2011	400,000	420(2)
MFC	Kyiv region	1998	250,000	420(3)
Katerynopolsky Elevator	Cherkasy region	2005	369,200	570(4)
Oril Leader (2 elevators)	Dnipropetrovsk region	2006	80,000	130
	Poltava region	2007	80,000	n/a
Dobropilsky	Donetsk region	2008	51,400	56(5)
Total			**1,230,600**(1)	**1,790**

Notes:

(1) As at 31 December 2012.

(2) At MHP's Vinnytsia Fodder Plant, as grain storage facility is a part of the plant.

(3) At MHP's MFC, as a grain storage facility is part of the plant.

(4) At MHP's Katerynopolsky Elevator facility, as grain storage facility is a part of the plant.

(5) At Dobropilsky facilities.

In aggregate, MHP leases approximately 285,000 hectares of land for its operations, of which approximately 255,000 hectares are used in the grain growing segment for grain production and approximately 30,000 hectares are used in the other agricultural segment primarily, as pasture for cattle and pigs, to grow grain for fodder for cattle and pigs and for fruit orchards. MHP makes lease payments on average of approximately UAH 615 (U.S.$77) per hectare above the regulated average minimum, which Management believes 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 2011 and 2012:

	2011		**2012**	
	Production, tonnes	**Cropped hectares[(1)]**	**Production, tonnes**	**Cropped hectares[(1)]**
Corn	1,022,783	107,750	883,580	116,260
Wheat	267,250	52,210	199,900	38,960
Sunflower	73,735	27,000	90,620	30,570
Rapeseed	25,400	9,150	42,350	12,385
Soybeans	18,000	11,140	24,230	13,715
Other[(2)]	304,900	42,950	367,220	38,110
Total	**1,712,068**	**250,200**	**1,607,900**	**250,000**

Notes:

(1) Actual hectarage under crop and excluding land in Other Agricultural Operations (30,000 hectares).

(2) Includes barley, sugar beet and other crops.

MHP stores feed grains at the Vinnytsia Complex, Katerynopolsky Elevator facility, MFC, Oril Leader and the Dobropilsky facility, which currently have storage capacities of up to 400,000, 369,200, 250,000, 160,000 and 51,400 cubic metres, respectively.

In its grain operations MHP uses modern equipment and machinery sourced from the leading domestic and international 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 Gregory 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 the production of sausages, cooked meats, beef, goose meat, foie gras and fruit. In 2012, MHP's other agricultural operations generated revenue of

U.S.$155.4 million, or 11.0% of MHP's total revenue. 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)]	2012 Output	Employees[(2)]
Snyatynska	Production of goose meat and foie gras	2005	210,000 heads	630 tonnes[(3)]/ 164 thousand heads (goose meat etc.)	340
Druzhba	Production of beef meat and sausage	2006			1,560
Meat Processing			20,700 tonnes (sausages and cooked meat)	12,930 tonnes (sausages and cooked meat)	
Rearing (slaughtered)			As an output in 2012	Cattle—8,990 heads (6,740 heads) Pigs—23,800 heads (45,000 heads)	
Ukrainian Bacon	Production of sausages and cooked meat	2008	45,500 tonnes	22,850 tonnes (sausages and cooked meat)	1,290
Crimea Fruit	Fruit	2006	—	28,750 tonnes	1,190

Notes:

(1) As at 31 December 2012.

(2) As at 31 December 2012.

(3) In live weight.

The following table sets forth information on MHP's principal non-chicken operations for 2011 and 2012.

	2011	2012
Sausages and cooked meats, output (tonnes)	37,790	35,780
Beef, output (tonnes)[(1)]	1,170	1,045
Pork, output (tonnes)[(1)]	1,940	1,460
Geese (meat and other parts, excluding by-products), output (tonnes)	930	630
Fruit (planted area, hectares)	21,470	28,750

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 and its Ukrainian Bacon facility located in the Donetsk region.

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 a production level in 2012 of 1,045 tonnes. The facility also has a pig breeding complex with a production level in 2012 of 1,460 tonnes. The facility includes a pedigree farm for pig breeding. Druzhba also operates a modern, recently built meat-processing and sausage production 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 cattle and pigs reared at the Druzhba facility. In 2012, MHP produced 12,930 tonnes of sausages and cooked meat at its Druzhba facility and currently sells its sausages and cooked meats to customers throughout Ukraine. Druzhba leases around 16,840 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 July 2008 MHP acquired an 80% interest in the Ukrainian Bacon meat-processing facility, which enabled MHP to meet the increased demand for sausages and cooked meat. This factory currently produces up to 65 tonnes of sausages and cooked meat per day. In 2012 the production level remained relatively stable and constituted 22,850 tonnes of sausages and cooked meat (it currently operates at 50% of its full capacity) compared to 22,900 in 2011. MHP intends to increase the utilisation rate of this facility in the future up to its full capacity.

Ukrainian Bacon is an integrated production facility for meat products. Ukrainian Bacon operates a modern, recently built meat-processing and sausage production factory. This facility is fully automated and uses equipment sourced from Huntman (Germany), Alpina (Switzerland), CFS (Holland) and others.

According to SSSU, MHP is the leader in a highly fragmented meat-processing market in Ukraine, accounting for approximately 10% of all sausages and cooked meats produced in Ukraine in 2012.

Beef and pork convenience food products are produced at MHP's MMPP facility. See "—Poultry and 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, 51 geese houses and a processing plant. At the farm there are currently approximately 6,600 parent stock geese of the Babolna Grey Landes breed, which were initially imported from Hungary. 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 2005. In 2012, the farm produced approximately 524 tonnes of goose meat and approximately 102 tonnes of foie gras. MHP is currently considering export options for its goose meat and foie gras.

Production of Fruit

At its Crimea Fruit facility located in the Crimea, where the climate is similar to that of Northern Italy, MHP principally cultivates apples, as well as pears, peaches, grapes, strawberries, plums and sweet cherries. Approximately 1,500 hectares of land at Crimea Fruit facility are currently planted with orchards, with apple trees accounting for approximately 50% of the planted area. The majority of the fruit-producing trees were planted in 2007 and, depending on the type of the fruit, there is usually a five to seven year gap between planting of the trees and such trees starting to produce fruit with a maximum yield. In 2012 MHP produced 28,750 tonnes of different fruit, which is almost 34% more than in 2011.

	2010	2011	2012
		(tonnes)	
Apples	20,145	16,325	27,300
Strawberry	605	530	430
Other fruits (peach, pear, cherry etc.)	2,460	4,615	1,020
Total	**23,210**	**21,470**	**28,750**

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 370 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 the introduction of a new group of birds.

MHP thoroughly disinfects each barn 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 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 units 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 at 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 approved 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" and "Risk Factors—Risks Relating to MHP—Outbreaks of bird flu and other livestock diseases could have a material adverse effect on MHP's business".

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 each batch of chicken and other products produced at its facilities to its facility of origin, enabling MHP to track and monitor all stages of the 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 success is dependent on the high reputation of its production along with detailed quality and safety controls over all production processes. The majority of MHP's facilities are already certified to ISO 9001 and ISO 22000 standards. Almost all MHP's facilities have implemented food safety management systems and are certified to the requirements of the international certification scheme FSSC 22000:2010. This system was approved by the Global Food Safety Initiative (GFSI) and includes the requirements of ISO 22000:2005 and ISO / TS 22002-1:2011. 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".

Biogas Project

In 2012 the first fermenter of a biogas station in the "Oril-Leader" poultry farm commenced operations as a pilot project generating 1MW of power per hour. During 2013, MHP expects to gradually launch the project into full operation. MHP expects that the station will generate 5MW of power per hour once fully operational. MHP is also currently preparing for the launch of other fermenters, which are scheduled to become operational in 2013. It is anticipated that each year the biogas station will consume a substantial amount of raw materials, including chicken manure, poultry wastewater and silage, which will improve MHP's resources utilisation, minimise energy consumption and contribute to MHP's strategy of becoming self-sufficient in heat, gas and electricity and moving towards a more environmentally friendly and cost efficient agriculture operation. It is expected that the biogas generator will produce 4 MW of electricity and 1 MW for steam generation in the boiler.

In order to meet international standards for high quality, safe and environmentally friendly production, "green" energy and environmentally friendly working methods, MHP has set the following objectives:

- energy independence;
- production of environmentally-clean organic bio fertiliser;
- essential improvement of the environment in the regions where MHP's facilities are located.

The approval of the project by international organisations has confirmed the viability of the project with regard to its safety and ecological standards. The project costs U.S.$15 million. The output of the biogas plant will also feed an organic fertiliser factory where the necessary technologies are in place to monitor standards intensively. The best international and European technological and innovative advances have been incorporated into the project.

The production of biogas is a safe and ecologically clean process for the environment. The operation of the biogas station eliminates all smells and emissions and handles sludge and other water from the waste water treatment plant. The Oril-Leader biogas station will operate using chicken manure and waste from slaughter houses and will generate a significant power output using the latest technologies. Following the successful completion of this project, Management may consider the possibility of building similar biogas stations on its poultry facilities.

MHP is now preparing to start work on a fertiliser enrichment plant that is planned for completion in 2013. The most efficient technology will be chosen to create organic fertilisers that will meet the demands of different markets and different crops.

Sales and Distribution

MHP's products are sold nationally and exported. In the domestic market its sales are particularly strong in the eastern, southern and central 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 end consumers.

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. MHP currently employs approximately 3,000 people in its sales and distribution network.

MHP operates 11 distribution centres and sells its products through two main sales channels—franchisees and supermarkets. Some of MHP's distribution centres are leased, while others 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, supermarkets and other retailers in an efficient and timely manner. MHP has more than 490 trucks, each equipped with modern refrigeration equipment, sourced from leading producers, such as Mercedes and Scania.

In 2010, 2011 and 2012 the principal sales channels for MHP's chicken products as a percentage of total revenue from sales of chicken meat remained unchanged and represented 40% from supermarkets and retails chains, 40% from franchisee network and 20% from meat processors, HoReCa and others.

All of MHP's customers (including franchisees) purchase "Nasha Riaba" products from MHP on the basis of supply agreements, typically entered into for a term of up to one year. The volume for products is 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". In 2012, MHP sold approximately 40% of its products to its ten largest customers, including major supermarket chains.

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 products are sold to end consumers through its branded franchise points of sale. In 2012, approximately 40% of MHP's chilled chicken meat sales under the "Nasha Riaba" brand were made through MHP's branded franchise network. As at 31 December 2012, there were approximately 2,800 branded franchise points of sale in MHP's distribution network, as compared to approximately 2,600 in each of 2010 and 2011. 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 December 2012.

Location of Franchise Outlets	Number of Branded Retail Outlets	Percentage of Total
Eastern region	869	31
Southern region	745	27
Central region	356	13
Western region	338	12
Northern region	244	9
Kyiv and Kyiv region	227	8
Total	**2,779**	**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. 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 Riaba" 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".

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.

Each selected franchisee is required to enter into a franchise agreement with a term of one year, in which MHP agrees to grant it the right to use its "Nasha Riaba" 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 Riaba" 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 on a regular basis. In 2012, in line with its strategy, MHP has been increasing the number of franchised outlets and introduced a new format—a family franchising (run by the members of the family). A brand book "Nasha Riaba" was created and implemented by franchisees.

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 Riaba" 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 the franchisee.

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 required. Franchisees are required to contact their respective pre-allocated regional managers to place orders for next day delivery of MHP's products. Each franchisee also provides MHP with a monthly report on each of the points of sale it operates as well as the quantity and price of products sold in that particular month. See "Risk Factors—Risks Relating to MHP—MHP may be unable to identify suitable franchising opportunities or successfully manage its franchisee network".

Sales to Supermarkets and Other Retailers

MHP is a supplier to many leading Ukrainian food retailers, including Fozzy, ATB Market, Metro Cash & Carry, Auchan, Billa, Furshet, Novus and other retail chains. The biggest supermarket chain accounted for approximately 9% of MHP's sales of chicken and other meat. MHP closely coordinates its sales to supermarkets and other retailers through its warehouse management and inventory control system, which operates throughout Ukraine. In 2012, MHP sold approximately 40% of its chicken products, approximately 95% of its "Certified Angus" beef products, approximately 75% of its foie gras products and approximately 30% of its sausages and cooked meat products to supermarkets and other retailers.

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 2012, MHP sold approximately 20% of its chicken products, approximately 4% of its "Certified Angus" beef products and approximately 6% of its foie gras products to foodservice businesses, most of which were restaurants, as well as to industrial and other businesses.

Export

MHP exports some of its frozen chicken and convenience food products. The main export markets are the CIS countries, such as Russia, Kazakhstan, Moldova and Georgia; Asia and the Middle East, such as UAE, Libya, Jordan, Africa, such as Kenya, Guinea, Angola and, since 2013, Egypt. In 2012 total export sales of chicken products accounted for approximately 15% of its 2012 volumes of poultry meat sold. In 2012, MHP has opened more than ten new export markets.

Pursuant to the EU Regulation No. 88/2013 of 31 January 2013, Ukraine has received permission for export of poultry products into EU countries and several of MHP's production sites were pre-certified by the EU Commission in 2010. Upon the completion of various formalities and final accreditation of MHP's facilities by the EU Commission, this development is expected to present the opportunity for MHP to increase its chicken meat export sales in the near future. See "Risk Factors—MHP may be unsuccessful in its attempt to increase market share in export markets for its chicken meat products".

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 international and domestic market conditions, seasonality and supply levels. In addition, MHP regularly monitors prices charged by its competitors and its prices for poultry products are regularly approximately 5% higher compared to the prices charged by its closest competitors.

MHP approves a price list for sales to third parties 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 can be sold at a premium over frozen chicken products. The average prices for a kilogram of MHP's chilled chicken (exclusive of VAT) were UAH 13.65 per kilogram, UAH 15.00 per kilogram and UAH 17.19 per kilogram in 2010, 2011 and 2012, respectively.

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—External 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—External 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 and maintain 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 2012, MHP's advertising expenses amounted to approximately 0.9% of MHP's total revenues. During 2012, 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.

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. MHP has strong brands in the consumer markets in which it operates. Based on research conducted by IPSOS in January 2013, unprompted brand recognition of MHP's "Nasha Riaba" brand was 90%, and prompted brand recognition was 100%. See "—Competitive Strengths—Strong brands".

MHP regularly communicates with its franchisees and retailers distributing the "Nasha Riaba" 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 Riaba" brand.

The main messages of MHP's advertising campaign in respect of its "Lehko!" brand are the convenience, high quality and time saving qualities of these 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 beef produced by other companies.

Raw Materials and Suppliers

MHP sources its feed grain requirements from approximately 160 unaffiliated suppliers selected on the basis of tenders. Fodder content used by MHP includes corn, sunflower seeds and peas. One of MHP's principal suppliers of feed grain 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 grain purchased by MHP. MHP has its own feed grain storage facilities, which enables it to purchase sunflower seeds 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 purchases 10-15% of its wheat and soyabean seeds requirement with the remainder produced by MHP internally and purchases corn, sunflower and rape seeds from a number of Ukrainian and international 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 diseases. 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. MHP's contracts for supply of gas provide for supplies of gas sufficient to cover MHP's requirements. 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 economy relies heavily on its trade with Russia and certain other CIS countries and any major change in relations with Russia could have adverse effects on the economy". MHP currently obtains electricity at regulated rates from regional power distribution companies. MHP's suppliers also include providers of packaging and veterinary services.

Facilities and Properties

Land Plots

MHP has ownership or permanent use rights only 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.

Out of over 285,000 hectares of land leased by MHP as at 31 December 2012, 243,606 hectares are fully registered with the state cadastre of Ukraine, while 28,505 hectares are currently in the process of state registration. 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 these agreements are not voidable. See "Risk Factors—Risks Relating to MHP—MHP has multiple leases, its rights to its land plots may be challenged, and MHP may not be able to renew its lease agreements".

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, if 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. MHP may acquire additional land for its operations (should the owners decide to sell). 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 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. Ownership rights to certain facilities commissioned by Vinnytsia are in the process of being registered.

MHP owns its own Ukrainian corporate headquarters building of approximately 10,000 square metres which is located at 158 Zabolotnogo Street in Kyiv.

Licences and Permits

MHP relies on several licences for its operations, including licences for the sale of pedigree resources (incubatory eggs and pedigree birds) and licences for the sale of pedigree cattle. 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".

Production Facilities and Technological Processes

According to Ukrainian law, the operation of newly constructed properties that have not been duly commissioned is prohibited. The commissioning of a newly constructed property must be certified either by a declaration (I-III categories of buildings) or by a commissioning certificate (IV-V categories of buildings) registered/issued by the respective local state inspectorates for architecture and construction control. Such declaration/certificate confirms the compliance of a constructed property with the design and construction standards, requirements of local utility providers, safety rules, sanitary, fire protection, and technical standards under Ukrainian law. Violation of this requirement may lead to imposition of fines in the amount of 18-900 minimum salaries depending on the category of the building. The second line of the butchering unit at Vinnytsia Complex is in the process of receiving the final commissioning approval. 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".

Under the Law of Ukraine "On Safety and Quality of the Food Products", dated 23 December 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 Veterinary and Phytosanitary Service ("**SVPS**") and the State Sanitary and Epidemiological Service of Ukraine ("**SSES**"), MHP is not permitted to produce, process, store, transport or sell its food products and fodder. MHP's companies engaged in food production comply with this requirement and have obtained operational permits.

MHP must also obtain approval for all newly introduced technological processes from the Ministry of Agrarian Policy and Foods of Ukraine. As of the date of this Offering Memorandum, 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.

Pedigree Resources

According to the Law of Ukraine "On Licensing of Certain Types of Business Activities" dated 1 June 2000, companies engaged in the sale of pedigree resources (including breeder flocks and hatching eggs) are required to receive licences for such activities from the Ministry of Agrarian Policy and Foods of Ukraine. Such licences were issued for 5 years. However, in late 2009 the Law of Ukraine "On Licensing of Certain Types of Business Activities" was amended to extend the term of licences for the sale of pedigree resources for an unlimited period. Such licences are conditional on the issuance of a pedigree farm status certificate by the Ministry of Agrarian Policy and Foods of Ukraine and registration of a particular pedigree resource with the state pedigree register maintained by the Ministry of Agrarian Policy and Foods of Ukraine. A pedigree farm status certificate is issued following a state audit. Mandatory state audits are conducted every four years. Sales of pedigree resources to third parties are subject to additional certification of each consignment by local state pedigree inspectors. MHP generally complies with such requirements and holds licenses for the production and sale of pedigree resources.

Animal Feed Production

According to the Law of Ukraine on "Veterinary Medicine" dated 25 June 1992, fodder mills are required to obtain operational permits. Each fodder mill is assigned an identification number by the SVPS and that number is registered in the state register of fodder mills. MHP's fodder plants have such operational permits.

Only registered animal feed can be used or sold in Ukraine. Animal feed is registered by the SVPS following an application by an enterprise, expert reports and appraisals by the State Scientific and Research Controlling Institute for Veterinary Medicine and Fodder Additives (the "**Institute**"), and conclusions of the State Pharmacological Commission of the Veterinary Medicine. Once the animal feed is registered, the SVPS provides the applicant with a registration certificate and includes the compound fodder into the Register of Veterinary Products maintained by the SVPS. The term of validity of the registration certificate may not exceed five years. In some cases, MHP's animal feed is registered with the veterinary authorities.

Companies producing, shipping, storing, selling and using animal feed in its facilities are subject to regular assessments by the Institute. The Institute may temporarily suspend the activities of such companies if the companies violate the applicable regulations and standards.

Environmental and Other Licenses and Permits

Ukrainian law requires that companies which operate artesian wells obtain permits for special water use. If daily water supply intake equals or exceeds 300 cubic meters, then companies which operate artesian wells must obtain permits for sub-soil use in addition to permits for special water use. Although MHP is in compliance with the requirement for water use permits, a limited number of the Group companies have not obtained a valid permit for sub-soil use. According to Management, MHP intends to obtain such permits in the near future.

In addition, MHP's enterprises, where applicable, must obtain other environmental permits, such as permits for air emissions, permits and limits for generation and disposal of solid waste and permits for use, storage, treatment and disposal of toxic substances. MHP is generally in compliance with these requirements.

Management believes that MHP operates its facilities in compliance with the requirements of all applicable sanitary and epidemiological regulations and observes all applicable fire prevention measures.

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 the safety of its products, compliance with veterinary, sanitary, health and safety, processing control or labelling requirements, or the 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 production 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 for the state ecological 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 pays environmental taxes quarterly the amount of which is based on the actual emission level. In 2012, MHP paid to the state budget UAH4.8 million (U.S.$0.6 million) 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 (the "**Law on Waste**") and implementing regulations of the Cabinet of Ministers of Ukraine require companies using packaging and tare in their operations to make regular payments to a state company "Ukrecoresursy" to fund the recycling of such packaging and tare or to create their own recycling systems. Although MHP predominantly uses returnable containers and reusable tare for its products and does not produce a significant amount of tare and packaging materials, MHP companies using packaging and tare in their operations have entered into utilisation agreements with the state company "Ukrecoresursy".

Pursuant to the amendments to the Law on Waste on 21 January 2010, waste of animal origin, such as slaughterhouse waste, dead cattle and cattle manure, except for manure, used for production of biogas or organic fertilisers, may only be treated through utilisation and not through disposal, as was permitted previously. Such utilisation must only be conducted by specialised enterprises and not by the producers of such waste, if they produce goods intended for human consumption, save for cases where such producers have specialised departments dealing with the utilisation of waste of animal origin. MHP currently complies with this requirement.

MHP developed and agreed with the state ecological authorities an action plan for waste management, which is the requirement for obtaining a permit for waste allocation. MHP undertakes a number of activities in order to prevent, minimise or recycle waste: chicken manure is stored in special manure facilities and is used as a natural organic fertiliser for grain production; husks from oil pressing are used for bedding at its chicken production facilities and as a fuel to generate steam energy for one of its fodder plants; ash generated by burning husks is used as a mineral fertiliser. In 2012 the first fermenter of a biogas station in the "Oril-Leader" poultry farm commenced operations as a pilot project generating 1MW of power per hour. During 2013, MHP expects to gradually launch the project into full operation. It is anticipated that each year the biogas station will consume a substantial amount of raw materials, including chicken manure, poultry wastewater and silage, which will improve MHP's resources utilisation, minimise energy consumption and contribute to MHP's strategy of becoming self-sufficient in heat, gas and electricity and moving towards a more environmentally friendly and cost efficient agriculture operation.

Use of Genetically Modified Organisms

Ukrainian legislation prohibits the use of genetically modified organisms ("**GMO**") only in the production of baby food products. Import to, or production in, Ukraine of other food products produced with the use of GMO is permitted, provided that a particular GMO has been registered with the state register of GMO.

Most recently Ukraine has introduced a system of mandatory labelling of food products, which contain GMO or were produced with the use of products containing GMO. MHP does not use GMO in its products or in its fodder.

Use of Steroids, Antibiotics and Other Substances in the Chicken Production Process

Under Ukrainian legislation, 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 Ecology and Natural Resources 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 Ecology and Natural Resources 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, because this type of insurance is generally 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 (see “Business—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

MHP is subject to Ukrainian competition legislation, including merger control rules. MHP has not previously incurred any material liabilities related to competition legislation, and has not been subject to any material investigations by the competition authorities. See also “Industry Overview—Overview of the International and Ukrainian Markets for Meat Products—Competition in the Ukrainian Poultry Market.

Intellectual Property

MHP holds several trademarks, the most important of which include “Nasha Riaba”, “Certified Angus”, “Foie Gras”, “Lehko!”, “Europroduct”, “Baschinsky”, “Druzhba Narodiv” and “Ukrainian Bacon”, all of which 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’s core ERP class business software application—MHP 1C solution—is based on an innovative platform—1C 8.2 (vendor “1C”, Russia) and configuration “1C: Accounting” that is customised to meet MHP’s business needs and requirements. It covers key functional areas including marketing, planning, finance and sales. In house developments and customisations are currently ongoing to cover other functional areas.

MHP 1C solution is fully licensed, covers all subsidiaries 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 became fully operational in April 2007.

MHP 1C solution architecture is based on a centralised model—central IBM servers platform is located at on-premises datacenter and corporate MPLS network provided by telecommunication operators allows business clients to connect to central MHP 1C solution from geographically distributed subsidiaries. MHP implemented MHP 1C solution disaster recovery and backup procedures. MHP 1C solution uses Microsoft Windows Server 2008 r2 as a platform and Microsoft SQL Server 2008 R2 as a database engine. MHP signed an Enterprise Agreement with Microsoft to cover licensing and technical support. The centralised ERP system model was launched in January 2011.

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, Oril Leader and Vinnytsia maintain 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 the construction of MHP's facilities. PJSC MHP maintains product liability insurance with respect to products of animal origin (as a producer or seller of such products). Except for Myronivka, the companies in the Group do not have full coverage against losses arising from the interruption of its business, which is not mandatory in Ukraine. 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 and product liability insurance with respect to the use of pesticides and agro-chemicals due to its general unavailability on 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. Except as disclosed in the "Risk Factors—Risks Related to MHP—Certain Guarantors are involved in legal proceedings with the Ukrainian tax authorities in respect of disallowance of certain amounts of VAT refunds", 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 2012, MHP had approximately 27,800 employees. The average number of employees in MHP for the years ended 31 December 2010, 2011 and 2012 was 22,000, 24,800 and 27,800, 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 between 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 2012 amounted to UAH 467.1 million (U.S.$58.5 million). In January 2011 in accordance with the Law of Ukraine "On charge and accounting of unified social contribution" certain changes in administration of social charges were made such that social charges became payable in a form of Unified Social Contribution, including contribution to the State Pension Fund.

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 "Significant Shareholders and Related Party Transactions" below, MHP's employees do not hold any shares in the capital of MHP.

Corporate Social Responsibility

MHP undertakes a series of initiatives to promote the development of the communities in which its facilities are located from building roads to contributing to the development of cultural and sports facilities for local residents. The Group also participates in social programmes and supports local schools and kindergartens by supplying its products, contributing significant resources to libraries in schools and universities, providing financial support for the refurbishments of facilities and purchase of technical equipment. In addition, MHP sponsors a number of educational placements for the children of its employees.

CERTAIN REGULATORY MATTERS

See also "Industry Overview—Overview of the World and Ukrainian Markets for Grain—Regulation of the Ukrainian Agricultural Market" for the description of certain regulatory matters related to the Ukrainian grain market.

Regulation of Ukrainian Agricultural Industry

The Ukrainian agricultural 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 labelled. 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 legislation, a consumer who has sustained damages as a result of buying and consuming a low-quality, dangerous or incorrectly labelled 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 State Veterinary and Phytosanitary Service of Ukraine ("**SVPS**") and its local bodies are authorised to exercise state control and supervision over the production of all unprocessed food products of animal origin. SVPS officials monitor compliance with applicable sanitary standards of fodder and meat production, storage and transportation. 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. SVPS officials also inspect meat production facilities and products of animal origin for compliance with applicable sanitary standards and regulations. The SVPS is authorised to determine the frequency of such inspections and generally carries them out on a monthly basis.

In addition, facilities for the production of processed meat products and facilities for the production, processing and storage of grains and sunflower seeds are monitored by the SSES and by the State Inspection of Agriculture of Ukraine. Grain storage facilities are also subject to certification by local bodies of the State Inspection of Agriculture of Ukraine.

Fire Safety

Under Ukrainian law, the implementation of a new or refurbished production or other facilities, or the lease of any premises, without obtaining the relevant permit from the fire safety supervision authorities ("**Fire Permit**") is prohibited. Failure to obtain a Fire Permit may result in the suspension, or decommissioning of work and usage of the legal entity or its equipment and buildings and/or the relevant authority may confiscate produced goods, equipment, and raw materials of the infringing MHP company.

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 SVPS has enacted detailed regulations based on the foregoing biosecurity legislation applicable to companies operating poultry production facilities.

On 17 October 2011 the Ministry of Agrarian Policy and Foods of Ukraine adopted the Instruction on Bird Flu Prevention and Elimination, 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 Prevention and Elimination 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, the Ministry of Agrarian Policy and Foods of Ukraine and the Chief State Inspector of Veterinary Medicine of Ukraine adopted a number of instructions aimed at the prevention and elimination of various bird diseases, including Newcastle and Marek's diseases. The measures include compulsory vaccination.

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 SVPS veterinary inspectors who check the chickens and apply 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

Every 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.

Under recent legislative amendments, all food product labels in Ukraine must indicate whether or not a product contains GMO.

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 Mining Supervision and Industrial Safety of Ukraine (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.

Pricing Regulation

Under Ukrainian legislation, local state authorities regulate prices of certain food products, including chicken meat, pork and beef. Before increasing wholesale prices for such products by more than 1% in any given month producers of certain food products, including chicken meat, pork and beef, must obtain the conclusion of the State Prices Inspection that the calculation of expenses in the course of price determination was economically justified. After MHP obtains such conclusion of the State Prices Inspection it must inform the local state authorities about the respective change in wholesale prices. Furthermore, the Cabinet of Ministers of Ukraine introduced a procedure for the determination of prices of food products which are subject to state regulation. This procedure provides a formula for the calculation of wholesale prices of food products. Management believes that the approach MHP uses for determining the wholesale prices for MHP's products is in line with the applicable legislation. The procedure introduced by the Cabinet of Ministers of Ukraine also provides a formula for calculation of profits from sales of food products. However, as of the date of this Offering Memorandum the profitability coefficient for calculation of profit margin has not yet been approved by state authorities.

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.

Ukrainian law distinguishes between title (ownership or lease) to a building and title to the underlying land plot. However, the owner of the building is always entitled to the underlying land plot and not vice versa. Moreover, upon transfer of the ownership to the building, relevant title (ownership or lease) to the underlying land plot passes to the new owner. If such a new owner may not own the underlying land plot due to legislative limitations, it is entitled to lease this underlying land plot.

On 25 October 2001, the Parliament of Ukraine adopted the Land Code which came into effect on 1 January 2002 and introduced a number of important changes to the regulation of the Ukrainian real estate market. 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 with respect to agricultural land only banks may hold mortgages of such land.

The Land Code provides for the following basic rights with respect to land: (i) ownership; (ii) land use rights, including the right of permanent use or lease; (iii) a right of use granted under easement; (iv) a right to use the land for agricultural purposes (emphyteusis) or construction purposes (superficies). It also classifies land ownership as private, municipal and state ownership. The right of permanent use is available only to enterprises and organisations which are under state or municipal ownership, to social organisations for the benefit of disabled persons, to religious organisations with duly registered charters and the public joint stock company for public railway transport. According to the recent amendments to Ukrainian legislation, starting from 1 January 2013 all property rights to real estate are subject to mandatory registration with the State Register of Property Rights to Immovable Property.

Land is divided into various categories based upon its designated purpose (e.g., residential, industrial, agricultural etc.). 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 designated use within each category, which is indicated in the relevant documentation for a land plot. Under Ukrainian law, a land plot must be used strictly in accordance with its categorised purpose.

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 acquiring or owning agricultural land. In contrast, lease rights of foreign individuals and foreign legal entities are not restricted under Ukrainian legislation.

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 Cabinet of Ministers of Ukraine (the "**CMU**") with the approval of the Parliament of Ukraine, or from the relevant municipal council, with the approval of the CMU, respectively. Pursuant to a letter from the State Committee of Ukraine on Land Resources dated 1 October 2009, Ukrainian legal entities which are wholly owned by foreign individuals or legal entities (so called "foreign enterprises" under the Commercial Code) are regarded as "foreign legal entities" for the purposes of acquiring rights to land. Such treatment places them at a disadvantage as compared to other Ukrainian legal entities.

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. In particular, until the law of Ukraine "On the Turnover of the Agricultural Lands" is adopted, but in any event until 1 January 2016, several major restrictions apply to certain types of agricultural land. These restrictions are as follows:

- agricultural land owned by the state or municipalities may not be sold, except for its withdrawal for public purposes;
- sale, alienation in any other way, or change of designated purpose of privately owned commodity agricultural or individual farming land plots and land shares (*pai*), which have been allocated and delimited on site, is prohibited. An exception is made for the exchange of such land plots, inheritance and withdrawal for public purposes.

Leasing of Land in Ukraine

All Ukrainian and foreign individuals and legal entities, as well as foreign states may lease land in Ukraine. The Land Code provides for short-term (up to five years) and long-term (up to 50 years, the maximum lease term permitted under Ukrainian law) land leases.

The Land Code 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 (namely cadastral number, 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;
- liability of the parties;
- provisions regarding mortgage over rights to a land plot; and
- provisions regarding contribution of rights to a land plot to a charter capital of a legal entity.

The absence in a land lease agreement of any of these conditions can result in the invalidation of the agreement.

The land lease agreements should contain all of the principal terms and conditions provided for in 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.

A lease agreement is required to contain the following:

- the plan or scheme of the land plot being leased;
- the cadastral plan of the land plot indicating restrictions (encumbrances) on use and established easements;
- the certificate of determination of land plot boundaries afield;
- the delivery-acceptance certificate on the transfer of the land plot; and
- the 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. 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 not to lease the subject property any longer.

Under the Land Lease Law, the lessee has a pre-emptive right to purchase the land 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 agreement 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 amount of the land tax applicable at the respective period of time for the same land plot with agricultural designated use and triple the amount of the land tax for the same land plot of non-agricultural designated use, as calculated in accordance with the Tax Code. In addition, for such properties, the annual land rent may not exceed 12% of the normative state valuation of land plots (lower maximum thresholds are available for land designated for construction of airfields and renewable energy power stations). However, the amount of land rent may be higher where lease rights to the land plot are sold through an auction. Land lease agreements may be concluded in a simple written form.

Under Ukrainian law, the amount of land rent may be revised upon 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 at the beginning of each year by the State Agency on Land Resources. As of 1 January 2013, the coefficient is 1.

Acquisition of Land into Ownership and Lease

The Land Code contains provisions governing acquisition of ownership and other rights to land. The ownership right of individuals to land may arise pursuant to land sale and purchase transactions, gift, exchange, inheritance or other civil law contracts. Moreover, Ukrainian citizens are entitled to acquire land in the course of privatisation, allotment of land shares (*pai*) in kind or under other procedures established by the law, whereas foreign and stateless individuals may acquire non-agricultural land underlying the buildings in their ownership. The law distinguishes between the grounds for obtaining ownership rights to land by Ukrainian and foreign legal entities. In contrast to Ukrainian legal entities, Ukrainian law provides for certain restrictions in respect of foreign legal entities. Foreign legal entities are entitled to acquire non-agricultural land within the borders of the city (town, village) when acquiring real estate, or for the purpose of constructing real estate objects, which are related to a business activity in Ukraine. With respect to non-agricultural land outside of the city borders, foreign legal entities may only purchase it, if such land is located under existing buildings.

As a general rule, state or municipal land or a right thereto (lease, superficies, emphyteusis) must be sold (granted) at an auction. There are a number of exceptions to this rule, a major one of which is that land under privately owned buildings may be sold without auction procedures. The procedure for acquisition of ownership rights to land varies depending on the transferor and transferee of such rights. Under the applicable land legislation, as a general rule, ownership to the state owned or municipal land passes to a new owner upon the state registration of such title by a relevant authority. State land is sold to foreign legal entities by the respective decision of the CMU under the approval of the Parliament of Ukraine, whereas acquisition of municipal land by foreign legal entities requires a decision of the relevant municipal authority with the prior approval of the transaction by the CMU. Upon execution of a land sale acquisition agreement, the state registration of the transferee's ownership to the land is performed. The new owner obtains an Extract from the State Register of Property Rights to Immovable Property and (if applicable) the Certificate of Real Estate Ownership.

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. Lease rights with respect to a building (or other capital structure) or part thereof are subject to state registration with the State Register of Property Rights to Immovable Property, 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. The respective property rights must also be registered with the State Register of Property Rights to Immovable Property.

The state registration of property rights to, and encumbrances over, real estate are carried out by the State Registration Service and notaries.

In case of any dispute over a particular real estate object, registered rights to that real estate object prevail over non-registered rights. Furthermore, the real estate owner may enter into an agreement in respect of real estate only after the ownership right is duly registered. Thus, real estate, the ownership right 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 is generally liable for claims 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 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 land plots, the normative value of which has been appraised, subject to certain exceptions established by the Tax Code, is 1% per year of the normative monetary appraised value of the land, which is updated periodically. The general land tax for agricultural land is established at the rate of 0.1% per year of the normative monetary appraised value of the land for tillage, pastures and hayfields and 0.03% per year of the normative monetary appraised value of the land for perennial plantations. Tax is paid on a monthly basis at one-twelfth of the annual tax amount.

The appraisal of 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 to seven years with respect to agricultural land and at least once every seven to ten 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.

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 Tax Code, 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 or products of their processing account for 75% of their gross revenue or more. FAT is paid in lieu of corporate income tax, land tax, duties for special use of water resources and duty for certain types of entrepreneurial activity. The amount of FAT payable is calculated as a percentage of the deemed value of all land plots (determined as of 1 July 1995) used for agricultural production that are leased or owned by a taxpayer, at the rate of 0.15%. There is no guarantee that the FAT regime will not be discontinued in the future.

VAT refunds for the agriculture industry

According to the Tax Code, the VAT subsidy provisions for agricultural companies, which were received by MHP in 2010, 2011 and 2012, will apply until 1 January 2018. These provisions allow agricultural producers in Ukraine, including MHP, to retain the difference between the VAT that they charge on their agricultural products (currently at the rate of 20% and to be decreased to 17% after 1 January 2014) and the input VAT that they pay on items purchased for their operations, rather than remitting such amounts to the state budget. Such retained amounts have to be transferred to and accumulated on special bank accounts of the company and can be used for any production purposes of the company. Under the current law, the subsidy will increase or decrease in line with sales of the relevant products. The value of this benefit to MHP amounted to U.S.$101.6 million in 2012.

As long as MHP is entitled to retain VAT from the sales of its agricultural products, any reduction of the VAT 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 output or retention benefit received by MHP in such period. The cessation of the VAT subsidy or 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, financial condition and prospects. See "Risk Factors—Risks Relating to MHP—State support from which MHP currently benefits is significant and could be discontinued".

DIRECTORS, CORPORATE GOVERNANCE AND MANAGEMENT

Directors

The Issuer'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	Executive Director, Chief Financial Officer
Yuriy Melnyk	1962	Executive Director
Philippe Lamarche	1964	Non-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. Melnyk and Mr. Lamarche, was initially elected on 30 May 2006 and their respective mandate was renewed on 19 October 2011. Mr. Melnyk and Mr. Lamarche were elected on 19 October 2011. The term of office of each member of the Board of Directors will expire in 2013 at the Issuer's annual general meeting of shareholders which shall be called to approve the annual accounts for the financial year ending 31 December 2012. On 27 April 2012 Mr. Logusch, one of the directors of the Issuer, resigned in order to pursue his academic career and his resignation will be officially acknowledged by the Issuer at its next annual general meeting.

Charles E. Adriaenssen is the non-executive Chairman of the Board of Directors and the Chairman of the Nominations and Remuneration Committee. From 2004 through 2010, 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 May 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, which holds investments in Anheuser-Busch InBev S.A., since 2004. 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 A. Kosyuk is the Chief Executive Officer of the Issuer. He has served in similar roles with MHP since founding MHP in 1998 and is the CEO of PJSC MHP. Mr. Kosyuk previously worked as the President of CJSC Scientific Technical 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 Issuer. 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 PJSC 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.

Yuriy Melnyk is the Executive Director of the Issuer. Yuriy Melnyk is a scientist focusing on animal breeding and selection, a doctor of agricultural sciences, a senior researcher, and an academician of the Ukrainian National Academy of Agricultural Sciences. Yuriy Melnyk graduated from the Ukrainian Agricultural Academy, Zooengineering faculty, breeding department in 1985. From 1997 to 1998 he headed the Office of production and marketing of animal products with the state breeding inspection of the Ministry of Agriculture. He held the position of the Deputy Minister of agriculture from 1998 to 2000 and from 2003 to 2005, an adviser to the Prime Minister of Ukraine in 2005 and the Deputy Prime Minister of Ukraine from 2005 until 2006. From 2006 to 2010 he held the post of the Minister of Agrarian Policy of Ukraine. Since March 2010 Yuriy Melnik has been the First Deputy CEO of MHP.

Philippe Lamarche is the non-executive director of the Issuer. Mr. Philippe Lamarche joined the board in 2011. He is a Private Banker at Banque Puilaetco Dewaay, Luxembourg and has been involved in wealth management and structuring in Luxembourg since 1997. He previously worked as a solicitor in the shipping business in Belgium and Luxembourg. Philippe Lamarche has a degree in Law and Economics from The Catholic University of Louvain and also holds a degree of the European Association of Financial Analysts.

Dr. John C. Rich is a non-executive director of the Issuer. Dr. Rich is currently the Managing Director of Australian Agricultural Nutrition and Consulting Pty Ltd, 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 of the Issuer and also serves as the Chairman of the Audit committee of the Issuer. Mr. Grant has been the Chairman of the Boards of Torotrak plc since 2005. 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 and Hasgo Group Limited, respectively, 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 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 5, rue-Guillaume Kroll, L-1882 Luxembourg, Grand-Duchy of Luxembourg.

Senior Management of MHP

Members of MHP's senior management, other than the Issuer's executive directors, are:

Anna Dragomiretskaya has served as a member of the board of PJSC 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.

Olexander V. Bondar is the chief veterinarian of the MHP group. From 2007 he served as a chief parental herd specialist of MHP. Mr. Bondar graduated from Kharkiv Zoo-Veterinary Institute in 1973 and has served as MHP's chief veterinarian since October 2008. He is responsible for livestock health issues at all MHP group companies.

Maxim E. Pisarev has been the Deputy Chairman of the board of PJSC MHP on production processes since December 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 main aspects of the Issuer's corporate governance policy are described in the Corporate Governance Charter approved by the Board of Directors in May 2012 and published on the Issuer's website. In addition, the Issuer is in full compliance with the UK Corporate Governance Code and 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 October 2009.

The recommended principles approved by the Luxembourg Stock Exchange in October 2009 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. As a collective body, it will act in the corporate interest and serve the common interests of the shareholders ensuring the sustainable development of the company.

Principle 3—Composition of the board and the special committees

The board will be composed of competent, honest and qualified persons. Their choice will take account of the specific features of the company.

The board will establish the special committees necessary for the proper performance of its task.

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. They will warn the board of possible conflicts between their direct or indirect personal interests and those of the company or any subsidiary controlled by the company. They will refrain from participating in any deliberation or decision involving such a conflict, unless they relate to current operations, concluded under normal conditions.

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 qualified 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.

Internal control/risk management

The Board of Directors is ultimately responsible for the Issuer's governance, risk management and internal control environment and processes and formally reviews their effectiveness at least annually. There is a continuous process for identifying, evaluating and managing the significant risks the Issuer faces and the Board regularly monitors exposure to key business risks. The Issuer has an independent internal audit function whose activities are overseen by the Audit Committee.

Financial reporting process

MHP has in place a comprehensive financial review cycle, which includes a detailed annual budgeting process. The annual budget and the business plan, upon which the budget is based, is reviewed and approved by the Board of Directors. Major commercial and financial risks are assessed as part of the business planning process. There is a comprehensive system of financial reporting, with monthly performance reports presented to the Board of Directors.

At the Group level, MHP has in place common accounting policies and procedures on financial reporting and closing. Management monitors the publication of the new reporting standards and works closely with the external auditors in evaluating in advance the potential impact of these standards.

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 are eligible for reappointment. The Board of Directors currently consists of seven members, four of whom are considered to be independent pursuant to criteria adopted by the Board of Directors on 7 June 2006 and those reflected in the Corporate Governance Charter. All members of the Board of Directors serve on the Board of Directors pursuant to a resolution of the Issuer's general meeting of shareholders dated 19 October 2011. In addition, each of the members of the Board of Directors has signed a letter of appointment with the Issuer, which applies 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 and Mr. Lamarche provide for payment of compensation and reimbursement of certain expenses by the Issuer. Ms. Kapelyushna and Mr. Melnyk do not receive compensation from the Issuer for their services as directors, and their expenses in connection with such services are reimbursed by PJSC MHP or its consolidated subsidiaries, as the case may be.

The terms and conditions for the appointment of Mr. Kosyuk as the Issuer's CEO (the "**Terms**") were agreed between Mr. Kosyuk and the Issuer 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 Issuer to the persons responsible for the day-to-day management of the Issuer 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 Issuer 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 Issuer is approved by the Issuer'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 Issuer's procedures for the management and conduct of its business. The Issuer 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 Issuer, to enter into any transaction on behalf of the Issuer up to a value of EUR 10 million and for such purpose to execute relevant documents or to delegate powers as appropriate.
- 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 Issuer or

any of its consolidated subsidiaries with a value of more than EUR 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 ("**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 Issuer 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 Issuer that approval of the Board of Directors shall be required for any consolidated subsidiary of the Issuer to make any acquisition or disposal of assets or businesses valued at more than EUR 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 EUR 10 million; and for any purchase or issuance of shares in any of the Issuer'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 Issuer's consolidated group.
- The Board of Directors has also established criteria for the assessment of 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. These criteria are set out in the MHP Corporate Governance Code and based on the profile of independent non-executive or supervisory directors criteria appearing in Annex II of the European Commission Recommendation of 15 February 2005 on the role of non-executive directors of listed companies and on the committees of the board which are, on an evolving basis and taking into account that assessment of the independence of any particular director should be based on substance rather than form. The Independent Director undertakes (i) to maintain in all circumstances his independence of analysis, decision and action; (ii) not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and (iii) to clearly express his opposition in the event that he finds that a decision of the board of directors may harm the Issuer. 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. In addition, Philippe Lamarche is also a non-executive independent director, appointed pursuant to a general meeting of the shareholders of the Issuer held on 19 October 2011. The Board of Directors may alter the foregoing procedures by passing an ordinary resolution, and the Issuer would expect to issue an explanatory press release if these procedures are altered in any material respect. The Board has a Senior Independent Director who is available to shareholders if they have any concerns that they cannot resolve through the usual channels of contact. The Senior Independent Director is also responsible for the evaluation of the Chairman, providing a sounding board for the Chairman and serving as a trusted intermediary for non-executive directors as and when necessary.

The Board is assisted by two Board committees: the Audit Committee and the Nominations and Remuneration Committee. These committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions.

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 Issuer 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 Issuer's Board of Directors and making recommendations to the Board of Directors with regard to any changes.

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), Mr. Lamarche 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 Issuer's independent auditors.

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 Issuer entered into an agreement with WTI, the Issuer'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 Issuer, at all times:

(a) refrain from exercising their voting rights, directly or indirectly, to elect any director of the Issuer 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 Issuer's shareholders;

(b) subject to any duty of confidentiality owed to third parties, promptly provide to the Issuer any information in their possession or control which the Issuer 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 Issuer or the MHP group to which they have been given access by reason of their interest in the share capital of the Issuer or any role as director of the Issuer;

(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 Issuer and its subsidiaries are capable at all times of carrying on their 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 Issuer (or any subsidiary of the Issuer) 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 Issuer's articles of association that would be contrary to the Issuer'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 Issuer (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 Issuer 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 Issuer;

(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 Issuer 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 Issuer 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 Issuer 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 cooperate with and assist the Issuer in any investigations it undertakes into such investment opportunity.

If the Issuer 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 Issuer 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 and Shares.

Remuneration of Directors and Management

Total compensation of MHP's key management personnel (excluding compensation to Mr. Kosyuk) included in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income amounted to U.S.$9.1 million, U.S.$6.8 million and U.S.$13.6 million for the years ended 31 December 2012, 2011, 2010 respectively. During the year ended 31 December 2010, compensation to key management personnel included a one-off bonus to one of the top managers in the amount of U.S.$7.6 million. Compensation to key management personnel consists of contractual salary and performance bonuses. Key management personnel totalled 36, 34 and 35 individuals as of 31 December 2012, 2011, 2010 respectively.

The aggregate amount of remuneration paid by MHP by way of salary to the Chief Executive Officer, Mr. Kosyuk, during the years ended 31 December 2012, 2011, 2010 was U.S.$2.6 million, U.S.$1.9 million and U.S.$1.9 million, respectively.

Total compensation of MHP's non-executive directors, which consists of contractual salary, amounted to U.S.$0.4 million, U.S.$0.4 million and U.S.$0.4 million in 2012, 2011 and 2010, respectively. The Issuer had four non-executive directors as of 31 December 2012 and 2011 and three non-executive directors as of 31 December 2010.

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 EUR10 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 2012 are set out in "Significant Shareholders and Related Party Transactions—Related Party Transactions" below. MHP has had no significant related party transactions from 31 December 2012 to the date of this Offering Memorandum, other than continuations of the trading relationships described under "Significant Shareholders and Related Party Transactions—Related Party Transactions—Past and Ongoing Transactions with Other Related Parties".

Litigation Statement about Directors and Officers

As of the date of this Offering Memorandum, 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 Offering Memorandum, neither the Issuer nor PJSC 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, other than a share option pursuant to which Mr Oleg Vasetskiy, a director of Urozhay exchanged 10% of the issued share capital of Urozhay for 1,257,032 treasury shares of MHP in December 2012—See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals". 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 Issuer and private interests may arise or may have arisen. See "Significant 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 Issuer and their respective private interests.

SIGNIFICANT SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Yuriy Kosyuk, the Issuer's Chief Executive Officer, owns 100% of the shares in WTI Trading Limited ("**WTI**"), which in turn directly owns a total of 60.4% of the total outstanding share capital of the Issuer (comprising 48,319,516 shares and 15,552,666 of the Issuer's global depositary receipts listed on the London Stock Exchange ("**GDRs**"), representing 45.7% and 14.7%, respectively, of the outstanding share capital of the Issuer).

MHP understands that WTI's indirect subsidiary has entered into an equity financing transaction with Morgan Stanley & Co International Plc ("**MSI**") (the "**MSI Transaction**") in connection with which WTI has pledged certain of its shares in the Issuer in the form of GDRs in favour of MSI. The terms of the MSI Transaction provide for a lock-up period (lasting up to the earlier of the scheduled termination date of the MSI Transaction in April 2016 and its early termination date) during which shares equal to 50.1% of the total outstanding issued share capital of the Issuer will be subject to lock-up arrangements subject to customary exceptions or the written consent of MSI.

On 9 May 2008, MHP announced the Initial Public Offering ("**IPO**") of 21,500,000 ordinary shares in the form of 21,500,000 GDRs. As part of this offering, The Bank of New York ("**BNY**") was appointed as the depositary for the ordinary shares that were offered and for the issuance of the GDRs. Accordingly, at the time of the IPO 21,500,000 ordinary shares were registered in the name of BNY (Nominees) Limited. Subsequent to the IPO, additional shares have been exchanged for GDRs following the partial exercise of the call options in favour of MSI described below. In December 2010, MHP announced a further offering of 10,000,000 ordinary shares in the form of 10,000,000 GDRs listed, which, following the partial exercise of the overallotment option amounted to 11,400,000 GDRs. As of the date of this Offering Memorandum, BNY (Nominees) Limited, as depositary for GDRs, owns 59.09% of the total outstanding share capital of the Issuer which are in turn represented by GDRs listed on the London Stock Exchange.

On 8 September 2009, the Board of Directors approved and further amended on 18 May 2010 a share buy-back programme to purchase up to 5% of the Issuer's fully paid up ordinary shares in the form of GDRs. In 2010, the Group acquired 3,370,144 GDRs of which 455,000 were used in 2010 for a compensation and incentive programme and 1,257,032 were used in 2012 for the exchange for the Shares in Urozhay held by Mr. Oleg Vasetskiy through Lotos Asset Holding Limited with the remaining shares held as treasury shares for a three year period until May 2013 following which the unsold portion of the shares shall be cancelled following the relevant board approvals to effect the decrease of the Issuer's share capital.

The Board of Directors also approved on 15 September 2011 a circular resolution (further approved at the EGM on 19 October 2011) to purchase up to 10% of the Issuer's fully paid up ordinary shares in the form of GDRs in the five year period starting from the date of the approval at the EGM. In 2012, the Group acquired 3,445,000 GDRs which are held as treasury shares.

Oaks Estate S.A., a company owned by members of the family of Charles E. Adriaenssen, the non-executive chairman of the Issuer of which he is a director, beneficially owns a total of 340,000 GDRs, representing 0.307% of the total issued share capital of the Issuer.

John Grant, a non-executive director of Issuer, owns a total of 17,000 GDRs, representing 0.016% of the total issued share capital of the Issuer.

Philippe Lamarche, a non-executive director of the Issuer, owns a total of 10,000 GDRs, representing 0.009% of the total issued share capital of the Issuer.

Mr. Kosyuk controls the Issuer. Except for the Relationship Agreement described in "Directors, Corporate Governance and Management—Board of Directors—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 Issuer.

Save as disclosed above, there are no other persons who could, directly or indirectly, exercise control over the Issuer.

Save as disclosed in this section "Significant 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 2010, 2011 and 2012 or during any previous financial year and which remain in any respect outstanding or unperformed.

None of the Issuer's shareholders has voting rights different from any other holders of the Issuer'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.

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 EUR10 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 2010, 2011 and 2012 are set out below. MHP has had no significant related party transactions during the period from 31 December 2012 to the date of this Offering Memorandum, other than continuations of the trading relationships described under "—Past and Ongoing Transactions with Other Related Parties".

The following companies and individuals are considered to be related parties to the Group:

Name of the related party	Nature of relations with the Group
Mr. Yuriy Kosyuk	Chief Executive Officer of MHP and the Principal Shareholder of the Group
WTI	Immediate parent, company owned by Mr. Yuriy Kosyuk
Mrs. Olena Kosyuk	Wife of Mr. Yuriy Kosyuk
LLC Zolotoniske Zvirogospodarstvo LLC Baryshivsky Zviroplemgosp ULL 15 (FÜNFZEHN) Beteiligungs und Management Merkaba LLC	Companies owned or controlled by Mr. Yuriy Kosyuk
Spector Agrofirma Berezanska Ptahofabryka	Companies owned by Merkaba LLC

Past and Ongoing Transactions with Related Parties

The transactions with the related parties during the years ended 31 December 2010, 2011 and 2012 were as follows:

	2010	2011	2012
		(U.S.$'000)	
Sales of goods to related parties	7,476	10,649	9,058
Sales of services to related parties	51	89	107
Purchases from related parties	194	127	544

The balances owed to and due from related parties were as follows as of 31 December 2010, 2011 and 2012:

	2010	2011	2012
		(U.S.$'000)	
Trade accounts receivable	7,756	10,895	10,359
Payables due to related parties	26	34	52
Advances received from related parties	200	200	200
Advances and finance aid to related parties	2,304	2,000	4,935

DESCRIPTION OF OTHER INDEBTEDNESS

The Issuer has presented in this Offering Memorandum translations of some hryvnia amounts into U.S. dollars as set out in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Functional and Presentation Currency". In addition, for the following section certain amounts in euro have been converted into hryvnia and/or U.S. dollars at the rates specified as set out in "Exchange Rate Information". No representation is made that the hryvnia, Euro or U.S. dollar amounts referred to herein could have been or could be converted into hryvnias, Euros or U.S. dollars, as the case may be, at such rates, at any other particular rate or at all.

In 2010, 2011 and 2012, MHP's most significant long-term and short term loan facilities included the following:

Long-term loans

As at 31 December 2012, the aggregate amount outstanding under long-term facilities was U.S.$268.6 million.

- *IFC.* In June 2010, PJSC MHP entered into a loan agreement with IFC for the provision of a loan facility for financing the working capital and capital expenditure needs in connection with PJSC MHP's cropping operations in the amount of U.S.$50.0 million with maturity in equal annual instalments until September 2014 . In December 2012, PJSC MHP entered into a second loan agreement with IFC for the financing of working capital requirements in connection with the first phase of the Vinnytsia Complex, in the amount of U.S.$50.0 million with maturity in equal annual instalments until March 2016. At 31 December 2012, the aggregate amount outstanding under these facilities was U.S.$29.6 million. The second loan facility was undrawn at 31 December 2012.
- *EBRD.* In July 2010, PJSC MHP entered into a loan agreement with EBRD for the financing of working capital needs and energy efficiency investments in the amount of U.S.$35.0 million and U.S.$15.0 million accordingly. In March 2012 EBRD increased the amount for the financing of working capital to U.S.$50.0 million. The working capital indebtedness is to be repaid in three equal annual instalments until 2015. The energy efficiency indebtedness is to be repaid on a semi-annual basis in six equal instalments until July 2017. At 31 December 2012, the aggregate amount outstanding under these facilities was U.S.$64.8 million.
- *Rabobank Loan Facilities.* During 2008 - 2012, PJSC MHP entered into a number of loan facilities agreements with Rabobank for an aggregate amount of EUR 71.2 million. As at 31 December 2012, the aggregate amount outstanding under these facilities was EUR 55.9 million. The maturity dates under the Rabobank Loan Facilities are between 2014 and 2018.
- *Landesbank Loan Facilities.* During 2008 - 2012, PJSC MHP entered into a number of loan facilities agreements with Landesbank for an aggregate amount of EUR 39.9 million with the maturity dates between 2016 and 2020. As at 31 December 2012, the aggregate amount outstanding under these facilities was EUR 31.5 million.
- *ING NV.* In 2011, PJSC MHP entered into a number of loan agreements with ING NV for an aggregate amount of EUR 22.7 million with the maturity dates between 2017 and 2020. As at 31 December 2012, the aggregate amount outstanding under these facilities was EUR 20.1 million.
- *Deutsche Bank.* In 2010, PJSC MHP entered into two loan agreements with Deutsche Bank for an aggregate amount of EUR 17.4 million with the maturity date in 2018. As at 31 December 2012, the aggregate amount outstanding under these facilities was EUR 14.9 million.
- *UBS.* In 2010, PJSC MHP entered into a loan facility agreement with UBS for an amount of U.S.$15.3 million with a maturity date in 2018. As at 31 March 2010, the outstanding amount under this facility was U.S.$11.6 million.
- *Commerzbank.* On 12 May 2009 MFC entered into an individual loan agreement with Commerzbank AG for an aggregate amount of EUR 2.6 million. The amount outstanding under this facility as at 31 December 2012 was EUR 1 million with principal repayments due in 2013 and 2014.

Short-term loans

As of 31 December 2012, the aggregate amount outstanding under short-term facilities was U.S.$232.5 million.

- *ING NV.* In August 2012, MFC and Katerynopolsky Elevator entered into a 3-year revolving sunflower oil pre-export finance facility with ING NV for the purchase of sunflower seeds and their further processing into sunflower oil in an amount of U.S.$100.0 million. This facility is available from September to April of each year and is to be repaid from May to August of each year. The indebtedness up to the amount of U.S.$50.0 million is secured by a stock of sunflower seeds and proceeds under the export contracts. The final maturity of this agreement is August 2015. As at 31 December 2012 the indebtedness under this facility was U.S.$85.0 million.

- *ING Bank (Ukraine).* In 2010, PJSC MHP and Druzhba Nova restated a revolving short term credit line agreement with ING Bank (Ukraine) which was entered into in 2007, for an amount of U.S.$30.0 million. This facility was originally available until October 2011 but was extended to 1 October 2013. The indebtedness is to be repaid in full by the end of October 2014. In addition, in October 2010 PJSC MHP and Myronivka restated a revolving credit line agreement with ING Bank (Ukraine) which was entered into in 2008, for an amount of U.S.$30.0 million. In February 2011 Druzhba Nova was added as a third borrower under the restated agreement. This facility is available until 1 October 2013. The indebtedness is to be repaid until April 2014. As at 31 December 2012 the indebtedness under these facilities was U.S.$57.5 million.

- *Ukrsibbank.* In November 2011, Myronivka entered into a revolving credit facility agreement with Ukrsibbank for U.S.$20.0 million maturing in November 2012. In September 2012 PJSC MHP was added as a second borrower and the credit limit was increased to U.S.$30.0 million, and in November 2012 the maturity of the facility was extended to November 2013. As at 31 December 2012 the indebtedness under this facility was U.S.$30.0 million.

- *Unicredit.* In September 2012, PJSC MHP, Peremoga, MFC, Myronivka and Druzhba Nova entered into a revolving credit facility agreement with Unicredit for U.S.$25.0 million with final maturity at the end of September 2013. As at 31 December 2012 the indebtedness under this facility was U.S.$25.0 million.

- *Credit Agricole.* In April 2011, PJSC MHP and Oril- Leader entered into a revolving credit facility agreement with Credit Agricole for U.S.$25.0 million with maturity until February 2012 which was extended until October 2013. In October 2012 the facility was increased to U.S.$30.0. As at 31 December 2012 the indebtedness under this facility was U.S.$20.0 million.

- *Citi Bank (Ukraine).* In June 2011, PJSC MHP and Myronivka entered into a revolving credit facility agreement with Citi Bank (Ukraine) for U.S.$15.0 million maturing in June 2012. In April 2012 Citi Bank (Ukraine) extended the maturity till June 2014. As at 31 December 2012, the indebtedness under this facility was U.S.$15.0 million.

- *OTP Bank (Ukraine).* In July 2011, PJSC MHP and Oril- Leader entered into a revolving credit facility agreement with OTP Bank (Ukraine) for U.S.$25.0 million maturing in April 2014. The loan facility was unutilised at 31 December 2012.

Certain long term and short term loans are secured with guarantees by the members of the Group.

As of 31 December 2012, the aggregate amount of available undrawn facilities of U.S.$134.0 million with maturities between January 2013 and June 2020.

Finance Leases

In each of 2010, 2011 and 2012 MHP purchased trucks, equipment and agricultural machinery financed from leases with LLC Scania Credit Ukraine, LLC ING Lease Ukraine, LLC UniCredit Leasing, LLC Raiffeisen Leasing Aval. As at 31 December 2012 the aggregate amount outstanding under financial lease agreements was U.S.$67.5 million. As of 31 December 2012, the weighted average interest rates on finance lease obligations were 7.28% and 7.69% for finance lease obligations denominated in EUR and USD, respectively.

Existing Notes

In 2010, the Issuer issued U.S.$584,767,000 of 10.25% Senior Notes due 2015. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources."

DESCRIPTION OF NOTES

Definitions of certain terms used in this description are set forth under the subheading "—Certain Definitions". In this description, the word "MHP" refers only to MHP S.A. and not to any of its subsidiaries and "Guarantee" means a surety under Ukrainian law.

MHP will issue the Notes under an indenture dated the Issue Date (the "**Indenture**") among itself, Deutsche Bank Trust Company Americas as Note Security Agent, and Citibank, N.A., London Branch as Trustee, in private transactions that are not subject to the registration requirements of the U.S. Securities Act. See "Notice to Investors". The Notes are being offered in the Offering and may be offered as Additional Notes from time to time as described below.

The following description is a summary of the material provisions of the Notes, the Guarantees, the Indenture and the Proceeds Loan Assignments. It does not restate those agreements in their entirety. Prospective investors should read the Indenture (including the form of Notes and the form of Suretyship Agreement attached to the Indenture) and the Proceeds Loan Assignments because they, and not this description, will define the rights of holders of the Notes ("**Holders**"). Copies of the Indenture, the Guarantees, and the Proceeds Loan Assignments are available as set forth below under "—Additional Information". Certain capitalised terms used in this description but not defined below under "—Certain Definitions" have the meanings assigned to them in the Indenture.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture.

Listing of the Notes

Application has been made to admit the Notes to the Official List for trading on the Global Exchange Market of the Irish Stock Exchange, which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

Brief Description of the Notes and the Guarantees

The Notes

The Notes will:

- be general obligations of MHP;
- rank pari passu in right of payment to all existing and future senior unsecured Indebtedness of MHP, including the Remaining Existing Notes;
- be senior in right of payment to all existing and future Indebtedness of MHP that is expressly subordinated to the Notes;
- be effectively subordinated to all existing and future secured Indebtedness of MHP and the Guarantors (as defined below) to the extent of the assets securing such Indebtedness;
- be structurally subordinated to all existing and future Indebtedness of Subsidiaries of MHP that are not Guarantors;
- be guaranteed by each Guarantor on a senior unsecured basis; and
- be secured by first-ranking assignments of the Proceeds Loans (except to the extent described under "—Security—Proceeds Loan Assignment").

all as described below.

The Guarantees

The Notes will be jointly and severally guaranteed by each Agrofort, Druzhba, Druzhba Nova, MFC, Myronivka, Katerynopolsky Elevator, Oril Leader, Peremoga, PJSC MHP, Starynska, Shahtarska, Urozhay, Vinnytsia and Zernoproduct (each a "**Guarantor**" and collectively the "**Guarantors**") on the terms set out in the Suretyship Agreement.

The guarantees (each a "**Guarantee**") of the Notes by each Guarantor will:

- be a general obligation of that Guarantor; and

- rank *pari passu* in right of payment to all existing and future senior unsecured Indebtedness of that Guarantor.

As of 31 December 2012, on a pro forma basis after giving effect to the Offering and the Tender Offer, (i) the Issuer would have had no Indebtedness other than the Notes and the Remaining Existing Notes, (ii) the Guarantors would have had approximately U.S.$451.1 million of unsecured Indebtedness (other than the Guarantees and guarantees of the Remaining Existing Notes), all of which would have consisted of bank borrowings that would rank pari passu with the Notes, (iii) the Guarantors would have had approximately U.S.$50.0 million of bank borrowings that were secured and would effectively rank senior to the Guarantees and (iv) Subsidiaries that are not Guarantors would not have had any bank borrowings. In addition, at 31 December 2012, the Group would have had U.S.$67.4 million of finance leases that would effectively rank senior to the Notes and Guarantees.

As of the Issue Date, all of MHP's subsidiaries will be "Restricted Subsidiaries". However, under the circumstances described below under the caption "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries", MHP will be permitted to designate certain of its subsidiaries as "Unrestricted Subsidiaries". Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and will not guarantee the Notes. As of the date of this Offering Memorandum MHP has no Unrestricted Subsidiaries.

Ranking of the Notes and the Guarantees

MHP is a holding company with no independent operations, and all of its operations are conducted through its Subsidiaries. MHP's ability to service the Notes is dependent, *inter alia*, upon the earnings of its Subsidiaries, the ability of its Subsidiaries to distribute those earnings to MHP by way of dividends, distributions, interest, returns on investments (including repayment of loans) or other payments, and the ability of Eledem and the respective Guarantors that are party to the Proceeds Loans (who will be co-obligors under the Proceeds Loans) to make payments due on the Proceeds Loans. Claims of creditors of MHP's Subsidiaries that are not Guarantors, including trade creditors and creditors holding indebtedness or guarantees issued by such entities, and claims of holders of any priority or preference equity interests of such entities, generally will have priority with respect to the assets and earnings of such entities over the claims of MHP's creditors, including the Holders of the Notes. Accordingly, although the Notes will be senior obligations of MHP and the Guarantees will be senior obligations of the Guarantors, the Notes and the Guarantees will be structurally subordinated to creditors (including trade creditors) and holders of any priority or preference equity interests, if any, of MHP's Subsidiaries that are not Guarantors. In the event of a liquidation, winding up, administration, reorganisation or any other insolvency of these companies or of any non-Guarantor subsidiaries, the non-Guarantor subsidiaries will pay the holders of their debt, their trade creditors and any preference shareholders before they will be able to distribute any of their assets to MHP or another Guarantor.

Principal, Maturity and Interest

MHP will issue U.S.$750,000,000 aggregate principal amount of Notes in the Offering. MHP may issue Additional Notes under the Indenture from time to time including at the same time or after this Offering. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares". The Notes and Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, provided that Additional Notes will only be issued in a "qualified reopening" for U.S. federal income tax purposes. Otherwise, Additional Notes will be issued with separate Common Code and ISIN numbers, as applicable, from the Notes. MHP will issue Notes in denominations of U.S.$200,000 principal amount and integral multiples of U.S.$1,000 above U.S.$200,000. The Notes will mature on 2 April 2020.

Interest on the Notes will accrue at the rate of 8.25% per annum and will be payable semi-annually in arrears on 2 April and 2 October, commencing on 2 October 2013. MHP will make each interest payment to the Holders of record on the immediately preceding 18 March and 18 September, respectively.

Interest on the Notes will accrue from (and including) 2 April 2013 or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

If the due date for any payment in respect of any Note is not a business day at the place in which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding business day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

In addition, MHP will not permit any of its Restricted Subsidiaries that is not a Guarantor to guarantee any Indebtedness unless such Restricted Subsidiary simultaneously jointly and severally guarantees the Notes pursuant to a supplemental Suretyship Agreement or other documentation to such effect.

Guarantees

The Notes will be jointly and severally guaranteed by each of the Guarantors. The ranking of the Guarantees are as set forth above under "—Ranking of the Notes and the Guarantees".

The Guarantees will constitute suretyships under Ukrainian law and will be governed by a separate Suretyship Agreement dated the date of the Indenture. Payment of amounts due under the Guarantees will require compliance with certain Ukrainian currency control regulations. In addition, the amount recoverable under the Guarantee provided by MFC will be limited to $100 million. See "Risk Factors—Risks Relating to the Notes and the Trading Market—The Guarantees will constitute suretyships under Ukrainian law and could be challenged" and "Risk Factors—Risks Relating to the Notes and the Trading Market—Ukrainian currency control regulations may impact the Guarantors' ability to make payments under the Guarantors' Proceeds Loans and under the Guarantees".

Additional Guarantees

MHP may from time to time designate a Restricted Subsidiary as an additional guarantor of the Notes (an "**Additional Guarantor**") by causing it to execute and deliver to the Trustee a supplement to the Suretyship Agreement (and with an opinion of counsel addressed to the Trustee as to the enforceability of its Guarantee), pursuant to which such Restricted Subsidiary will become a Guarantor. MHP will be required to designate as an Additional Guarantor any Restricted Subsidiary whose assets, at the end of any fiscal quarter, determined on an unconsolidated basis in accordance with IFRS account for more than 10% of MHP's total assets determined on a consolidated basis in accordance with IFRS.

Any Additional Guarantee shall be issued on substantially the same terms as the Guarantees. For purposes of the Indenture and this "Description of Notes", references to the Guarantees include references to any Additional Guarantees and references to the Guarantors include references to any Additional Guarantors.

Release of the Guarantees

The Indenture and the Suretyship Agreement will provide that a Guarantee and any related Security in favour of the Holders of the Notes securing such Guarantee shall be released, automatically and without further action on the part of any Holder of the Notes or the Trustee:

(1) in the event that such Guarantor is disposed of in a manner which is permitted by the Indenture (provided that, in any event, the disposal is not made to a Restricted Subsidiary) and the proceeds of such disposal are applied for a purpose permitted by the Indenture;

(2) upon legal defeasance or covenant defeasance of the Notes;

(3) when MHP designates such Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or

(4) the liquidation of such Guarantor in accordance with the Indenture.

The Trustee will take all necessary actions to effect any release in accordance with these provisions, subject to customary protections and indemnifications.

Proceeds Loans

The Notes will be secured by pledges and assignments of proceeds loans (the "**Proceeds Loans**") between (i) the Issuer as lender and Eledem, as borrower, and (ii) Eledem, as lender, and certain of the Guarantors, as borrowers, in each case, with an aggregate principal amount equal to the aggregate principal amount of the Notes and the Remaining Existing Notes. The Guarantors that are party to the

Proceeds Loans, as co-obligors, will be jointly and severally liable for the payment of all amounts due to Eledem under their Proceeds Loans. Interest on the Proceeds Loans referred to in Clause (ii) above will have a maximum interest rate of up to 11%, the maximum amount currently permitted by the National Bank of Ukraine. Regularly accruing interest on the Proceeds Loans will be payable semi-annually not less than two business days and not more than five business days before each interest payment date in respect of the Notes. The Proceeds Loans will be senior obligations that will rank *pari passu* in right of payment to all existing and future unsecured Indebtedness of Eledem and each of the Guarantors party thereto, respectively. The Guarantors' payments under the Proceeds Loan with Eledem may be subject to Ukrainian withholding tax under certain circumstances and may be restricted or limited by certain Ukrainian laws and regulations. See "Risk Factors—Risks Relating to the Notes and the Trading Market".

Security

Proceeds Loan Assignments

MHP's obligations under the Notes and the Indenture will be secured by a first-ranking assignment of MHP's and Eledem's rights as lenders under their respective Proceeds Loans (the "**Proceeds Loan Assignments**") relating to the Notes and the Remaining Existing Notes. The Proceeds Loan Assignments will be granted in favour of the Note Security Agent on a first-ranking basis. Such assignments of the Proceeds Loans shall be released upon the full repayment and cancellation of the Proceeds Loans. The Proceeds Loan Assignments will be shared on an equal and rateable basis with the holders of the Remaining Existing Notes.

In the event the Issuer issues Capital Markets Debt or Additional Notes and the proceeds thereof are represented by proceeds loans by MHP to Eledem and by Eledem to certain of the Guarantors pursuant to proceeds loans that satisfy the requirements of the definition of Permitted Proceeds Loans in the Indenture, the holders of such debt or notes will be Permitted Security Beneficiaries of such Permitted Proceeds Loans and Holders of the Notes and the Remaining Existing Notes will be beneficiaries of such Permitted Proceeds Loans and all such holders, will share in the assignments of such Permitted Proceeds Loans on an equal and rateable basis.

Upon any realisation upon the Security Interest, a Holder, holder of Existing Notes or Permitted Security Beneficiary (each a "**Secured Party**") shall only be entitled to receive its pro rata share of any enforcement proceeds based on the proportion of the principal and unpaid interest balance owed to it to the total principal and unpaid interest balance owed to all enforcing Secured Parties and in no event shall any Secured Party be entitled to receive enforcement proceeds in excess of the principal and unpaid interest owed to it

Note Security Agent

Deutsche Bank Trust Company Americas will act as Note Security Agent under the Proceeds Loan Assignments and the Indenture until such time, if any, that a new Note Security Agent is appointed under the provisions of the relevant agreement.

Redemption

Optional Redemption

At any time prior to 2 April 2016, upon not less than 30 nor more than 60 days notice, MHP may, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture at a redemption price of 108.25% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, with the net cash proceeds of one or more Equity Offerings; provided that:

(1) at least 65% of the aggregate principal amount of the Notes (excluding Notes held by MHP and its Affiliates) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

At any time prior to the maturity date of the Notes, upon not less than 30 nor more than 60 days' notice, MHP may at its option redeem the Notes in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, plus accrued and unpaid interest and Additional Amounts, if any, to, the date of redemption, subject to the rights of the Holders of the Notes on the relevant record date to receive the interest due on the relevant interest payment date.

Tax Redemption

MHP may, at its option, redeem all (but not less than all) of the Notes then outstanding at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption, if MHP or a Guarantor has become, or would become, after taking reasonable measures, if any, available to it to avoid it, obliged to pay, on the next date on which any amount would be payable with respect to the Notes or a Guarantee, any Additional Amounts as a result of any change in laws or treaties (including any regulations promulgated thereunder) or in any interpretation, administration or application regarding such laws, treaties or regulations, if such change is announced and becomes effective on or after the Issue Date. Notice of any such redemption must be given within 60 days of the effectiveness of any such change.

Mandatory Redemption

MHP is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(1) if MHP certifies to the Trustee that the Notes are listed on any securities or investment exchange, in compliance with the requirements of the principal securities or investment exchange on which the Notes are so listed; or

(2) if MHP certifies to the Trustee that the Notes are not listed on any securities or investment exchange or if the relevant securities or investment exchange has no requirement in that regard, on a pro rata basis, by lot or by such method as the Trustee in its discretion deems fair and appropriate;

in each case (1) and (2) in compliance with the requirements of the applicable clearing systems, including, if applicable, pool factor.

Notes in definitive registered form of U.S.$200,000 may only be redeemed in whole and not in part. In no event shall a redemption of Notes result in a Note in a principal amount of U.S.$200,000 or less. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. In relation to Notes in definitive registered form, a new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption, unless MHP defaults in the payment of the redemption price.

Open Market Purchases

MHP may at any time and from time to time purchase Notes in the open market or otherwise. MHP is not obligated to cancel any Notes so purchased, although they may not be reissued and will not be deemed outstanding for purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase.

Additional Amounts

All payments made by MHP and the Guarantors under or with respect to the Notes and the Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment, or other governmental charge of whatever nature (including penalties, interest and other liabilities related thereto) (collectively, "**Taxes**") imposed or levied by or on behalf of any government or political subdivision or territory or possession of any government or authority or agency or authority therein or thereof having the power to tax (each, a "**Taxing Authority**") in any jurisdiction in which MHP or any Guarantor (including their permitted successors and assigns) is then incorporated, engaged in business or resident for tax purposes or any jurisdiction by or through which payment is made (each, a "**Relevant Taxing Jurisdiction**") unless MHP or the Guarantor is required to withhold or deduct Taxes by law or by the relevant Taxing Authority's interpretation or administration thereof.

If MHP or the Guarantor is required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Notes or the Guarantees (as the case may be), MHP or the Guarantors (as the case may be) will pay such additional amounts ("**Additional Amounts**") as may be necessary so that the net amount received by each Holder of the Notes (including Additional Amounts) after such withholding or deduction will be equal to the amount the Holder of the Notes would have received if such Taxes had not been withheld or deducted; provided that no Additional Amounts will be payable with respect to a payment made to a Holder of the Notes to the extent:

(1) any such Taxes would not have been imposed but for the existence of any present or former connection between such Holder of the Notes (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction imposing such Taxes otherwise than merely by the acquisition, ownership or disposition of such Note or receiving any payment in respect thereof or the exercise or enforcement of any rights under the Notes or the Guarantees; or

(2) such Holder of the Notes would not have been liable for or subject to such withholding or deduction on account of such Taxes but for the failure to make a valid declaration of non-residence or similar claim for exemption or to provide information concerning nationality, residence or connection with the Relevant Taxing Jurisdiction if the making of such declaration or claim or provision of such information is required or imposed by statute, treaty, regulation, ruling or administrative practice of a Taxing Authority of the Relevant Taxing Jurisdiction as a precondition to an exemption from, or reduction in, such Taxes (including, without limitation, a certificate that the Holder is not resident in the Relevant Taxing Jurisdiction); or

(3) such Holder of the Notes would have been able to avoid such Taxes by presenting the relevant note to another paying agent in a Member State (as constituted on the Issue Date) or in the United States; or

(4) any such Taxes would not have been imposed but for the presentation by the Holder of such note (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due or payable or was duly provided for, whichever is later; or

(5) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(6) of any combination of the immediately preceding clauses (1) to (5) (inclusive).

In addition, Additional Amounts will not be payable with respect to any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge with respect to such Notes or with respect to any Tax which is payable otherwise than by deduction or withholding from payments of principal of, premium or discount, if any, or interest on the Notes.

MHP or the Guarantors (as the case may be) will also:

(1) make any required withholding or deduction; and

(2) remit the full amount deducted or withheld to the relevant Taxing Authority in accordance with applicable Law.

MHP or the Guarantors (as the case may be) will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Taxing Authority imposing such Taxes. MHP or the Guarantors (as the case may be) will use reasonable efforts to furnish to the Holders of the Notes (with a copy to the Trustee), within 30 days after the date the payment of any Taxes so deducted or withheld is due pursuant to applicable Law, either certified copies of tax receipts evidencing such payment by MHP or the Guarantors (as the case may be) or, if such receipts are not obtainable, other evidence of such payments by MHP or the Guarantors (as the case may be).

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case promptly thereafter), if MHP or the Guarantors (as the case may be) will be obliged to pay Additional Amounts with respect to such payment, MHP or the Guarantors (as the case may be) will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to the Holders on the payment date.

Whenever in this "Description of Notes" section there is mentioned, in any context, the payment of amounts based upon the principal, premium, interest or any other amount payable under or with respect to any of the Notes, this includes payment of any Additional Amounts that may be applicable.

MHP or the Guarantors (as the case may be) will pay any stamp, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies which arise from the original execution, delivery or registration of the Notes, the initial resale thereof by J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, and VTB Capital plc (the "**Initial Purchasers**") and the enforcement of the Notes, the Guarantees or the Proceeds Loan Assignments following the occurrence of any Event of Default with respect to the Notes.

The foregoing provisions will survive any termination, defeasance or discharge of the Notes and shall apply *mutatis mutandis* to any jurisdiction in which any successor Person to MHP or a Guarantor, as the case may be, is organised, engaged in business, resident for tax purposes, or otherwise subject to taxation on a net profit basis or any political subdivisions or taxing authority or agency thereof or therein.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each Holder of Notes will have the right to require MHP to repurchase all or any part (equal to U.S.$1,000 or an integral multiple of U.S.$1,000 provided that a Note of U.S.$200,000 or less may only be redeemed in whole and not in part) of that Holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, MHP will offer a payment ("**Change of Control Payment**") in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased, to the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date. Within 30 business days following any Change of Control, MHP will mail a notice to the Trustee and each Holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the date specified in the notice ("**Change of Control Payment Date**"), which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice. MHP will comply with the requirements of Rule 14e-l under the U.S. Exchange Act and any other securities laws and regulations and stock exchange rules to the extent those laws, regulations and rules are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations or stock exchange rules conflict with the Change of Control provisions of the Indenture, MHP will comply with the applicable laws, regulations and rules, and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

Future Indebtedness of MHP may contain prohibitions on the occurrence of certain events that would constitute a Change of Control or may require such Indebtedness to be repurchased upon a change of control (as defined in the instruments governing such Indebtedness). Moreover, the exercise by the Holders of their right to require MHP to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on MHP.

If a Change of Control Offer is made, there can be no assurance that MHP will have available funds sufficient to pay for all of the Notes that might be delivered by Holders of Notes seeking to accept the Change of Control Offer. MHP's obligation to make a Change of Control Offer following a Change of Control shall be satisfied if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements applicable to a Change of Control Offer made by MHP and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. See "Risk Factors—Risks Relating to the Notes and the Trading Market—MHP may not be able to finance a change of control offer required by the Indenture".

MHP will, to the extent lawful:

(1) on the Change of Control Payment Date, accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent or, if applicable, the tender agent for the offer no later than 12.00 p.m. (London time) one business day prior to the Change of Control Payment Date an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) on the Change of Control Payment Date, deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by MHP.

The Paying Agent or, if applicable, the tender agent will promptly mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, in respect of Global Notes, make such notations thereon as are necessary to reflect the Notes (or interests therein) purchased in such Change of Control Offer and, in respect of Notes in definitive registered form, cause to be authenticated and mailed to each Holder a new note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new Note or Notes will be in a principal amount of U.S.$200,000 or an integral multiple of U.S.$1,000 above U.S.$200,000 and the Holder has tendered its old definitive registered note for cancellation.

MHP will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require MHP to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Notes to require that MHP or any of its subsidiaries or Affiliates repurchase or redeem the Notes in the event of a takeover, recapitalisation or similar transaction.

MHP will not be required to make a Change of Control Offer upon a Change of Control if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by MHP and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer or (ii) notice of redemption has been given pursuant to the Indenture as described above under the caption "—Redemption—Optional Redemption", unless and until there is a default in payment of the applicable redemption price.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of MHP and MHP's Subsidiaries, taken as a whole. Although there is a limited body of U.S. state case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require MHP to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of MHP and its Subsidiaries taken as a whole to another person or group may be uncertain.

Asset Sales

MHP will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) MHP (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by MHP or such Restricted Subsidiary is in the form of cash, Cash Equivalents or Additional Assets. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the most recent consolidated balance sheet, of MHP or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Guarantee or the Proceeds Loan) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases MHP or such Restricted Subsidiary from liability in respect of those liabilities; and

(b) any securities, notes or other obligations received by MHP or any such Restricted Subsidiary from such transferee that are converted by MHP or such Restricted Subsidiary into cash or Cash Equivalents within 60 days, to the extent of the cash or Cash Equivalents received in that conversion.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale to be applied as set out in this paragraph, MHP (or the applicable Restricted Subsidiary, as the case may be) may apply those Net Proceeds, at its option:

(1) to acquire or invest in all or substantially all of the assets of, or any Share Capital of, a Permitted Business if, after giving effect to any such acquisition of Share Capital, the Permitted Business is or becomes a Restricted Subsidiary of MHP;

(2) to permanently reduce Indebtedness under Credit Facilities which Indebtedness ranks senior in right of payment to the Notes and/or the Guarantees or, to the extent that the assets or shares disposed of pursuant to such Asset Sale were subject to a Lien, to prepay, repay, redeem or repurchase Indebtedness of MHP or a Restricted Subsidiary that is secured by such assets or shares;

(3) to acquire or invest in other assets that are not classified as current assets under IFRS and that are used or useful in a Permitted Business; or

(4) a combination of prepayment and investment permitted by the foregoing clauses (1) through (3) *provided*, *however*, that any such acquisition or investment made pursuant to the foregoing clauses (1) or (3) that is made pursuant to a definitive agreement or a commitment approved by the Board of Directors of MHP that is executed or approved within such time will satisfy this requirement, so long as such acquisition or investment is consummated within six months of such 365th day.

Pending the final application of any Net Proceeds, MHP may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute "**Excess Proceeds**". On the 366th day after an Asset Sale (or such later date as is contemplated by the provision to the second preceding paragraph), if the aggregate amount of Excess Proceeds exceeds U.S.$15.0 million, MHP will make an offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds ("**Asset Sale Offer**"). The offer price in any Asset Sale Offer will be equal to 100% of principal amount plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, MHP and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other *pari passu* Indebtedness to be purchased on a pro rata basis; provided that Notes of

U.S.$200,000 or less may only be purchased in whole and not in part. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

MHP will comply with the requirements of Rule 14e-l under the U.S. Exchange Act and any other securities laws and regulations and stock exchange rules, to the extent those laws, regulations and rules are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations or securities or investment exchange rules conflict with the Asset Sale provisions of the Indenture, MHP will comply with the applicable laws, regulations and rules and will not be deemed to have breached its obligations under the Asset Sale provisions of the Indenture by virtue of such conflict.

Certain Covenants

The Indenture will contain, among others, the following covenants:

Limitation on Restricted Payments

MHP will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of MHP's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger, consolidation, amalgamation or other business combination involving MHP or any of its Restricted Subsidiaries) or to the direct or indirect holders of MHP's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than (A) dividends or distributions payable in Equity Interests (other than Disqualified Shares) or in options, warrants or other right to acquire Equity Interests (other than Disqualified Shares), (B) dividends or distributions payable solely to MHP or a Wholly-Owned Restricted Subsidiary and (C) pro rata dividends or other distributions made by a Subsidiary that is not a Wholly-Owned Restricted Subsidiary to minority shareholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation)or such dividends or distributions on a basis that results in MHP or a Restricted Subsidiary receiving dividends or other distributions of greater value than would result on a pro rata basis);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger, consolidation, amalgamation or other business combination involving MHP) any Equity Interests of MHP or any direct or indirect parent of MHP, in each case held by Persons other than MHP;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of MHP or any Restricted Subsidiary that is contractually subordinated to the Notes, any Guarantee or the Proceeds Loans (excluding any intercompany Indebtedness between or among MHP and any of its Restricted Subsidiaries or between Restricted Subsidiaries), except a payment of interest or principal no more than 90 days prior to the original Stated Maturity thereof and except the purchase, redemption, defeasance, acquisition or retirement of subordinated obligations purchased in anticipation of satisfying a sinking-fund obligation, principal instalment or final maturity of such subordinated obligations, in each case due within 360 days of the date of such purchase, redemption, defeasance, acquisition or retirement; or

(4) make any Restricted Investment;

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "**Restricted Payments**"), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment; and

(b) MHP would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to the Consolidated Leverage Ratio test set forth in the first paragraph of the covenant described below under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by MHP and its Restricted Subsidiaries (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6) and (7) of the next succeeding paragraph) since 30 November 2006 does not exceed the sum, without duplication, of:

(i) 50% of the Consolidated Net Profit of MHP for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after 30 November 2006 to the end of MHP's most recently ended fiscal quarter for which publicly available financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Profit for such period is a deficit, less 100% of such deficit); *plus*

(ii) 100% of the aggregate net cash proceeds received by MHP since 30 November 2006 (i) as a contribution to its ordinary equity capital, (ii) from the issue or sale or exercise of Equity Interests of MHP (other than Disqualified Shares and other than the proceeds received from the May 2008 flotation of the Issuer), (iii) from the issue or sale of convertible or exchangeable Disqualified Shares or convertible or exchangeable debt securities of MHP that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Shares or debt securities) sold to a Subsidiary of MHP) or (iv) from the issue of Indebtedness of MHP or a Restricted Subsidiary for cash since 30 November 2006 that has been converted into or exchanged for such Equity Interests (other than Disqualified Shares); *plus*

(iii) an amount equal to the aggregate net reduction in Restricted Investments (other than any such Restricted Investment made pursuant to paragraphs (1) to (10) of the next succeeding paragraph) made after the Existing Note Issue Date by MHP or any Restricted Subsidiary and resulting from the repurchase, repayment or redemption of such Restricted Investments for cash, or from cash proceeds realised on the sale of all or part of such Investment or representing a return of capital (excluding dividends) with respect thereto; *provided*, *however*, that the foregoing net reduction shall not exceed the amount (in respect of any Person) of the Restricted Investment previously made (and treated as a Restricted Payment) by MHP or any Restricted Subsidiary in such Person; *plus*

(iv) to the extent that any Unrestricted Subsidiary of MHP designated as such after 30 November 2006 is redesignated as a Restricted Subsidiary after the Issue Date, the lesser of (i) the Fair Market Value of MHP's Investment in such Subsidiary as of the date of such redesignation or (ii) the sum of (A) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after 30 November 2006 and (B) the amount of any subsequent Investment by MHP and its Restricted Subsidiaries in such Unrestricted Subsidiary made (and treated as a Restricted Payment) after 30 November 2006 and the original date of designation.

On the Issue Date, the above net profit basket will include all amounts accruing under clauses (i) through (iv) above since 30 November 2006.

The preceding provisions will not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration of the dividend, if at the date of declaration the dividend payment would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of MHP) of, Equity Interests of MHP (other than Disqualified Shares) or from the substantially concurrent contribution of ordinary equity capital to MHP; provided that the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph;

(3) the defeasance, redemption, repurchase or other acquisition of Indebtedness of MHP or any Restricted Subsidiary that is contractually subordinated to the Notes, any Guarantee or the Proceeds Loans with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(4) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of MHP to the holders of such Restricted Subsidiary's ordinary Equity Interests on a pro rata basis;

(5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such Equity Interests represent a portion of the exercise price of such stock options or warrants;

(6) the repurchase, redemption, or other acquisition for value of Share Capital of MHP or any Restricted Subsidiary of MHP representing fractional shares of such Share Capital in connection with a share dividend, distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination of MHP or such Restricted Subsidiary, in each case, permitted under the Indenture;

(7) so long as no Event of Default or Default has occurred and is continuing and no Default or Event of Default would be caused thereby, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Shares of MHP issued on or after the Issue Date in accordance with the Consolidated Leverage Ratio described below under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares";

(8) payments or distributions to dissenting shareholders pursuant to applicable law in connection with or contemplation of a merger, consolidation or transfer of assets;

(9) the purchase, redemption or other acquisition of Equity Interests of MHP or any of its Subsidiaries from employees, former employees, directors or former directors of MHP or any of its Subsidiaries (or any of their respective permitted transferees) pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell or are granted the option to purchase or sell such Equity Interests in an amount of up to U.S.$1.0 million in any fiscal year; or

(10) so long as no Event of Default or Default has occurred and is continuing and no Default or Event of Default would be caused thereby, other Restricted Payments in an aggregate amount not to exceed U.S.$10.0 million since the Issue Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by MHP or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined in good faith by the Board of Directors whose resolution with respect thereto will be delivered to the Trustee along with an Officer's Certificate setting forth the Fair Market Value. The Board of Directors' determination must be based upon an opinion or appraisal issued by a Qualified Expert if the estimated Fair Market Value thereof exceeds U.S.$7.5 million.

Limitation on Incurrence of Indebtedness and Issuance of Preference Shares

MHP will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "**incur**") any Indebtedness (including Acquired Debt), and MHP will not issue any Disqualified Shares and will not permit any of its Restricted Subsidiaries to issue any preference shares; provided, however, that MHP may incur Indebtedness or issue Disqualified Shares and any Guarantor may incur Indebtedness (including Acquired Debt), if the Consolidated Leverage Ratio on the date of such incurrence or issue and after giving *pro forma* effect to such incurrence or issue (including pro forma application of the net proceeds therefrom) as if it had been incurred at the beginning of the most recent four consecutive fiscal quarters for which financial statements are publicly available (or are made available) would have been no more than 3.0 to 1.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Debt**"):

(1) the incurrence by MHP and its Restricted Subsidiaries of Indebtedness for working capital purposes under or in the form of one or more Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with Credit Facilities being deemed to have a principal amount equal to the maximum potential liability of MHP and its Restricted Subsidiaries thereunder) not to exceed U.S.$10.0 million;

(2) the incurrence by MHP and its Restricted Subsidiaries of Existing Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph);

(3) the incurrence by MHP and the Guarantors of Indebtedness represented by the Notes, the related Guarantees and the Proceeds Loans (for the avoidance of doubt, no Additional Notes may be issued in reliance on this clause (3));

(4) the incurrence by MHP or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the business of MHP or any of its Restricted Subsidiaries, whether through the direct purchase of assets or the ordinary shares of any Person owning such assets (including any Indebtedness deemed to be incurred in connection with such purchase), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed U.S.$25.0 million at any time outstanding;

(5) the incurrence by MHP or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance, replace, defease or discharge Indebtedness (other than intercompany Indebtedness (provided that the Proceeds Loan may only be refunded or refinanced to the extent required in connection with any permitted refinancing of the Notes)) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (5) or (13) of this paragraph; provided that neither MHP nor any of its Restricted Subsidiaries may rely on this clause (5) to refund, refinance, replace, defease or discharge Indebtedness under a Credit Facility that is in existence on the Issue Date;

(6) the incurrence by MHP or any of its Restricted Subsidiaries of Indebtedness between or among MHP and any of its Restricted Subsidiaries; provided, however, that:

   (a) if MHP or any Guarantor is the obligor on such Indebtedness and the payee is not MHP or a Guarantor, such Indebtedness must be expressly subordinated in right of payment to the prior payment in full in cash of all Obligations with respect to the Notes, in the case of MHP, or the Guarantees, in the case of a Guarantor; and

   (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than MHP or a Restricted Subsidiary of MHP and (ii) any sale or other transfer of any such Indebtedness to a Person that is neither MHP nor a Restricted Subsidiary of MHP will be deemed, in each case, to constitute an incurrence of such Indebtedness by MHP or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the incurrence by MHP or any of its Restricted Subsidiaries of Hedging Obligations (A) for the purpose of fixing or hedging interest rate risk with respect to or in connection with any Indebtedness that is permitted by the terms of the Indenture to be outstanding or (B) for the purpose of fixing or hedging currency exchange rate risk or changes in the prices of commodities and, in each case, not entered into for speculative purposes and including any such Hedging Obligations incurred in connection with the issuance of the Notes;

(8) the guarantee by MHP or any of its Restricted Subsidiaries (other than MHP) of Indebtedness of MHP or a Restricted Subsidiary of MHP that was permitted to be incurred by another provision of this covenant; provided that if the Indebtedness being guaranteed is subordinated in right of payment to the Notes or the Guarantees thereof, then such guarantee shall be subordinated to the same extent as the Indebtedness guaranteed;

(9) the incurrence by MHP or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance and surety bonds or similar obligations in the ordinary course of business (including guarantees or indemnities related thereto);

(10) the incurrence by MHP or any of its Restricted Subsidiaries of Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five business days;

(11) Indebtedness of MHP and its Restricted Subsidiaries consisting of customer deposits or advance or extended payment terms in the ordinary course of business;

(12) the incurrence by MHP or any of its Restricted Subsidiaries of Indebtedness arising from agreements of MHP or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Share Capital of a Subsidiary, other than guarantees of Indebtedness of the Subsidiary disposed of, or incurred or assumed by any Person acquiring all or any portion of such business, assets or Share Capital for the purpose of financing such acquisition; provided that the maximum liability of MHP and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value) actually received by MHP and its Restricted Subsidiaries in connection with such disposition;

(13) the incurrence or acquisition by MHP or any of its Restricted Subsidiaries of Indebtedness, Disqualified Shares or preference shares of Persons that are acquired by MHP or any of its Restricted Subsidiaries or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) MHP or any of its Restricted Subsidiaries in accordance with the terms of the Indenture; provided that such Indebtedness, Disqualified Shares or preference shares are not incurred or issued in connection with such acquisition, merger, consolidation, amalgamation or other combination, and, after giving effect to such acquisition, merger, consolidation, amalgamation or other combination MHP or such Restricted Subsidiary would be permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to the Consolidated Leverage Ratio test set forth in the first sentence of this covenant;

(14) the incurrence by MHP or any of its Restricted Subsidiaries of Indebtedness under trade credit facilities to finance the acquisition and processing of sunflower seeds and the distribution and sale of sunflower oil, not to exceed U.S.$50.0 million at any time outstanding; and

(15) the incurrence by MHP and any Guarantor of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (15), not to exceed U.S.$75.0 million at any time outstanding.

MHP will not incur, and will not permit, Eledem or any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other indebtedness of MHP, Eledem or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Proceeds Loan or the applicable Guarantee on substantially identical terms; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of MHP, Eledem or such Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior Lien basis or by virtue of not being guaranteed. For purposes of determining compliance with this covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (15) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, MHP, in its sole discretion, will be permitted to classify, and from time to time to reclassify, such item of Indebtedness (or any portion thereof) in any manner that complies with this covenant. Notwithstanding the foregoing sentence, Indebtedness under Credit Facilities outstanding on the Issue Date used to fund working capital will be deemed to have been incurred on such date in reliance on the exception provided by clause (1) of the definition of Permitted Debt and shall not constitute "Existing Indebtedness" incurred in reliance on the exception provided by clause (2) of the definition of Permitted Debt and may not be reclassified pursuant to the first sentence of this paragraph. The accrual of interest, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Shares in the form of additional shares of the same class of Disqualified Shares will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Shares for purposes of this covenant. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that MHP or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(a) the Fair Market Value of such asset at the date of determination; and

(b) the amount of the Indebtedness of the other Person;

(3) the greater of the liquidation preference or the maximum fixed redemption or repurchase price of the Disqualified Shares, in the case of Disqualified Shares;

(4) the Attributable Debt related thereto, in the case of any lease that is part of a sale and leaseback transaction; and

(5) the principal amount of the Indebtedness, in the case of any other Indebtedness.

For purposes of the foregoing, the "maximum fixed repurchase price" of any Disqualified Shares that do not have a fixed redemption or repurchase price shall be calculated in accordance with the terms of such Disqualified Shares as if such Disqualified Shares were redeemed or repurchased on any date of determination.

Limitation on Liens

MHP will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) of any kind on any asset now owned or hereafter acquired, *provided*, *however*, that MHP or any Guarantor may, directly or indirectly, create, incur, assume or suffer to exist any Lien:

(1) to secure Indebtedness that is *pari passu* with the Notes or a Guarantor's Guarantee of the Notes; *provided that* all Obligations under the Notes or the Guarantee, as the case may be, are secured on an equal and ratable basis with the Indebtedness so secured, and

(2) to secure Indebtedness that is expressly subordinated to the Notes or a Guarantor's Guarantee of the Notes, provided that all Obligations under the Notes or the Guarantee, as the case may be, are secured on a senior basis to the Indebtedness so secured.

Any such Lien in favour of the Trustee, the Note Security Agent and the Holders of the Notes will be automatically and unconditionally released and discharged concurrently with (i) the unconditional release of the Lien which gave rise to the Lien in favour of the Trustee, the Note Security Agent and the Holders of the Notes (other than as a consequence of an enforcement action with respect to the assets subject to such Lien), (ii) upon the full and final payment of all amounts payable by MHP and the Guarantors under the Notes, the Indenture and the Guarantees or (iii) upon legal defeasance or satisfaction and discharge of the Notes as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge".

Limitations on Dividends and Other Payment Restrictions Affecting Subsidiaries

MHP will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Share Capital to MHP or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits; or

(2) pay any indebtedness owed to MHP or any of its Restricted Subsidiaries (including, without limitation, pursuant to the Proceeds Loans); or

(3) make loans or advances to MHP or any of its Restricted Subsidiaries; or

(4) transfer any of its properties or assets to MHP or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) the Indenture, the Notes (including any Additional Notes), the Guarantees and the Proceeds Loan Assignments;

(2) any applicable law, rule, regulation or order;

(3) any encumbrance or restriction pursuant to an agreement in effect on or entered into on the Issue Date;

(4) any instrument governing Indebtedness of a Person acquired by MHP or any of its Restricted Subsidiaries, as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided that*, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(5) customary non-assignment provisions in leases, security agreements, contracts and licenses entered into in the ordinary course of business;

(6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (4) of the preceding paragraph;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(8) Permitted Refinancing Indebtedness permitted to be incurred under clause (5) of the second paragraph of "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares"; *provided* that the restrictions and encumbrances contained in the agreements governing such Permitted Refinancing Indebtedness are either (i) no more restrictive or (ii) not materially less favourable to the Holders of the Notes and/or the Proceeds Loan, in each case, taken as a whole and determined in good faith by the Board of Directors, than the dividend and other payment restrictions contained in the Indebtedness being refinanced;

(9) Liens (including Permitted Liens) permitted to be incurred under the provisions of the covenant described above under the caption "—Certain Covenants—Limitation on Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) customary provisions limiting the disposition or distribution of Share Capital, assets or property in merger agreements, asset sale agreements, sale-leaseback agreements, share sale agreements and other similar agreements entered into with the approval of the Board of Directors, which limitation is applicable only to the Share Capital, assets or property that are the subject of such agreements;

(11) customary provisions limiting the distribution or disposition of assets or property of a Restricted Subsidiary in joint venture agreements entered into in the ordinary course of business;

(12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(13) any encumbrance or restriction applicable to a Restricted Subsidiary at the time it becomes a Restricted Subsidiary that is not created in contemplation thereof; *provided* that such restriction apply only to such Restricted Subsidiary and *provided further* that the exception provided by this clause (13) shall not apply to any encumbrance or restriction contained in any Indebtedness that refunds, refinances, replaces, defeases or discharges any Indebtedness which was in existence at the time such Restricted Subsidiary became a Restricted Subsidiary.

Merger, Consolidation or Sale of Assets

MHP may not, directly or indirectly, (i) merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not MHP is the surviving corporation); or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of MHP and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person; unless:

(1) either (a) MHP is the surviving corporation or (b) the Person formed by or surviving any such merger, consolidation, amalgamation or other combination (if other than MHP) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organised or existing under the laws of any Member State as of 1 January 2006, Ukraine, Cyprus, Switzerland or any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such merger, consolidation, amalgamation or other combination (if other than MHP) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of MHP under the Notes, the Indenture, the relevant Proceeds Loan Assignment, the relevant Proceeds Loan, any other instrument creating a Security Interest to which MHP is a party pursuant to a supplemental indenture and any other documents to such effect delivered to the Trustee and the Note Security Agent;

(3) immediately after such transaction, MHP or such surviving Person certifies to the Trustee that no Default or Event of Default exists; and

(4) MHP or the Person (as applicable) formed by or surviving any such merger, consolidation, amalgamation or other combination (if other than MHP), or to which such sale, assignment, transfer, conveyance or other disposition has been made:

    (a) will, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to the Consolidated Leverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares";

    (b) will (either directly or through its Restricted Subsidiaries), on the date of such transaction after giving effect thereto, retain all licenses and other authorisations reasonably required to operate its business as it was conducted prior to such transaction; and

    (c) furnishes to the Trustee an Officer's Certificate and an Opinion of counsel providing that the transaction complies with the Indenture.

In addition, MHP may not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person.

A Guarantor may not:

(1) directly or indirectly consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation); or

(2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of its assets, taken as a whole, in one or more related transactions, to another Person; unless

    (a) immediately after such transaction, MHP or such surviving Person certifies to the Trustee that no Default or Event of Default exists; and

    (b) either:

        (i) (A) such Guarantor is the surviving corporation; or (B) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, conveyance or other distribution has been made is a corporation organised or existing under the laws of any Member State as of 1 January 2006, Ukraine, Cyprus, Switzerland or any state of the United States or the District of Columbia, and immediately after such transaction, the surviving corporation assumes all the obligations of that Guarantor under the Indenture and the Suretyship Agreement and its guarantee pursuant to the Suretyship Agreement to such effect delivered to the Trustee, along with an opinion of counsel and an Officer's Certificate providing that the transaction complies with the Indenture and the Suretyship Agreement; or

(ii) in the case of the sale or disposition of all or substantially all of the assets of such Guarantor, the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture.

This "Merger, Consolidation or Sale of Assets" covenant will not apply to (i) a merger between or among MHP and any of its Restricted Subsidiaries, (ii) between or among any Guarantors or (iii) a merger of MHP with an Affiliate solely for the purpose of reincorporating MHP in another jurisdiction.

Transactions with Affiliates

MHP will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of MHP (each, an "**Affiliate Transaction**"), unless:

(1) the Affiliate Transaction is on terms that are no less favourable to MHP or the relevant Restricted Subsidiary than those that that could be obtained at the time of such transaction in arm's-length dealings in a comparable transaction with a Person that is not such an Affiliate; and

(2) MHP delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.$20.0 million, a resolution of MHP's Board of Directors set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors (or, in the event there is only one disinterested member of the Board of Directors, approved by such disinterested member).

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, consulting agreement, employee benefit plan, officer and director indemnification agreement or any similar arrangement entered into by MHP or any of its Restricted Subsidiaries in the ordinary course of business and compensation (including bonuses and equity compensation) paid to and other benefits (including retirement, health and other benefit plans) and indemnification arrangements provided on behalf of directors, officers, consultants and employees of MHP or any Restricted Subsidiary;

(2) transactions between or among or solely for the benefit of MHP and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of MHP) that is an Affiliate of MHP solely because MHP owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable directors' fees to Persons who are not otherwise Affiliates of MHP;

(5) any issuance of Equity Interests (other than Disqualified Shares) of MHP to Affiliates of MHP or the receipt of capital contributions by MHP from Affiliates of MHP;

(6) Restricted Payments that do not violate the provisions of the Indenture described above under the caption "—Certain Covenants—Limitation on Restricted Payments" or Permitted Investments;

(7) loans or advances or guarantees of third party loans to employees in the ordinary course of business not to exceed U.S.$10.0 million in the aggregate at any one time outstanding (not including loans, advances or guarantees granted to employees prior to the Issue Date);

(8) the entering into of a tax sharing agreement, or payments pursuant thereto, between MHP and/or one or more Subsidiaries, on the one hand, and any other Person with which MHP of such Subsidiaries are required or permitted to file a consolidated tax return or with which MHP or such Subsidiaries are part of a consolidated group for tax purposes, on the other hand, *provided* that any payments by MHP and the Restricted Subsidiaries required under such agreement are not in excess of the tax liabilities that would have been payable by them on a stand-alone basis;

(9) the granting and performance of registration rights with the U.S. Securities and Exchange Commission for securities of MHP, Eledem or PJSC MHP; and

(10) agreements and arrangements, and transactions pursuant thereto, existing on the date of the Indenture and any amendment, extension, renewal, refinancing, modification or supplement thereof; provided that following such amendment, extension, renewal, refinancing, modification or supplement, the terms of any such agreement or arrangement so amended, modified or supplemented are no less favourable to MHP and the Restricted Subsidiaries, as applicable, than the original agreement or arrangement as in effect on the date of the Indenture.

Business Activities

MHP will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Permitted Business, except to such extent as would not be material to MHP and its Restricted Subsidiaries, taken as a whole.

MHP will own directly or indirectly 100% of the issued and outstanding Share Capital of Eledem.

Eledem shall not engage in any business activity or undertake any other activity, except any activity:

(1) of the type undertaken as of the Issue Date;

(2) undertaken in its capacity as a borrower under the Proceeds Loans or any Permitted Proceeds Loan with MHP, as a lender under the Proceeds Loans or any Permitted Proceeds Loans with the Guarantors and as a party to the relevant Proceeds Loan Assignment Agreements;

(3) related to the offer and sale of Capital Markets Debt and lending the proceeds thereof to the Guarantors or other Restricted Subsidiaries and the repurchase of Capital Markets Debt and the borrowing of funds for such repurchase; and

(4) reasonably related to the activities described in clauses (1), (2) and (3), including the refinancing of any Proceeds Loan or Permitted Proceeds Loan or Capital Markets Debt.

Additional Guarantees

The Indenture will provide that:

(1) MHP will not permit any of its Restricted Subsidiaries that is not a Guarantor to guarantee any Indebtedness unless such Restricted Subsidiary simultaneously jointly and severally guarantees the Notes pursuant to a supplemental Suretyship Agreement or other documentation to such effect (an "**Additional Guarantee**") delivered to the Trustee; and

(2) if the total assets of any Restricted Subsidiary of MHP that is not a Guarantor, then determined on an unconsolidated basis in accordance with IFRS as of the end of any fiscal quarter, accounts for 10% or more of MHP's total assets determined on a consolidated basis in accordance with IFRS as of the end of such fiscal quarter, then the relevant Restricted Subsidiary will jointly and severally guarantee the Notes pursuant to an Additional Guarantee delivered to the Trustee;

provided, in the case of each of (1) and (2) above, that (i) a Restricted Subsidiary's Guarantee may be limited to the extent required by law and (ii) for so long as it is not permissible under applicable law for a Restricted Subsidiary to become a Guarantor, such Restricted Subsidiary need not become a Guarantor (but, in such a case, each of MHP and its Restricted Subsidiaries will use their best efforts to overcome the relevant legal prohibition precluding the giving of the Guarantee). For the avoidance of doubt, the requirement in clause (1) above will not be applicable to any guarantees of Indebtedness by any Restricted Subsidiary existing on the date of the Indenture. At the time of execution of any Additional Guarantee, MHP shall deliver an opinion of counsel addressed to the Trustee as to the enforceability of the Guarantee and certain other matters set out in the Indenture.

If the Indebtedness of MHP or the Guarantor giving rise to the need to guarantee the Notes:

(1) ranks *pari passu* in right of payment to the Notes or the Guarantees of the Notes, any guarantee of such Indebtedness will rank *pari passu* in right of payment to the Notes or the relevant Guarantee of the Notes; or

(2) is contractually subordinated in right of payment to the Notes or the Guarantees of the Notes, any guarantee of such Indebtedness shall be contractually subordinated in right of payment to the Notes or the relevant Guarantee of the Notes substantially to the same extent as such Indebtedness is subordinated in right of payment to the Notes or the Guarantees.

Until all amounts which may be or become payable by MHP and the Guarantors under the Notes have been irrevocably paid in full and to the extent lawful, each such guarantee will provide that the Guarantor waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against MHP or any Restricted Subsidiary of MHP as a result of any payment by such Guarantor under its Guarantee.

Each such Guarantee will be released under the circumstances set out above under "—Guarantees".

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of MHP may designate any Restricted Subsidiary (including any newly acquired or newly formed Subsidiaries) to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by MHP and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments" or under one or more clauses of the definition of Permitted Investments, as determined by MHP. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of MHP may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of MHP as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee on the effective date of such designation a certified copy of the Board Resolution giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments". If, at any time, any Unrestricted Subsidiary would fail to meet the requirements of being an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of MHP as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares", MHP will be in default of such covenant.

The Board of Directors of MHP may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of MHP of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares", calculated on a *pro forma* basis as if such designation had occurred at the beginning of the four-quarter reference period and (2) no Default or Event of Default would be in existence following such designation.

Sale and Leaseback Transactions

MHP will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction; *provided* that MHP or any other Guarantor may enter into a sale and leaseback transaction if:

(1) MHP or that Guarantor, as applicable, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the Consolidated Leverage Ratio test in the first paragraph of the covenant described above under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "—Certain Covenants—Limitation on Liens;"

(2) the gross cash proceeds of that sale and leaseback transaction are at least equal to the Fair Market Value of the property that is the subject of that sale and leaseback transaction; and

(3) the transfer of assets in that sale and leaseback transaction is permitted by, and MHP or that Guarantor applies the net proceeds of such transaction in compliance with, the covenant described above under the caption "—Repurchase at the Option of Holders—Asset Sales".

Payments for Consent

MHP will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Impairment of Security Interest

MHP shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the Security Interest with respect to the Security (it being understood that (a) the incurrence of Permitted Liens (including amendments to the Proceeds Loan Assignments to effect or facilitate the same), (b) any amendments to the Proceeds Loans to change the interest rate, *provided* such interest rate remains equal to or greater than the interest rate payable on the Notes and the Remaining Existing Notes to which such loan or portion of such loan relates, (c) amendments to the Proceeds Loans to provide for the delivery of evidence of the tax residence of the lender of the relevant Proceeds Loan in another jurisdiction, *provided*, the withholding tax position in such jurisdiction is no less favourable to the lender than the withholding tax treatment in the previous tax residence (d) amendments to the Proceeds Loans in connection with any refinancing of Notes and/or Capital Markets Debt with new Capital Markets Debt, to change the terms of such Proceeds Loans such that the terms of such loans and any Permitted Proceeds Loans, together, correspond to the terms of any Notes and Capital Markets Debt remaining outstanding following such refinancing, and (e) amendments to the Proceeds Loan Assignments to permit the assignment of the Security Interests on an equal and rateable basis to Permitted Security Beneficiaries shall under no circumstances be deemed to materially impair the Security Interest with respect to the Security) for the benefit of the Trustee and the Holders, and MHP shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Note Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Proceeds Loan Assignments, any interest whatsoever in any of the Security, except that (i) MHP or any Restricted Subsidiaries may incur Permitted Liens, (ii) the Security Interests may be discharged and/or released and retaken in accordance with the Indenture in order to facilitate the granting of any such Permitted Lien and (iii) the Security Interests may be assigned for the benefit of Permitted Security Beneficiaries. The Note Security Agent is authorised to enter into amendments to the Proceeds Loan Assignments to permit the assignment of the Security Interests on an equal and rateable basis to Permitted Security Beneficiaries and to the extent necessary to implement the foregoing amendments to the Proceeds Loans.

Reports

MHP will provide to the Trustee and the Holders of the Notes and shall make available to potential investors:

(1) within 150 days after the end of MHP's fiscal year consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for MHP and its Subsidiaries for the most recent three fiscal years prepared in accordance with IFRS, together with a report thereon by MHP's certified independent accountants, information with respect to any Change of Control that has occurred in the fiscal year and information with respect to any acquisition or disposition representing greater than 20% of the consolidated revenues, EBITDA or assets of MHP on a *pro forma* basis, including a *pro forma* income statement and balance sheet for the acquisition or disposition (*provided* that an acquisition or disposition that has occurred fewer than 60 days prior to the date of the annual report shall be reported upon in the next quarterly report);

(2) within 180 days after the end of MHP's fiscal year, for such fiscal year and two prior fiscal years, information substantially similar in scope to the information about MHP and its Subsidiaries included in this Offering Memorandum under (A) the subheadings "—External Factors Affecting MHP's Results of Operations" and "—Liquidity and Capital Resources" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and (B) "Significant Shareholders and Related Party Transactions—Related Party Transactions";

(3) within 90 days after the end of each of the first three fiscal quarters in each fiscal year of MHP, unaudited consolidated income statements, balance sheets and cash flow statements of MHP for such interim periods prepared in accordance with IFRS and information with respect to any Change of Control that has occurred in the fiscal quarter; and

(4) information with respect to any change in the independent accountants of MHP, and any resignation of a member of the Board of Directors of MHP as a result of a disagreement with MHP.

If MHP has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries constitute Significant Subsidiaries of MHP, then the annual and quarterly information required by provisions (1) and (2) of this covenant shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto of the financial condition and results of operations of MHP and its Restricted Subsidiaries separate from the financial condition and results of operations of such Unrestricted Subsidiaries of MHP.

In addition, so long as the Notes remain outstanding and during any period during which MHP is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) of such Act, MHP shall furnish to the holders of the Notes (with a copy to the Trustee) and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the provision of each report discussed above, MHP will also file a press release with the appropriate internationally recognised wire services with respect to such report and post such press release on MHP's website.

Events of Default and Remedies

Each of the following is an Event of Default:

(1) default for 30 days in the payment when due of interest on, or Additional Amounts with respect to, the Notes;

(2) default in payment when due of the principal of, or premium, on the Notes;

(3) failure by MHP or any of its Restricted Subsidiaries to comply with the provisions described under the caption "—Certain Covenants—Merger, Consolidation or Sale of Assets;"

(4) failure by MHP or any of its Restricted Subsidiaries to comply for 30 days after written notice with its obligation to repurchase Notes as described under "—Repurchase at the Option of Holders—Change of Control" or any of its obligations in the covenants described under "—Certain Covenants";

(5) failure by MHP or any of its Restricted Subsidiaries for 60 days after written notice by the Trustee or the Holders of not less than 25% of the aggregate principal amount of the Notes then outstanding to comply with any of the other agreements in the Indenture, the Guarantees, the Suretyship Agreement, the Proceeds Loan Assignments or the Proceeds Loans;

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by MHP or any of its Restricted Subsidiaries (or the payment of which is guaranteed by MHP or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:

    (a) is caused by a failure to pay principal, interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "**Payment Default**"); or

    (b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates U.S.$25.0 million or more;

(7) failure by MHP or any of its Restricted Subsidiaries to pay final judgments not subject to appeal aggregating in excess of U.S.$25.0 million, which judgments are not paid, discharged, waived or stayed for a period of 60 days;

(8) the repudiation by MHP or any of its Restricted Subsidiaries in writing of any of its obligations under the Proceeds Loan Assignments, or the unenforceability of the Proceeds Loan Assignments or such charge against MHP or any of its Restricted Subsidiaries as the case may be for any reason;

(9) except as permitted by the Indenture or the Suretyship Agreement, any Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor, or any Person acting on behalf of any Guarantor, shall deny or disaffirm in writing its obligations under its Guarantee;

(10) any Proceeds Loan ceases to be in full force and effect (other than in accordance with the terms of such Proceeds Loan) or is declared fully or partially void in a judicial proceeding or Eledem or any Guarantor asserts in writing that the applicable Proceeds Loan is fully or partially invalid; or

(11) certain events of bankruptcy or insolvency described in the Indenture with respect to MHP, any Guarantor or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to MHP, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may, upon written notice to MHP, declare all the Notes to be due and payable immediately.

Holders of the Notes may not enforce the Indenture, the Notes, the Guarantees or the Proceeds Loan Assignments except as provided in the Indenture or the Suretyship Agreement. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power, subject to indemnity, security or prefunding satisfactory to the Trustee being provided. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding such notice is in their interest, except a Default or Event of Default relating to the payment of principal or interest or Additional Amounts and agree that the Trustee shall incur no liability for so doing.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Event of Default in the payment of interest or Additional Amounts on, or the principal of, the Notes.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture or the Suretyship Agreement at the request or direction of any Holders of Notes unless such Holders have provided to the Trustee prefunding, indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder of a note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee reasonable prefunding, security or indemnity against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of prefunding, security or indemnity; and

(5) Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

MHP is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, MHP is required to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or shareholder of MHP or any Guarantor, as such, will have any liability for any obligations of MHP or the Guarantors under the Notes, the Indenture, the Guarantees, the Proceeds Loan Assignments or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Legal Defeasance and Covenant Defeasance

MHP may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Guarantees ("**Legal Defeasance**") except for:

(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium and Additional Amounts, if any, on such Notes when such payments are due from the trust referred to below;

(2) MHP's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and MHP's and the Guarantor's obligations in connection therewith;

(4) the provisions relating to Additional Amounts; and

(5) the Legal Defeasance provisions of the Indenture.

In addition, MHP may, at its option and at any time, elect to have the obligations of MHP and the Guarantors released with respect to certain covenants (including MHP's obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("**Covenant Defeasance**") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "—Events of Default and Remedies" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) MHP must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash, non-callable Government Securities, or a combination of cash and non-callable Government Securities, denominated in U.S. dollars in amounts as will be sufficient, in the opinion of a nationally recognised investment bank, appraisal firm or firm of independent public accountants to pay the principal of, or interest and premium, if any, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and MHP must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, MHP has delivered (a) to the Trustee an opinion of U.S. counsel addressed to the Trustee, confirming that (I) MHP has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (II) since the Issue Date, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the Holders of the outstanding Notes will not recognise income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; (b) an opinion of Luxembourg counsel addressed to the Trustee, to the effect that (i) Holders of the Notes will not recognise income, gain or loss for Luxembourg or Ukrainian income tax purposes as a result of the Legal Defeasance and will be subject to Luxembourg or Ukrainian income tax on the same amounts, in the same manner and at the same time as would have been

the case if such Legal Defeasance had not occurred, and (ii) payments from the defeasance trust can be made free and exempt from any and all withholding and other taxes or whatever nature imposed or levied by or on behalf of Luxembourg or the Ukraine or any taxing authority thereof; and (c) an opinion of United Kingdom counsel addressed to the Trustee, to the effect that (i) Holders of the Notes will not recognise income, gain or loss for United Kingdom income tax purposes as a result of the Legal Defeasance and will be subject to United Kingdom income tax on the same amounts, in the same manner and at the same time as would have been the case if such Legal Defeasance had not occurred, and (ii) payments from the defeasance trust can be made free and exempt from any and all withholding and other taxes or whatever nature imposed or levied by or on behalf of the United Kingdom or any taxing authority thereof;

(3) in the case of Covenant Defeasance, MHP has delivered to the Trustee an opinion of counsel confirming that the Holders of the outstanding Notes will not recognise income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which MHP or any of its Subsidiaries is a party or by which MHP or any of its Subsidiaries is bound;

(6) MHP must deliver to the Trustee an Officer's Certificate stating that in making the deposit, MHP was not influenced by a desire to prefer the Holders of Notes over the other creditors of MHP or with the intent of defeating, hindering, delaying or defrauding creditors of MHP or others; and

(7) MHP must deliver to the Trustee an Officer's Certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as otherwise provided in the next three succeeding paragraphs, the Indenture, the Notes, the Guarantees and the Proceeds Loan Assignments may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing default or compliance with any provision of the Indenture, the Notes, the Guarantees and the Proceeds Loan Assignments may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of Holders of at least 90% of the aggregate principal amount of the outstanding Notes affected thereby, any such amendment or waiver may not:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the Stated Maturity of any note or alter the provisions with respect to the redemption of the Notes;

(3) reduce the rate of or change the Stated Maturity of any payment of interest on any note;

(4) waive a Default or Event of Default in the payment of principal, premium, interest or Additional Amounts on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any note payable in money other than that stated in the Notes;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal, premium, interest or Additional Amounts on the Notes;

(7) waive a redemption payment with respect to any Note;

(8) change the ranking of the Notes, the Guarantees or the Security Interests granted under or in the Proceeds Loan Assignments; or

(9) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any Holder of Notes, MHP, the Guarantors, the Trustee and the Note Security Agent may amend or supplement the Indenture, the Notes, the Guarantees or the Proceeds Loan Assignments:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the obligations (including under the covenants in the Indenture, the Notes or the relevant Proceeds Loan Assignment) of MHP or any Guarantor to Holders of the Notes in the case of a merger, consolidation, amalgamation or other combination, or a sale of all or substantially all of the assets of, MHP or such Guarantor;

(4) to make any change that would provide any additional rights or benefits to the Holders of Notes that, pursuant to an opinion of counsel for MHP to such effect, does not materially adversely affect the legal rights of any such Holder under the Indenture, the Notes, the Guarantees or the Proceeds Loan Assignments;

(5) to conform the text of the Indenture, the Notes, the Guarantees or the Proceeds Loan Assignments to any provision of this "Description of Notes" based upon an Officer's Certificate of MHP to the effect that such provision in this "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Guarantees or the Proceeds Loan Assignments;

(6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the date hereof;

(7) to provide for the discharge of a Guarantor in accordance with the terms of the Indenture;

(8) to release any Security Interests pursuant to the terms of the Proceeds Loan Assignments; or

(9) to enter into any intercreditor agreement with the holder of any other Indebtedness permitted to be incurred under the Indenture; *provided* that no such intercreditor agreement shall provide that the Notes or any Guarantee are subordinated to any such Indebtedness or subject to any payment blockage or enforcement standstill or that any Lien securing the Notes or the Guarantees ranks behind any Lien securing such Indebtedness;

(10) to add to MHP's covenants or those of any other obligor upon the Notes for the benefit of the Holders of the Notes or to surrender any right or power conferred upon MHP or any other obligor upon the Notes, as applicable, in the Indenture or in the Notes;

(11) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;

(12) to mortgage, pledge, hypothecate or grant a security interest in favor of the Trustee for the benefit of the Holders of the Notes as security for the payment and performance of MHP's obligations under the Indenture, in any property, or assets, including any of which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Trustee or the Holders of the Notes pursuant to the Indenture or otherwise;

(13) to add Additional Guarantors in accordance with the terms of the Indenture; or

(14) to permit the assignment of the Security Interests to Permitted Security Beneficiaries.

The Holders agree that the Trustee may agree to any such amendment without liability.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Further, without the consent of any Holder of Notes, MHP, Eledem and the Guarantors may amend or supplement any Proceeds Loan and any Proceeds Loan Assignment to (a) reflect (i) any issue of Additional Notes or Capital Markets Debt permitted under the Indenture or (ii) any refinancing of Notes, Additional Notes or Capital Markets Debt as Permitted Refinancing Indebtedness, (b) change the interest rate, *provided* such interest rate remains equal to or greater than the interest rate payable on the Notes and the Remaining Existing Notes to which such loan or portion of such loan relates (such fact to be evidenced by an officer's certificate), (c) provide for the delivery of evidence of the tax residence of the lender of the relevant Proceeds Loan in another jurisdiction in accordance with "Impairment of Security Interest" (such fact to be evidenced by an officer's certificate), (d) in connection with any refinancing of Notes and/or Capital Markets Debt with new Capital Markets Debt, change the terms of such Proceeds Loans such that the terms of such loans and any Permitted Proceeds Loans, together, correspond to the terms of any Notes and Capital Markets Debt remaining outstanding following such refinancing, and (e) make such other changes that do not result in an impairment of the Security Interest.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to MHP, have been delivered to the Trustee for cancellation, or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and MHP has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash denominated in U.S. Dollars, non-callable U.S. dollar-denominated Government Securities, or a combination of cash in U.S. dollars and non-callable U.S. dollar-denominated Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which MHP or any Guarantor is a party or by which MHP or any Guarantor is bound;

(3) MHP or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) MHP has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, MHP must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee

The Trustee will be permitted to engage in transactions with MHP and any Guarantor; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee under the Indenture.

The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of such majority of Holders of Notes, unless each such

Holder has provided to the Trustee prefunding, security or indemnity satisfactory to it against any loss, liability or expense.

Governing Law

The Indenture will provide that the Notes will be governed by, and construed in accordance with, the laws of the State of New York. The Suretyship Agreement and Proceeds Loans will also be governed by, and construed in accordance with, the laws of the State of New York. The Proceeds Loan Assignment of MHP's Proceeds Loan to Eledem will be governed by, and construed in accordance with the, laws of Luxembourg (with certain provisions relating to perfection and enforcement matters being governed by the relevant laws of Cyprus or subsidiarily the laws of the State of New York to the extent possible); and Eledem's Proceeds Loan Assignment of its Proceeds Loan to the Guarantors, the laws of Cyprus.

Currency Indemnity and Calculation of U.S. Dollar-Denominated Restrictions

The U.S. dollar is the sole currency of account and payment for all sums payable by MHP or any Guarantor under or in connection with the Indenture, the Notes or any Guarantee including damages. Any amount received or recovered in a currency other than U.S. dollars, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of MHP or any Guarantor or otherwise, by any Holder or by the Trustee in respect of any sum expressed to be due to it from MHP or any Guarantor will only constitute a discharge to MHP or such Guarantor to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). It will be responsibility of MHP to arrange for any such currency conversion.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes or the Proceeds Loans, MHP, Eledem and the Guarantors, as applicable, will irrevocably submit (i) to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States of America and (ii) to arbitration in New York City, New York, in accordance with the rules of the American Arbitration Association and at the election of the Trustee.

Enforceability of Judgments

Since substantially all of the assets of MHP, Eledem and the Guarantors are outside the United States, any judgment obtained in the United States against MHP or the Guarantors, as the case may be, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States. See "Risk Factors—Risks Relating to the Notes and the Trading Market—Foreign judgments may not be enforceable in Ukraine".

Notices

Notices regarding the Notes will be:

(a) published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and through the newswire service of Bloomberg or, if Bloomberg does not then operate, any similar agency; and

(b) in the case of certificated Notes, mailed to holders of such Notes by first class mail at their respective addresses as they appear on the registration books of the Registrar.

Notices given by first class mail will be deemed given five calendar days after mailing and notices given by publication will be deemed given on the first date on which publication is made.

If an so long as the Notes are listed on any securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange.

If and so long as any Notes are represented by Global Notes, notice to holders of the Notes will (in addition to publication as described above) also be given by delivery of the relevant notice to the relevant clearing system(s) for communication to holders of the Notes. Notice shall be deemed to have been given to such holders on the first day after the day on which the said notice was given to such clearing system(s).

Additional Information

Anyone who receives this offering memorandum may obtain a copy of the Indenture, the form of Notes and Guarantees and the Proceeds Loan Assignments (when available) without charge by writing to MHP S.A., 5 rue-Guillaume Kroll, L-1882 Luxembourg.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalised terms used herein for which no definition is provided.

"*Acquired Debt*" means, with respect to any specified Person Indebtedness of any other Person existing at the time such other Person is merged, consolidated, amalgamated or otherwise combined with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging, consolidating, amalgamating or otherwise combining with or into, or becoming a Restricted Subsidiary of, such specified Person.

"*Additional Assets*" means:

(1) any property, plant or equipment used or useful in a Permitted Business;

(2) the Share Capital of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Share Capital by MHP or another Restricted Subsidiary; or

(3) Share Capital constituting a minority interest in any Person that at such time is a Restricted Subsidiary and a majority of whose Share Capital is owned by MHP or a Restricted Subsidiary.

"*Additional Guarantor*" means any Restricted Subsidiary that guarantees the Notes pursuant to the provisions of "—Certain Covenants—Additional Guarantees".

"*Affiliate*" of any specified Person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control", as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise, *provided* that for purposes of the "Transactions with Affiliates" covenant only "Affiliate" shall also be deemed to include any beneficial owner of 10% or more of the Voting Stock of a Person. For purposes of this definition: (i) the terms "controlling", "controlled by" and "under common control with" have correlative meanings and (ii) "Affiliate" shall include funds advised by the specified Person.

"*Applicable Premium*" means:

With respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; or

(2) the excess of:

  (a) the present value at such redemption date of (i) 100% of the principal amount of the Notes plus (ii) all required interest payments due on the Notes through 2 April 2020 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption plus 50 basis points; over

  (b) the principal amount of the Note, if greater.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any tangible or intangible assets or rights of MHP or a Restricted Subsidiary; *provided* that the sale, conveyance or other disposition of all or substantially all of the assets of MHP and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "—Repurchase at the Option of Holders—Change of Control" and/or the provisions described above under the

caption "—Certain Covenants—Merger, Consolidation or Sale of Assets" and not by the provisions of the Asset Sale covenant; and

(2) the issuance of Equity Interests in any Restricted Subsidiary of MHP or the sale of Equity Interests in any of its Subsidiaries (other than directors' qualifying shares or shares referred by applicable law to be held by a Person other than MHP or a Restricted Subsidiary).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than U.S.$1.0 million;

(2) a transfer of assets between or among MHP and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary of MHP to MHP or to a Restricted Subsidiary of MHP;

(4) the sale, lease, conveyance or disposition of assets (including, for the avoidance of doubt, products, services or accounts receivable or licensing of rights) in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) the creation of a Lien;

(7) a Restricted Payment that does not violate the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments" or a Permitted Investment;

(8) the waiver, compromise, settlement, release or surrender of any right or claim in the ordinary course of business; and

(9) the sale or other disposition or assets received by MHP or any of its Restricted Subsidiaries in compromise or settlement of claims of MHP or any of its Restricted Subsidiaries, *provided however* that the net cash proceeds of such sale or disposition are applied in accordance with the covenant described above under the caption "—Repurchase at the Option of Holders—Asset Sales".

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended) or the earliest date on which the lessee may terminate such lease without penalty or upon payment of a penalty (in which case the rental payments shall include such penalty). Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS; provided however, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation".

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorised to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

Unless otherwise stated herein, all references to the "Board of Directors" shall be to the Board of Directors of MHP.

"*Board Resolution*" means a duly authorised resolution of the Board of Directors.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital or finance lease that would at that time be required to be capitalised on a balance sheet in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Markets Debt*" means any Indebtedness permitted to be incurred under the Indenture consisting of bonds, debentures, notes or other similar debt securities (or any guarantees or intercompany loans in respect thereof) or preferred stock issued in (a) a public offering registered under the Securities Act, (b) listed on a recognised stock exchange or (c) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities or preferred stock to registration thereof with the SEC for public resale.

"*Cash and Cash Equivalent Amounts*" means with respect to any specified Person and as at any date of determination, the total amount of cash and cash equivalents and short term deposits that would have been included in a balance sheet of such person prepared in accordance with IFRS if prepared as at such date. For the avoidance of doubt, for purposes of this definition, cash equivalents will not be limited to the instruments and investments described in the definition of Cash Equivalents included in this Description of Notes.

"*Cash Equivalents*" means:

(1) securities (i) issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality of the U.S. government (*provided* that the full faith and credit of the United States is pledged in support of those securities), or (ii) which are denominated in U.S. dollars or Euro and are issued by, or directly and fully guaranteed or insured by, a member of the European Union or Ukraine, or any agency or instrumentality thereof, in each case having maturities of not more than 12 months from the date of acquisition;

(2) certificates of deposit, time deposits and other bank deposits in U.S. dollars, hryvnia or euro with maturities of 12 months or less from the date of acquisition, bankers' acceptances with maturities not exceeding 12 months and overnight bank deposits, in each case, with any commercial bank (i) having capital and surplus in excess of U.S.$500.0 million (or the foreign currency equivalent thereof) and a rating of A-1/P-1 (or such similar equivalent rating) or better from at least one internationally recognised statistical rating organisation, (ii) licensed or organised in Ukraine and having a rating from at least one internationally recognised statistical rating organisation that is either no less than one rating notch below the lower of the ratings for Ukraine's sovereign bonds or one of the two highest rating categories obtainable by Ukrainian banks from the internationally recognised statistical rating organisations or (iii) licensed or organised in Ukraine and controlled by another bank that meets the requirements of clause (i) of this definition;

(3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and in each case maturing within one year after the date of acquisition;

(5) investments in securities with maturities of six months or less from the date of acquisition issued or guaranteed by any state, commonwealth or territory of a member of the European Union, Ukraine or the United States, or by any political subdivision of taxing authority thereof; and

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) MHP consolidates with, or merges with or into, another Person or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any Person, or any

Person consolidates with, or merges with or into, MHP, in any such event pursuant to a transaction in which the outstanding Voting Stock of MHP is converted into or exchanged for cash, securities or other property, other than any such transaction where (i) the Beneficial Owners of the Voting Stock of MHP immediately before such transaction own, directly or indirectly, immediately after such transaction, at least a majority of the voting power of all Voting Stock of the surviving or transferee corporation or its parent corporation immediately after such transaction, as applicable, or (ii) immediately after such transaction, no "person" or "group" (as such terms are used in Sections 13(d) or 14(d) of the U.S. Exchange Act) other than Permitted Holders, is the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of such surviving or transferee corporation or its parent corporation, as applicable, or has, directly or indirectly, the right to elect or designate a majority of the board of directors of the surviving or transferee corporation or its parent corporation, as applicable;

(2) any "person" or "group" (within the meaning of Sections 13(d) or 14(d) of the U.S. Exchange Act but excluding any Wholly Owned Restricted Subsidiary of MHP) other than Permitted Holders has become, directly or indirectly, the beneficial owner, by way of merger, consolidation or otherwise, of more than 50% of the voting power of the Voting Stock of MHP on a fully-diluted basis, after giving effect to the conversion and exercise of all outstanding warrants, options and other securities of MHP convertible into or exercisable for Voting Stock of MHP (whether or not such securities are then currently convertible or exercisable);

(3) during any consecutive two-year period following the date the Permitted Holders cease to beneficially own, directly or indirectly, more than 50% of the voting power of the Voting Stock of MHP, Continuing Directors cease to constitute a majority of the members of the Board of Directors of MHP;

(4) the first day on which MHP ceases to own, directly or indirectly through Subsidiaries, (i) 100% of the outstanding Equity Interests of Eledem or (ii) 90% of the outstanding Equity Interests in PJSC MHP; or

(5) the approval by the holders of the Equity Interests in MHP of any plan or proposal for the liquidation or dissolution of MHP other than in a transaction that complies with the provisions described under "—Certain Covenants—Merger, Consolidation or Sale of Assets".

"*Change of Control Offer*" has the meaning assigned to it in the Indenture governing the Notes.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Profit of such Person for such period plus, without duplication:

(1) all expense or provision for taxes based on profits of such Person and its Restricted Subsidiaries for such period, to the extent that such expense or provision for taxes was deducted in computing such Consolidated Net Profit; *plus*

(2) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Profit; *plus*

(3) depreciation, amortisation and any other non-cash items for such period to the extent deducted in determining Consolidated Net Profit for such period (other than any non-cash item which requires the accrual of, or a reserve for, cash charges for any future period) of MHP and the Restricted Subsidiaries (including amortisation of capitalised debt issuance costs for such period and any non-cash compensation expense, realised for grants of stock options or other rights to officers, directors and employees), all of the foregoing determined on a consolidated basis in accordance with IFRS; *plus*

(4) minority interests to the extent that such minority interests were deducted in computing Consolidated Net Profit; *minus*

(5) to the extent they increase Consolidated Net Profit, net after-tax exceptional or non-recurring gains; *plus*

(6) to the extent they decrease Consolidated Net Profit, net after-tax exceptional or non-recurring losses; *minus*

(7) to the extent they increase Consolidated Net Profit, non-cash items (including the partial or entire reversal of reserves taken in prior periods, but excluding reversals of accruals or reserves for cash charges taken in prior periods

and excluding the accrual of revenue in the ordinary course of business) for such period; *plus*

(8) to the extent they decrease Consolidated Net Profit, net foreign exchange losses; *minus*

(9) to the extent they increase Consolidated Net Profit, net foreign exchange gains

in each case, on a consolidated basis and determined in accordance with IFRS for such period.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortisation and other non-cash expenses of, a Restricted Subsidiary of MHP will be added to Consolidated Net Profit to compute Consolidated EBITDA of MHP only in the same proportion as the relevant Person's Net Profit was included in Consolidated Net Profit.

"*Consolidated Leverage Ratio*" means with respect to any specified Person and as at any date of determination, the ratio of the total Net Indebtedness of such Person at such date to the Consolidated EBITDA of such Person for the most recent four consecutive fiscal quarters for which financial statements are publicly available (or are made available), calculated in accordance with IFRS. In the event that the specified Person or any of its Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness or issues, repurchases or redeems preferred shares subsequent to the commencement of the period for which Consolidated EBITDA is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the "**Calculation Date**"), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preference shares, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Consolidated Leverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations, amalgamations or other business combinations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given *pro forma* effect as if they had occurred on the first day of the four-quarter reference period and Consolidated EBITDA and total Net Indebtedness for such reference period will be calculated on a *pro forma* basis in accordance with IFRS;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Calculation Date, will be excluded; and

(3) the Indebtedness attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Calculation Date, will be excluded, but only to the extent that such Indebtedness will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date.

For purposes of this definition, *pro forma* calculations shall be determined in good faith by a responsible financial or accounting officer of MHP.

"*Consolidated Net Profit*" means, with respect to any Person for any period, the aggregate of the Net Profit of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS; *provided* that:

(1) the Net Profit (but not loss) of any other Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the specified Person;

(2) the Net Profit of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Profit is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation

applicable to that Restricted Subsidiary or its shareholders, provided that such Net Profit shall be included up to the amount of cash actually distributed to the Person or a Restricted Subsidiary of the Person during such period as a dividend or distribution;

(3) the cumulative effect of a change in accounting principles after the date of the Indenture will be excluded; and

(4) any expenses, charges or other costs related to the Transactions (including amortisation of any such expenses, charges or other costs that have been capitalised) will be excluded.

"*Continuing Director*" means, for any period, any member of the Board of Directors of MHP who:

(1) was a member of such Board of Directors at the beginning of such period; or

(2) was nominated for election or was elected to such Board of Directors with the approval of a majority of the members of the Board of Directors who were members of the Board of Directors at the beginning of such period or whose nomination for election or election was previously so approved.

"*Credit Facilities*" means, one or more borrowing facilities or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Disqualified Shares*" means any Equity Interests that, by their terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Equity Interests), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder of the Equity Interests, in whole or in part, in each case on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Equity Interests that would constitute Disqualified Shares solely because the holders of the Share Capital have the right to require MHP to repurchase such Equity Interests upon the occurrence of a change of control or an asset sale will not constitute Disqualified Shares if the terms of such Equity Interests provide that MHP may not repurchase or redeem any such Equity Interests pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments".

"*Equity Interests*" of any Person means Share Capital and all warrants, options or other rights to acquire Share Capital (but excluding any Indebtedness that is convertible into, or exchangeable for, Share Capital) of any Person.

"*Equity Offering*" means an underwritten primary public offering or marketed private sale to institutional investors of ordinary shares of MHP or a direct or indirect parent company of MHP to the extent the proceeds of such offering or sale are received by and contributed to the equity capital of MHP.

"*European Union*" means the European Union, including any country that is a Member State as of the Issue Date, but not including any country which becomes a member of the European Union after the Issue Date.

"*Existing Indebtedness*" means Indebtedness of MHP and its Subsidiaries in existence on the Issue Date (other than Indebtedness under the Notes), until such amounts are repaid.

"*Existing Notes*" means MHP's U.S.$584,767,000 10.25% Senior Notes due 2015.

"*Fair Market Value*" means the value that would be paid by a willing buyer to a willing seller that is not an Affiliate of the buyer in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors (unless otherwise provided in the Indenture), whose determination will be conclusive.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period (net of any interest income), whether paid or accrued, including, without limitation, amortisation

of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates, but excluding debt issuance costs that are expensed; *plus*

(2) the consolidated interest of such Person and its Restricted Subsidiaries that was capitalised during such period; *plus*

(3) any interest accruing on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such guarantee or Lien is called upon; *plus*

(4) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of MHP (other than Disqualified Shares) or to MHP or a Restricted Subsidiary of MHP, on a consolidated basis and in accordance with IFRS, which dividends are fixed under the terms of the preferred stock.

"*Government Securities*" means direct obligations of, obligations fully guaranteed by, or participations in pools consisting solely of obligations of or obligations guaranteed by the United States of America or any country of the European Union for the payment of which guarantee or obligations the full faith and credit of the United States or any country of the European Union is pledged and which are not callable or redeemable at the option of MHP.

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of surety or a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), without duplication, whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments

(3) evidenced by letters of credit (or reimbursement agreements in respect thereof) that have been drawn down, except to the extent the payment or reimbursement obligation relates to a trade payable and the obligation is satisfied within 30 days of incurrence;

(4) in respect of banker's acceptances;

(5) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;

(6) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(7) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS.

In addition, the term "Indebtedness" includes (i) all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person), the amount of such obligation being deemed to be the lesser of the Fair Market Value of such assets and the amount of the obligation secured, and (ii) to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

Notwithstanding the foregoing, in connection with the purchase by MHP or any of its Restricted Subsidiaries of any business, the term "Indebtedness" will exclude post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing.

The term "Indebtedness" shall not include (i) non-interest bearing instalment obligations and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due, (ii) any pension obligation of MHP or any of its Restricted Subsidiaries or (iii) except for purposes of the "Sale and Leaseback Transactions" covenant, anything accounted for as an operating lease in accordance with IFRS.

"*IFRS*" means International Financial Reporting Standards as in effect from time to time.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding advances to customers and commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisition for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If MHP or any Subsidiary of MHP sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of MHP such that, after giving effect to any such sale or disposition, such Subsidiary is no longer a Restricted Subsidiary of MHP, MHP will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of MHP's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments". The acquisition by MHP or any Subsidiary of MHP of a Person that holds an Investment in a third person will be deemed to be an Investment by MHP or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments". Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"*Issue Date*" means April 2, 2013, the date of original issuance of the Notes.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell give a security interest in and any filing of or agreement to give any financing statement under the applicable law of any jurisdiction.

"*Moody's*" means Moody's Investors Service, Inc.

"*MHP*" means MHP S.A.

"*Net Indebtedness*" means, with respect to any specified Person and as at any date of determination, the total Indebtedness of such Person less any Cash and Cash Equivalent Amounts, in each case, as at the date of such determination.

"*Net Proceeds*" means the aggregate cash proceeds received by MHP or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale, but only as and when received), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, sales commission and any relocation expenses incurred as a result of the Asset Sale, and taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions; any tax sharing arrangements and any amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such

Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with IFRS.

"*Net Profit*" means, with respect to any specified person, the net profit (loss) of such Person, determined in accordance with IFRS and before any reduction in respect of preference shares dividends.

"*Note Security Agent*" means Deutsche Bank Trust Company Americas (or, if applicable, such other person as may from time to time hold the whole or any part of the Security Interests granted in the Security) as Note Security Agent under the Proceeds Loan Assignments.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Offering*" means the offering of U.S.$750,000,000 aggregate principal amount of MHP's 8.25% Senior Notes due 2020.

"*Officer's Certificate*" means a certificate signed by an officer of MHP, a Guarantor or, for purposes of the "Mergers, Consolidation or Asset Sales" covenant, a surviving corporation.

"*Paying Agent*" means Citibank, N.A., London Branch, or any successor paying agent under the Indenture.

"*Permitted Business*" means (i) a business in the agro-industrial sector, including, without limitation, the production and processing of poultry, beef and fruit products, (ii) any activity or business that is a reasonable extension or expansion of, or reasonably related to, the business described in the preceding clause (i), including food-service and sales outlets and (iii) any business or activity reasonably related, ancillary or complementary to such business or activity.

"*Permitted Business Investment*" means an Investment in any Person the primary business of which consists of a Permitted Business.

"*Permitted Holders*" means Yuri A. Kosyuk and any Related Party;

"*Permitted Investments*" means:

(1) any Investment in MHP or in a Restricted Subsidiary of MHP;

(2) any Investment in Cash Equivalents or Government Securities;

(3) any Investment by MHP or any Restricted Subsidiary of MHP in a person, if as a result of such Investment:

   (a) such person becomes a Restricted Subsidiary of MHP; or

   (b) such person is merged, consolidated, amalgamated or otherwise combined with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, MHP or a Restricted Subsidiary of MHP;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "—Repurchase at the Option of Holders—Asset Sales";

(5) any acquisition of assets or Share Capital solely in exchange for the issuance of Equity Interests (other than Disqualified Shares) of MHP;

(6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of MHP or any of its Restricted Subsidiaries, including pursuant to any plan of reorganisation or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or pursuant to foreclosure of Liens; or (b) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments represented by Hedging Obligations;

(8) loans or advances to employees made in the ordinary course of business of MHP or a Restricted Subsidiary of MHP in an aggregate principal amount not to exceed U.S.$10.0 million at any one time outstanding;

(9) repurchases or redemptions of the Notes;

(10) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(11) any Investment in any Person to the extent such Investment consists of prepaid expenses, negotiable instruments held for collection and lease, workers' compensation, performance and other similar deposits made in the ordinary course of business by MHP or any Restricted Subsidiary;

(12) guarantees permitted to be incurred by the "Limitation on Incurrence of Indebtedness and Issuance of Preferred Shares" covenant;

(13) the Proceeds Loans or any agreement or agreements substantially similar to the Proceeds Loans pursuant to which MHP or a Restricted Subsidiary is owed by a Restricted Subsidiary an amount equal to the proceeds of Indebtedness incurred by MHP in compliance with clause (6) of the "Limitation on Incurrence of Indebtedness and Issuance of Preferred Shares" covenant;

(14) Investments existing on the Issue Date and any amendment, modification, restatement, supplement, extension, renewal, refunding, replacement or refinancing, in whole or in part, thereof;

(15) Investments constituting Permitted Business Investments, the sum of which does not exceed the greater of U.S.$5.0 million at any time outstanding; and

(16) other Investments in any person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (16) that are at the time outstanding of no more than U.S.$50.0 million.

"*Permitted Liens*" means:

(1) Liens on Inventory purchased with Indebtedness incurred under Credit Facilities permitted under Clause (1) of the second paragraph of "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares";

(2) Liens in favour of MHP or the Guarantors to secure obligations which are not pledged to secure Indebtedness owing to third parties;

(3) Liens on property of a person existing at the time such person is merged, consolidated, amalgamated or otherwise combined with or into MHP or any Subsidiary of MHP; *provided* that such Liens were in existence prior to the contemplation of such merger, consolidation, amalgamation or other combination and do not extend to any assets other than those of the person merged, consolidated, amalgamated or combined with MHP or the Subsidiary;

(4) Liens on property (including Share Capital) existing at the time of acquisition of the property or of the Restricted Subsidiary which owns the property by MHP or any Subsidiary of MHP, *provided* that such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;

(5) Liens to secure (a) the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature and (b) liabilities under letters of credit and guarantees issued in connection with the acquisition and disposal of inventory, stock in trade, goods, services and other current assets (and the proceeds thereof), in each case incurred in the ordinary course of business;

(6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of the covenant entitled "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares" covering only the assets acquired with or financed by such Indebtedness;

(7) Liens existing on the Issue Date (including the extension, re-issuance or renewal of such Liens in connection with Permitted Refinancing Indebtedness permitted to be incurred under clause (5) of the second paragraph of the covenant entitled "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares");

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings instituted within a reasonable period of time and diligently pursued, *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(9) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens or other similar Liens, in each case, incurred in the ordinary course of business;

(10) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(11) Liens created for the benefit of (or to secure) the Notes (or the Guarantees);

(12) Liens securing Hedging Obligations permitted by clause (7) of the second paragraph under the caption entitled "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares" and any Lien the principle purpose of which is to allow the setting off or netting of obligations under or in connection with any Hedging Obligation, in either case, so long as such Lien is over only (i) the assets that secure the Indebtedness that is the subject of the relevant Hedging Obligations or (ii) cash or Cash Equivalents securing such Hedging Obligations;

(13) Liens incurred or deposits made in connection with workers' compensation, unemployment insurance, other types of social security and other types of related statutory obligations;

(14) rights of set-off under contracts that do not relate to Indebtedness for borrowed money;

(15) Liens in favour of customs or revenue authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(16) Liens resulting from escrow arrangements unrelated to Indebtedness for borrowed money entered into in connection with a disposition of assets;

(17) any retention of title reserved by any seller of goods or any Lien imposed, reserved or granted over goods supplied by such seller;

(18) Liens arising out of or in connection with pre-judgment legal process or a judgment or a judicial awarded relating to security for costs;

(19) Liens on pledges of Equity Interests of any Unrestricted Subsidiary securing any Indebtedness of such Unrestricted Subsidiary;

(20) Liens held by a Person on the assets or property of a Restricted Subsidiary of such Person to secure Indebtedness of such Restricted Subsidiary owing to and held by such Person;

(21) leases and subleases of real property which do not materially interfere with the ordinary conduct of the business of MHP or any of its Restricted Subsidiaries;

(22) any right of refusal, right of first offer, option or other agreement to sell or otherwise dispose of an asset of MHP or any Restricted Subsidiary;

(23) Liens to secure any Permitted Refinancing Indebtedness as a whole, or in part, in respect of any Indebtedness secured by any Lien referred to in the foregoing clauses (4), (5), (7) and (8); *provided*, *however*, that:

   (a) such new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

   (b) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (x) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (4), (5), (7) and (8) at the time the original Lien became a Permitted Lien and (y) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;

(24) Liens to secure Indebtedness permitted by clause (14) of the second paragraph of the covenant entitled "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares" covering only the assets acquired with or financed by such Indebtedness, the finished products produced with such assets and the receivables arising upon the sale of such products;

(25) Liens to secure Indebtedness otherwise permitted under the Indenture incurred under trade credit facilities in the ordinary course of business in order to finance the acquisition, processing and/or distribution and sale of grain, sunflower seeds and meat and the distribution and sale of such assets, finished products produced with such assets and the receivables arising on the sale of such products or assets in an aggregate principal amount at any time outstanding not to exceed the sum of the aggregate book value of such items and related receivables determined in accordance with MHP's accounting policies; *provided, however*, that (i) any individual drawdown under such facilities is required to be repaid within 360 days of incurrence; and (ii) such Liens shall be limited to such assets, products and receivables;

(26) Liens on Permitted Proceeds Loans securing Capital Markets Debt or Additional Notes;

(27) a right of set-off, right to combine accounts, right of direct debit or any analogous right which any bank or other financial institution may have relating to any credit balance of MHP or any of its Subsidiaries; *provided*, *however*, that (i) such credit balance is not subject to restrictions against access by MHP or any of its Subsidiaries (other than a requirement to maintain a specified balance) and (ii) such credit balance is not intended by MHP or any Subsidiary to provide collateral to the financial institution;

(28) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (27); provided that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend to any additional property or assets and that to the extent such Lien secures Indebtedness, the principal amount of the Indebtedness so secured is not increased; and

(29) Liens incurred in the ordinary course of business of MHP or any of its Restricted Subsidiaries with respect to obligations that do not exceed U.S.$50.0 million at any one time outstanding.

"*Permitted Proceeds Loans*" means the loan obligations owed to MHP, as lender, to Eledem, as borrower, and by Eledem, as lender, to the Guarantors, as co-obligors, in the amount equal to the gross proceeds received by MHP from the issuance of Capital Markets Debt (other than the Notes) or Additional Notes; *provided* that (a) upon completion of the offering of any such Capital Markets Debt or issue of Additional Notes such Permitted Proceeds Loan will have been assigned pursuant to a loan assignment to the Note Security Agent to secure such Capital Markets Debt, the Notes and any Additional Notes, on an equal and ratable basis, on the same terms (including with respect to priority and as to the application of enforcement proceeds) as the Proceeds Loan Assignments; and (b) MHP will have delivered to the Trustee an Opinion of Counsel with respect to such Capital Markets Debt, Additional Notes and Permitted Proceeds Loan (and the Lien in respect thereof), in form and substance reasonably satisfactory to the Trustee, confirming the matters set forth in clause (a) above.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of MHP or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to refund, refinance, replace, defease or discharge other Indebtedness of MHP or any of its Restricted Subsidiaries (other than intercompany Indebtedness), including Indebtedness that refinances Permitted Refinancing Indebtedness; *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final Stated Maturity no earlier than the final Stated Maturity of, and has a Weighted Average Life to Maturity equal to or greater than the

Weighted Average Life to Maturity of the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Guarantees, such Permitted Refinancing Indebtedness has a final Stated Maturity later than the final Stated Maturity of, and is subordinated in right of payment to, the Notes and the Guarantees on terms at least as favourable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(4) to the extent such Indebtedness is incurred by a Restricted Subsidiary that is not a Guarantor, such Restricted Subsidiary was the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"*Permitted Security Beneficiary*" means the trustees and security agents for, and holders of, Capital Markets Debt or Additional Notes provided that proceeds loans have been made in respect thereof that meet all the requirements of the definition of Permitted Proceeds Loans.

"*Person*" means any individual, corporation, company, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or other entity.

"*Proceeds Loans*" means one or more loans (i) between Eledem, as borrower, and MHP, as lender, and (ii) between the Guarantors, as borrowers and co-obligors, and Eledem, as lender, in an aggregate amount equal to (x) the gross proceeds received by MHP from the issue of the Notes and (y) the Remaining Existing Notes and (iii) any Permitted Proceeds Loans.

"*Proceeds Loan Assignments*" means the agreements governing MHP's and Eledem's assignment of their interests in their respective Proceeds Loans or Permitted Proceeds Loans to the Note Security Agent.

"*Qualified Expert*" means an accounting, appraisal, investment bank or other firm, in each case, of international standing, or another firm with specialist knowledge in valuing the property, assets or rights that are the subject of the relevant transaction.

"*Registrar*" means Citigroup Global Markets Deutschland AG.

"*Related Party*" means the spouse of or immediate family member of Yuri A. Kosyuk or any trust, corporation, partnership or other entity, the only beneficiaries, stockholders, partners or owners of which, consist of Yuri A. Kosyuk, his spouse, and/or immediate family members of Yuri A. Kosyuk.

"*Remaining Existing Notes*" means the Existing Notes which remain outstanding following the conclusion of the Tender Offer.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referenced Person that is not an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Ratings Group.

"*Security*" means the Proceeds Loans and any Permitted Proceeds Loans.

"*Security Interest*" means the first-ranking security interest created in the Security by Proceeds Loan Assignments in favour of the Note Security Agent for the benefit of the Holders, the Trustee (on its own behalf and on behalf of the Holders), the holders of Existing Notes and any Permitted Security Beneficiaries.

"*Share Capital*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the

foregoing any debt securities convertible into Share Capital, whether or not such debt securities include any right of participation with Share Capital.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the date hereof.

"*Stated Maturity*" means, with respect to any instalment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of Share Capital entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Suretyship Agreement*" means the suretyship agreement between the Trustee, the Note Security Agent and the Guarantors, to be dated as of the Issue Date, setting forth the terms of the Guarantees.

"*Tender Offer*" means the tender offer for up to U.S.$350 million aggregate principal amount of MHP's 10.25% Senior Notes due 2015;

"*Transactions*" means (i) the Offering, (ii) the Tender Offer, (iii) the making of the Proceeds Loans, (iv) the giving of the Guarantees and the granting of the Security Interests under the Proceeds Loan Assignments and (v) the payment of costs, fees and expenses, in each case, related thereto.

"*Treasury Rate*" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market data selected by MHP in good faith)) most nearly equal to the period from the redemption date to 2 April 2020 *provided*, *however*, that if the period from the redemption date to 2 April 2020 is not equal to the constant maturity of a United States Treasury security for which a weekly average is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to 2 April 2020 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"*Unrestricted Subsidiary*" means any Subsidiary of MHP that is designated by the Board of Directors of MHP as an Unrestricted Subsidiary in accordance with the provisions summarised under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries" pursuant to a Board Resolution (and any Subsidiary of an Unrestricted Subsidiary), but only to the extent that:

(1) immediately after giving effect to such designation MHP could incur U.S.$1.00 of additional Indebtedness under the first paragraph under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preference Shares"; and

(2) such designation and the Investment of MHP or a Restricted Subsidiary in such Unrestricted Subsidiary complies with the provisions under "—Certain Covenants—Limitation on Restricted Payments"; and

(3) no Default shall have occurred and be occurring.

"*U.S. Exchange Act*" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"*Voting Stock*" of any Person as of any date means the Share Capital of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly Owned Restricted Subsidiary*" of any specified Person means a Restricted Subsidiary of such Person all of the outstanding Share Capital or other ownership interests of which (other than directors' qualifying shares) or shares required by applicable law to be held by a Person other than MHP or a Restricted Subsidiary will at the time be owned by such Person or by one or more Wholly Owned Restricted Subsidiaries of such Person.

BOOK ENTRY, DELIVERY AND FORM

General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will be represented by a global note in registered form without interest coupons attached (the "**Rule 144A Global Note**"). The Rule 144A Global Note will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of the Depository Trust Company ("**DTC**"). Notes sold in reliance on Regulation S under the U.S. Securities Act will be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Regulation S Global Note will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of DTC.

Ownership of interests in the Rule 144A Global Note ("**Rule 144A Book Entry Interests**") and in the Regulation S Global Note (the "**Regulation S Book Entry Interests**" and, together with the Rule 144A Book Entry Interests, the "**Book Entry Interests**") will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream Banking, or persons that hold interests through such participants. DTC, Euroclear and Clearstream Banking will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book Entry Interests will not be held in definitive certificated form.

Book Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book entry form by DTC, Euroclear and Clearstream Banking and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book Entry Interests. In addition, while the notes are in global form, holders of Book Entry Interests will not be considered the owners or "holders" of notes for any purpose.

So long as the Notes are held in global form, DTC, Euroclear and/or Clearstream Banking, as applicable (or their respective nominees) will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of DTC, Euroclear and/or Clearstream Banking and indirect participants must rely on the procedures of DTC, Euroclear, Clearstream Banking and the participants through which they own Book Entry Interests to transfer their interests, or to exercise any rights of holders under the Indenture.

Neither the Issuer nor the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, DTC, Euroclear and/or Clearstream Banking, as applicable, will redeem an equal amount of the Book Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book Entry Interests will be equal to the amount received by DTC, Euroclear and Clearstream Banking, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of DTC, Euroclear and Clearstream Banking, if fewer than all of the Notes are to be redeemed at any time, DTC, Euroclear and Clearstream Banking will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book Entry Interest of U.S.$100,000 principal amount or less may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest) to DTC or its nominee (in the case of the Rule 144A Global Note and in the case of the Regulation S Global Note), which will distribute such payments to participants in accordance with their customary procedures.

The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "Description of Notes—Additional Amounts". If any such deduction or withholding is required to be made, then, to the extent described under "Description of Notes—Additional Amounts" above, the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes after such deduction or withholding will equal the net amounts that such holder would have otherwise received in respect of such Global Note absent such withholding or deduction.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Notes (e.g., DTC, Euroclear or Clearstream Banking (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any or their respective agents has or will have any responsibility or liability for:

- any aspect of the records of DTC, Euroclear or Clearstream Banking or any participant or indirect participant relating to, or payments made on account of, a Book Entry Interest or for maintaining, supervising or reviewing the records of DTC, Euroclear or Clearstream Banking or any participant or indirect participant relating to or payments made to an account of a Book Entry Interest; or
- DTC, Euroclear or Clearstream Banking or any participant or indirect participant.

Payments by participants to owners of Book Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name".

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Rule 144A Global Note will be paid to holders of interests in such Notes (the "**DTC Holders**") through DTC in dollars. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Regulation S Global Note will be paid to holders of interests in such Notes (the "**Euroclear/Clearstream Banking Holders**") through Euroclear and/or Clearstream Banking in dollars.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Banking Holders may elect to receive payments in respect of the Regulation S Global Note in Euro.

A DTC Holder may receive payments of amounts payable in respect of its interest in the Rule 144A Global Notes in euro in accordance with DTC's customary procedures, which include, amongst other things, giving to DTC a notice of such holder's election to receive such payments in euro. All costs of conversion resulting from any such election will be borne by such holder.

Action by Owners of Book Entry Interests

DTC, Euroclear or Clearstream Banking have advised the Issuer that they will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account the Book Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. DTC, Euroclear or Clearstream Banking will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Indenture, each of DTC, Euroclear or Clearstream Banking reserves the right to exchange the Global Note for definitive registered notes in certificated form ("**Definitive Registered Notes**"), and to distribute Definitive Registered Notes to its participants.

Transfers

Transfers between participants in DTC will be effected in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell notes to persons in jurisdictions which require physical delivery of securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the procedures set forth in the Indenture.

The Global Notes will have a legend to the effect set forth under "Notice to Investors." Book Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Notice to Investors".

Rule 144A Book Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Transfers involving an exchange of a Regulation S Book Entry Interest for a Rule 144A Book Entry Interest will be done in DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdrawal at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the corresponding Rule 144A Global Note. Any Book Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book Entry Interest in any other Global Note will, upon transfer, cease to be a Book Entry Interest in the first mentioned Global Note and become a Book Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book Entry Interests in such other Global Note for as long as it remains such a Book Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book Entry Interests will receive Definitive Registered Notes:

- if DTC, Euroclear or Clearstream Banking notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days;
- if DTC, Euroclear or Clearstream Banking so requests following an Event of Default under the Indenture and enforcement action is being taken in respect thereof under the Indenture; or
- if the owner of a Book Entry Interest requests such exchange in writing delivered through either DTC, Euroclear or Clearstream Banking following an Event of Default under the Indenture.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such note by surrendering it to the Registrar or a Transfer Agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than U.S.$100,000 will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (a) the record date for any payment of interest on the notes, (b) any date fixed for redemption of the notes or (c) the date fixed for selection of the notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any notes selected for redemption. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, amongst other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. The Issuer may require a holder to pay any taxes and fees required by law and permitted by the Indenture and the notes.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Trustee or the Issuer may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect the Issuer, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by it in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Issuer's paying agent in London so long as the Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the rules of such exchange so require.

Information Concerning DTC, Euroclear and Clearstream Banking

The Issuer understands as follows with respect to DTC, Euroclear and Clearstream Banking:

DTC

DTC is:

- a limited purpose trust company organised under the New York Banking Law;
- a "banking organisation" under New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the U.S. Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations such as the initial purchasers. DTC's owners are the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a direct participant also have access to the DTC system and are known as indirect participants.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC system or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some stages require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the DTC system will receive distributions attributable to the Rule 144A Global Note only through DTC participants.

The address of DTC in New York is 55 Water Street, New York, New York, 10041.

Euroclear and Clearstream Banking

Like DTC, Euroclear and Clearstream Banking hold securities for participating organisations. They also 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 Banking provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream Banking interface with domestic securities markets. Euroclear and Clearstream Banking participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear or Clearstream Banking is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream Banking participant, either directly or indirectly.

The address of Euroclear in New York is One Battery Park Plaza, 24th Floor, New York, New York, 10004.

The address of Clearstream in New York is 350 Madison Avenue, Floor 23, New York, New York, 10017.

Global Clearance and Settlement Under the Book Entry System

The Notes represented by the Global Notes are expected to be listed on the Global Exchange Market of the Irish Stock Exchange and to trade in DTC's Same-Day Funds Settlement system, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, cross market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream Banking participants, on the other hand, will be done through DTC in accordance with DTC's rules and procedures; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream Banking by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream Banking will, if the transaction meets its settlement requirements, deliver instructions to DTC or its nominee to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream Banking participants may not deliver instructions directly to DTC or is nominee.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream Banking participant, during the securities settlement processing day (which must be a business day for Euroclear or Clearstream Banking, as the case may be) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream Banking as a result of sales of interest in Global Note by or through a Euroclear or Clearstream Banking participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream Banking cash account only as of the business day for Euroclear or Clearstream Banking following DTC's settlement date.

Although DTC, Euroclear and Clearstream Banking are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, Euroclear or Clearstream Banking, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or the Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream Banking or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Paying Agents and Registrar for the Notes

The Issuer has undertaken to maintain one or more paying agents for the Notes in London, England. The Paying Agent currently is Citibank, N.A., London Branch. The Registrar currently is Citigroup Global Markets Deutschland AG. The Registrar will maintain a register reflecting ownership of notes outstanding from time to time and will make payments on and facilitate transfer of notes on behalf of the Issuer. The Issuer may change the Paying Agent or Registrar without prior notice to the Holders.

TAXATION

The following summary of certain Luxembourg and United States tax consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Offering Memorandum. 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. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to Holders. Each prospective Holder is urged to consult its own tax advisers as to the particular tax consequences to such holder of the ownership and disposition of Notes, 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 Offering Memorandum, and of any actual changes in applicable tax laws after such date.

Luxembourg

Please be aware that the residence concept used below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate Noteholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual tax payers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Luxembourg tax residency of the Noteholders

A Noteholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of their entitlements thereunder.

Withholding Tax

Resident Noteholders

Under the Luxembourg law dated 23 December 2005 as amended (the "**Law**") a 10% withholding tax is levied as of 1 January 2006 on interest payments (or similar income) made by Luxembourg paying agents to or for the benefit of Luxembourg individual residents. This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Further, Luxembourg resident individuals acting in the course of the management of their private wealth, who are the beneficial owners of interest payments made by a paying agent established outside Luxembourg in a Member State of the European Union or of the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the European Council Directive 2003/48/EC on taxation of savings income (the "EU Savings Directive"), may also opt for a final 10% levy. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10% levy must cover all interest payments made by the paying agent to the Luxembourg resident beneficial owner during the entire civil year.

Non-resident Noteholders

Under the Luxembourg tax law currently in effect and subject to the application of the Luxembourg laws dated 21 June 2005 (the "**Laws**") implementing the EU Savings Directive and several agreements concluded between Luxembourg and certain dependant territories of the European Union, there is no withholding tax on payments of interests (including accrued but unpaid interest) made to a Luxembourg non-resident Noteholder. There is also no Luxembourg withholding tax, upon repayment of the principal, or subject to the application of the Laws, upon redemption or exchange of the Notes.

Under the Laws, a Luxembourg based paying agent (within the meaning of the EU Savings Directive) is required since 1 July 2005, to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity in the sense of article 4.2. of the EU Savings Directive (i.e. an entity without legal personality except for (1) a Finnish avoin yhtiö and kommandiittiyhtiö/öppet bolag and kommanditbolag and (2) Swedish handelsbolag and kommanditbolag, and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a UCITS recognised in accordance with Council Directive 85/611/EEC as replaced by the European Council Directive 2009/65/EC) ("**Residual Entities**"), resident or established in another Member State of the European Union unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals or Residual Entities resident in any of the following territories: Aruba, the British Virgin Islands, Guernsey, the Isle of Man, Jersey, Montserrat, Bonaire, Curaçao, Saba, Saint Eustatius and Saint Maarten.

The withholding tax is currently levied at a rate of 35%. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

In each case described here above, responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

Taxation of the Noteholders

Taxation of Luxembourg residents

Noteholders who are residents of Luxembourg, or non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Noteholders are attributable, must, for income tax purposes, include any interest paid or accrued in their taxable income. Specific exemptions may be available for certain tax payers benefiting from a particular status.

Luxembourg resident individuals

A Luxembourg resident individual Noteholder acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if a withholding tax has been levied by the Luxembourg paying agent on such payments or, in case of a non-resident paying agent, if such individual Noteholder has opted for the 10% levy, in accordance with the Law.

Under Luxembourg domestic tax law, gains realised upon the sale, disposal or redemption of the Notes, which do not constitute Zero Coupon Notes, by a Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth on the sale or disposal, in any form whatsoever, of Notes, are not subject to Luxembourg income tax provided this sale or disposal took place six months after the acquisition of the Notes. A Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement.

Luxembourg resident individual Noteholders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, have to include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed. The same tax treatment applies to non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable.

Luxembourg corporate residents

Luxembourg corporate Noteholders must include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg corporate residents benefiting from a special tax regime

Luxembourg corporate resident Noteholders who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the amended law of 17 December 2010, (ii) specialised investment funds subject to the amended law dated 13 February 2007 or (iii) family wealth management companies subject to the amended law dated 11 May 2007, are exempt from income taxes in Luxembourg and thus income derived from the Notes, as well as gains realised thereon, are not subject to Luxembourg income taxes.

Taxation of Luxembourg non-residents

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment nor a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realise capital gains upon redemption, repurchase, sale or exchange of any Notes.

Noteholders who are non-residents of Luxembourg and who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable have to include any interest received or accrued, as well as any capital gain realised on the sale or disposal of the Notes in their taxable income for Luxembourg income tax assessment purposes.

Net Wealth Tax

Luxembourg resident Noteholders or non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg wealth tax on such Notes, except if the Noteholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the amended law of 17 December 2010, (iii) a securitisation company governed by the amended law of 22 March 2004 on securitisation, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialised investment fund subject to the amended law of 13 February 2007 or (vi) a family wealth management company subject to the amended law of 11 May 2007.

The Issuer's intragroup financing activity

The Issuer confirms its compliance with the provisions of the Luxembourg transfer pricing circulars n^{o} 164/2 and n^{o} 164/2bis issued by the Director of the Luxembourg tax authorities on 28 January 2011 and 8 April 2011, respectively (the "**Circulars**"). Accordingly, the Issuer realises a taxable margin, whose arm's length character is supported by means of a transfer pricing analysis. The Issuer also complies with the substance and equity at risk requirements imposed by the Circulars (i.e. the Issuer's equity represents at least 1% of the nominal value of the financing granted with a maximum of EUR 2 million).

Other Taxes

Registration taxes and stamp duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders by reason only of the issuance of the Notes, nor will any of these taxes be payable of a subsequent transfer, redemption or repurchase of the Notes.

Value added tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Inheritance tax and gift tax

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

United States

United States Federal Income Tax

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only U.S. Holders (as defined below) who purchase the Notes in the original offering at the original offering price, hold the Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. tax considerations relating to the ownership and disposition of the Notes. It also does not address the tax treatment of investors subject to special rules, such as banks, dealers, traders that elect to mark to market, insurance companies, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities or persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction. This discussion assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

THE FOLLOWING STATEMENTS ABOUT U.S. FEDERAL TAX ISSUES ARE MADE TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE NOTES UNDER THE LAWS OF CYPRUS, LUXEMBOURG, UKRAINE, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner that is, for purposes of U.S. federal income taxation, (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised in or under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) that acquires or holds the Notes generally will depend upon the status of the partner and the activities of the partnership. Partners in a partnership should consult their own tax advisors regarding the specific tax consequences to them of the partnership acquiring, owning and disposing of the Notes.

Interest

Interest on the Notes generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. The interest on the Notes generally will be ordinary income from sources outside the United States. Interest received by certain non-corporate U.S. Holders will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Disposition

A U.S. Holder generally will recognise gain or loss on the sale, redemption or other disposition of a Note in an amount equal to the difference between the amount realised (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will be the amount the U.S. Holder paid for the Note decreased by any principal payments previously received by the holder with respect to the Notes.

Gain or loss on disposition of a Note generally will be U.S. source capital gain or loss. A U.S. Holder will have long-term capital gain or loss if it has held the Note for more than one year. The long-term capital gains of non-corporate U.S. Holders may be taxed at preferential rates. Deductions for capital losses are subject to limitations. Gain realized by certain non-corporate U.S. Holders will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Alternative Characterisation

The IRS may challenge the treatment of the Notes as debt. If the challenge succeeded, the Notes could be treated as equity interests in the Issuer, in which case the tax consequences of holding the Notes would be different from the consequences described above. The Issuer believes that it is not, and does not expect to become, a passive foreign investment company for U.S. federal income tax purposes. U.S. Holders should consult their tax advisors about the tax consequences of the IRS successfully asserting that the Notes should properly be characterized as equity for U.S. federal income tax purposes.

Information reporting and backup withholding

Payments of interest and proceeds from the sale, redemption or other disposition of a Note made within the United States or through certain U.S.-related financial intermediaries may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess provided that the required information is furnished to the IRS. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain non-corporate U.S. Holders are required to report information to the IRS with respect to their investment in Notes not held through an account with a financial institution. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in Notes.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EC Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent on the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories, including Switzerland, have adopted similar measures to the EC Directive (a withholding system in the case of Switzerland).

The European Commission, the Council of the European Union and the European Parliament are considering a number of proposals to amend the EC Directive. If any of the proposed changes are made in relation to the EC Directive, they may amend or broaden the scope of the requirement described above.

NOTICE TO INVESTORS

The Issuer has not registered the Notes and the Guarantees under the U.S. Securities Act or any state securities laws and, unless so registered, the Notes and the Guarantees 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 U.S. Securities Act and applicable state securities laws. Accordingly, the Issuer is offering and selling the Notes and the Guarantees to the Initial Purchasers for re-offer and resale only:

- to "qualified institutional buyers," commonly referred to as "QIBs," as defined in Rule 144A under the U.S. Securities Act in compliance with Rule 144A under the U.S. Securities Act ("**Rule 144A**"); and
- outside the United States, to non-U.S. persons (i) in an offshore transaction in accordance with Regulation S under the U.S. Securities Act ("**Regulation S**") and (ii) if resident in a Member State of the European Economic Area, who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (which refers to the definition of professional investors set forth in MiFID) and any relevant implementing measure in each Member State of the European Economic Area.

Each purchaser of Notes (other than each of the Initial Purchasers) will be deemed to have represented and agreed as follows:

(1) It understands and acknowledges that the Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act and any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) It is not an "affiliate" (as defined in Rule 144A under the U.S. Securities Act) of the Issuer, is not acting on behalf of the Issuer and is either:

   (a) a QIB and is aware that any sale of these Notes to it will be made in reliance on Rule 144A and such acquisition will be for its own account or for the account of another QIB; or

   (b) not a U.S. person or purchasing the Notes for the account or benefit of a U.S. person (other than a distributor), and it is purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act, provided, however, that if it is resident in a Member State of the European Economic Area it is also a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive (which refers to the definition of professional investors set forth in MiFID) and any relevant implementing measure in each Member State of the European Economic Area (a "**Qualified Investor**").

(3) It acknowledges that none of the Issuer nor any Guarantors, the Initial Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to it with respect to the Issuer or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this offering memorandum. It has had access to such financial and other information concerning the Issuer and the Notes and the Guarantees as it deemed necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) It is purchasing these Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or such investors' ability to resell these Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act. It understands and agrees on

its behalf and on behalf of any investor account for which it is purchasing these Notes, and each subsequent holder of these Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year (in the case of Notes issued in reliance on Rule 144A ("**Rule 144A Notes**")) or 40 days (in the case of Notes issued in reliance on Regulation S ("**Regulation S Notes**")) after the later of the Issue Date and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only:

(i) to the Issuer, the Guarantors or any subsidiary thereof,

(ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act,

(iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S, provided, however, that any such offer and sale to a person resident in a Member State of the European Economic Area must be to a Qualified Investor or

(iv) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act (provided, however, that any such offer, sale or transfer, if to a person resident in a Member State of the European Economic Area, must be to a Qualified Investor), subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to compliance with any applicable foreign or state securities laws, and any applicable local laws and regulations.

The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each note will contain a legend substantially in the following form:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR ANY OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) AGREES THAT IT WILL NOT PRIOR TO (X) THE DATE WHICH IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE U.S. SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WERE THE OWNERS OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR

(E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND (2) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE ISSUER, THE TRUSTEE AND THE REGISTRAR SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THAT AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, THE TRUSTEE AND THE REGISTRAR IS COMPLETED AND DELIVERED BY THE TRANSFEROR. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT."

Each purchaser of Notes is also deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(5) It acknowledges that the Registrar will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth herein have been complied with.

(6) It acknowledges that:

(a) the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of its acknowledgments, representations and agreements set forth herein and it agrees that, if any of its acknowledgments, representations or agreements herein cease to be accurate and complete, it will notify the Issuer and the Initial Purchasers promptly in writing; and

(b) if it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents with respect to each such account that:

(i) it has sole investment discretion with respect to each such investment account; and

(ii) it has full power to make, and make, the foregoing acknowledgments, representations and agreements on behalf of each such investment account.

(7) It agrees that it will give to each person to whom it transfers these Notes notice of any restrictions on the transfer of the Notes.

(8) It acknowledges that until 40 days after the commencement of the Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(9) The purchaser understands that no action has been taken in any jurisdiction (including the United States, Luxembourg and Ukraine) by the Issuer, the Guarantors or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer, the Guarantors or the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder and under "Plan of Distribution."

(10) It represents and covenants that:

(a) either:

(i) it is not a Plan (which term includes (A) employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), (B) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"), or to provisions under applicable Federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Internal Revenue Code ("**Similar Laws**") and (C) entities the underlying assets of which are considered to include "plan assets" of such plans, accounts and arrangements) and it is not purchasing the Notes on behalf of, or with the "plan assets" of, any Plan; or

(ii) its purchase, holding and subsequent disposition of the Notes either (A) are not a prohibited transaction under ERISA or the Internal Revenue Code and are otherwise permissible under all applicable Similar Laws or (B) are entitled to exemptive relief from the prohibited transaction provisions of ERISA and the Internal Revenue Code in accordance with one or more available statutory, class or individual prohibited transaction exemptions and are otherwise permissible under all applicable Similar Laws; and

(b) it will not transfer the Notes to any person or entity, unless such person or entity could itself truthfully make the foregoing representations and covenants.

Cyprus

No offering material has been or will be submitted to the approval of the Cyprus Securities and Exchange Commission in connection with the offering of the Notes, and consequently the Notes will not be offered, advertised, distributed, marketed or sold, whether directly or indirectly, to the public in Cyprus, nor any offering material and any disclosure statements or information therein relating to the Notes will be released, issued, published, communicated, advertised or disseminated to the public in Cyprus.

The Notes may be offered, marketed or sold in Cyprus if addressed or sold to professional investors or in circumstances where the offer, marketing or sale of the exchange consideration is permitted under the Cyprus national law implementing the Prospectus Directive (Public Offer and Prospectus Law, No. 114 (I) of 2005, as amended) and Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 (Investment Services and Activities and Regulated Markets Law, No. 144 (I) of 2007, as amended).

Neither this Offering Memorandum nor the Consent Solicitation and Tender Offer Memorandum constitute investment advice or a recommendation under Cyprus law, nor does it constitute an offer of securities in Cyprus, it is not intended to be and must not be distributed to the information distribution channels or the public in Cyprus, nor (when distributed by a duly licensed investment firm established or operating through a branch in Cyprus) to any person in Cyprus other than a "professional client" as defined in the Law on Investment Services and Activities and Regulated Markets (Law No. 144 (I) 2007, as amended).

The material and disclosure statements may not be used for solicitation purposes for or in connection with the acquisition of the Notes in circumstances under which it is unlawful under Cyprus laws to make such an offer or solicitation.

PLAN OF DISTRIBUTION

Subject to the terms and conditions of a purchase agreement (the "**Purchase Agreement**") to be entered into by and among the Issuer, the Guarantors and each of the Initial Purchasers indicated below, the Initial Purchasers have agreed to purchase from the Issuer and the Issuer has agreed to sell the principal amount of Notes set forth below.

Initial Purchasers	Principal amount of Notes
J.P. Morgan Securities plc	U.S.$250,000,000.00
Morgan Stanley & Co. International plc	U.S.$250,000,000.00
VTB Capital plc	U.S.$250,000,000.00
Total	**U.S.$750,000,000.00**

Note: Sales in the United States will be made through affiliates of the Initial Purchasers listed above.

The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase and accept delivery of the Notes offered hereby are several and not joint, and are subject to the approval by the Issuer's and their counsel of certain legal matters and to certain other conditions. The Initial Purchasers are obligated to purchase and accept delivery of all the Notes if any are purchased.

The purchase price for the Notes will be the initial offering price set forth on the cover page of this Offering Memorandum. After the initial offering of the Notes, the Initial Purchasers may from time to time vary the offering price and other selling terms without notice. The Issuer will pay the Initial Purchasers a customary fee and will reimburse the Initial Purchasers for certain expenses related to the Offering.

The Issuer and the Guarantors have agreed, jointly and severally, to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments that the Initial Purchaser may be required to make in respect of any such liabilities. The Issuer and the Guarantors have agreed that, subject to certain exceptions, they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities issued or guaranteed by the Issuer or any Guarantor and having maturity of more than one year from the date of issue, without the prior written consent of the Initial Purchasers for a period of 180 days after the date of this Offering Memorandum. The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, pledge, contract to sell, pledge or otherwise dispose of directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the U.S. Securities Act, Rule 144A under the U.S. Securities Act or Regulation S under the U.S. Securities Act to cease to be applicable to the offer and sale of the Notes.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantors or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer, the Guarantors or the Notes in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about, and to observe any restrictions relating to, the Offering, the distribution of this Offering Memorandum and re-sales of the Notes. See "Notice to Investors".

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered, sold or resold within the United States except in certain transactions exempt from or not subject to the registration requirements of the U.S. Securities Act. See "Notice to Investors".

The Issuer and the Guarantors have been advised by the Initial Purchasers that the Initial Purchasers and their broker dealer affiliates propose to offer the Notes for resale initially to (i) persons they reasonably believe to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act, or (ii) certain eligible persons outside the United States in reliance on Regulation S under the U.S. Securities Act. Each purchaser of Notes offered hereby in making the purchase will, by such purchase, be deemed to have made certain acknowledgements, representations, warranties and agreements as set forth under "Notice to Investors".

Until the expiration of 40 days after the commencement of the Offering or the issue date of the Notes, an offer or sale of any Notes within the United States by any dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act.

Delivery of the Notes will be made against payment on the Notes on 2 April 2013, which is six business days following the date of pricing of the Notes. Under Rule 15c6 1 under the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing will be required, by virtue of the fact that the Notes initially will settle in more than three business days, to specify an alternative settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing should consult their own advisers.

Each of the Initial Purchasers has represented and agreed that: (i) it has not offered or sold and prior to listing of the Notes being made in accordance with the Prospectus Directive will not offer or sell any Notes in the United Kingdom, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures whether as principal or agent (except in circumstances which do not constitute an offer to the public); (ii) it has complied and will comply with all applicable provisions of the rules and regulations of the Irish Stock Exchange with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom and (iii) it has only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by it in connection with the issue of the Notes other than any document which consists of or any part of the Offering Memorandum or any other document required or permitted to be published under the rules and regulations of the Irish Stock Exchange, to a person to whom the document may otherwise lawfully be issued or passed on.

The Notes are not eligible for initial offering and public circulation in Ukraine. The Notes have not been and will not be registered with the State Commission for Securities and Stock Markets of Ukraine, the securities and exchange commission of Ukraine. The Initial Purchasers have agreed that the Notes will not be offered or sold to any persons resident, incorporated, established or having their usual residence in Ukraine or to any persons located within the territory of Ukraine unless and to the extent otherwise permitted under Ukrainian law.

The Initial Purchasers have agreed that the Notes will not be offered, transferred or sold as part of their initial distribution to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian Law.

The Initial Purchasers have represented and agreed that they have not offered or sold, and will not offer or sell, the Notes to the public in Luxembourg, directly or indirectly, and that no offering circular, prospectus, form of application, advertisement, communication or other material has been or will be distributed, or otherwise made available in, or form or published in, Luxembourg, except in circumstances which do not constitute an offer of securities to the public pursuant to the provisions of the Luxembourg act dated 10 July 2005 relating to prospectuses for securities.

The Notes are a new issue of securities with no established trading market. Application has been made to the Irish Stock Exchange for the approval of this document as listing particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. There can be no assurance as to the liquidity of any trading market for the Notes, the ability of holders of the Notes to sell Notes or the price at which holders would be able to sell their Notes. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, the liquidity of the trading market in the Notes and the future trading price of the Notes will depend on many factors.

J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, VTB Capital plc and certain of their affiliates from time to time have performed, and in the future will perform, banking, investment banking, advisory, consulting and other financial services for MHP for which they may receive customary advisory and transaction fees and expense reimbursement.

LEGAL MATTERS

Certain legal matters in connection with the Offering and Tender Offer will be passed upon for the Issuer with respect to U.S. and English laws by Freshfields Bruckhaus Deringer LLP and with respect to Ukrainian laws by Avellum Partners. Certain legal matters with respect to Luxembourg laws will be passed upon for the Issuer by Arendt & Medernach. Certain legal matters with respect to Cyprus laws will be passed upon for the Issuer by Mouaimis & Mouaimis LLC. Certain legal matters in connection with the Offering will be passed upon for the Managers with respect to U.S. laws by Linklaters LLP and with respect to Ukrainian laws by Sayenko Kharenko.

INDEPENDENT AUDITORS

The Audited Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union, included elsewhere in this Offering Memorandum, have been audited in accordance with International Standards on Auditing by Deloitte Audit Société à responsabilité limitée, independent auditors, 560 rue de Neudorf, Luxembourg L-2220 Luxembourg (the "**Independent Reporting Auditors**"), as stated in their unqualified report appearing herein on page F-3.

For the purpose of compliance with the rules of the Global Exchange Market of the Irish Stock Exchange, the Independent Reporting Auditors have given and not withdrawn their written consent to the inclusion on page F-3 of this Offering Memorandum of their independent auditors' report on the Audited Consolidated Financial Statements, and have authorised the contents of their said independent auditors' report for purposes of the rules of the Global Exchange Market of the Irish Stock Exchange. The Independent Reporting Auditors have also accepted responsibility for the said independent auditors' report as part of the Offering Memorandum and declared that they have taken all reasonable care to ensure that the information contained in the said report is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. The IFRS Financial Statements included in this Offering Memorandum have been audited by Deloitte Audit Société à responsabilité limitée, independent auditors, as stated in their report appearing herein. Deloitte Audit Société à responsabilité limitée has given and not withdrawn its consent to the inclusion in this Offering Memorandum of its audit report on page F-3 in the form and context in which it appears and has authorised the contents of those parts of this document which comprise the report. Deloitte Audit Société à responsabilité limitée has stated that it is responsible for the auditors' report referred to above as part of the Offering Memorandum and has 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.

The Independent Reporting Auditors are a member of Deloitte Touche Tohmatsu Limited.

The statutory auditors of the Issuer are Deloitte Audit Société à responsabilité limitée (the "**Independent Statutory Auditors**"), independent certified public accountants under Luxembourg auditor independence rules as defined by the Institut des Réviseur d'Entreprises (IRE) code of ethics and its interpretations, with their address at 560, rue de Neudorf, L-2220 Luxembourg.

GENERAL INFORMATION

The Issuer

The Issuer is the ultimate holding company for the MHP group of companies and 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 Luxembourg Trade and Companies' Register on 13 June 2006 and have been published in the "Mémorial C, Recueil des Sociétés et Associations" on 4 August 2006. The Issuer's Articles were amended on 15 June 2006 and further amended on 12 September 2007, 8 May 2008, 14 May 2008 27 April 2009 and 19 October 2011 and have been published in the "Mémorial C, Recueil des Sociétés et Association" on 18 August 2006, 2 November 2007, 20 June 2008, 8 July 2008, 9 June 2009 and 23 January 2012, respectively. The registered office of the Issuer is at 5, rue-Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg. The Issuer's telephone number is +352 48 18 28 3461. The Issuer is registered with the Luxembourg Trade and Companies' Register under number R.C.S. Luxembourg B 116 838.

The purpose of the Issuer, as set out in article 4 of the Issuer's Articles 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.

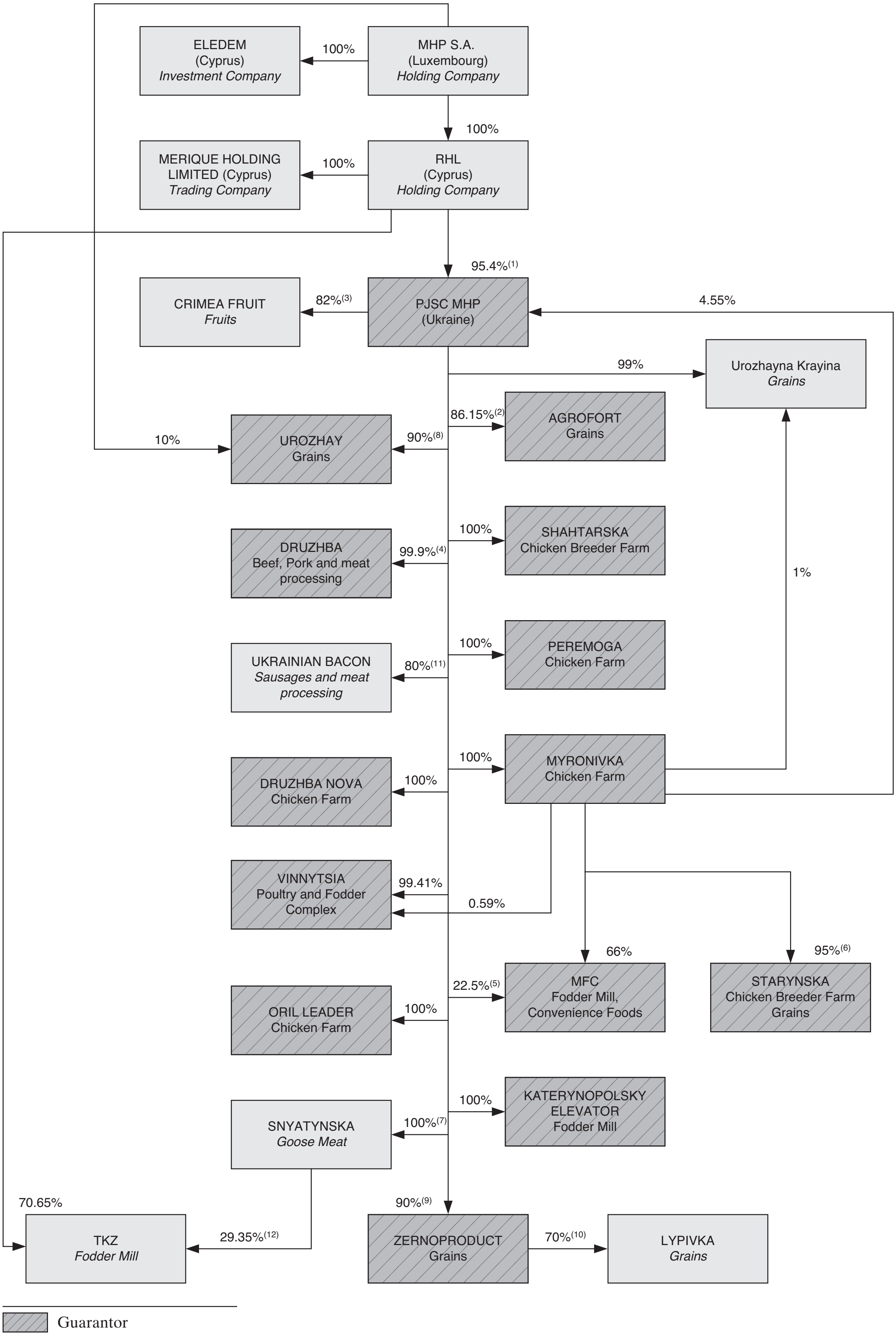
The Issuer may participate in the establishment and development of any financial, industrial or commercial enterprises, including trusts and unincorporated associations, and may render any assistance by way of loans, guarantees, security or otherwise to subsidiaries, affiliated companies or parent companies.

The Issuer may borrow in any form and issue bonds, preferred equity certificates, debentures, notes, commercial paper and guarantees, and enter into 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 Issuer may carry on any business or activity whatsoever, which it may consider expedient with a view to making a profit or enhancing directly or indirectly the value of the Issuer'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.

The following diagram represents MHP's corporate structure and certain ownership information relating to its subsidiaries, all as of the date of this Offering Memorandum:



Notes:

(1) RHL owns 95.3564% of the share capital of PJSC MHP, and the remaining shares are held by MFC, by Myronivka, by Peremoga, by approximately 150 unaffiliated individuals and by BCFI, a company affiliated with Mr. Kosyuk and PrJSC "Iveks capital" and LLC "Iveks advisors", companies unaffiliated with MHP.

(2) PJSC MHP owns 86.15% of the shares in Agrofort and Mr. Volodymyr Onuka owns the remaining 13.85%.

(3) Crimea Fruit has been consolidated in MHP since 31 March 2006. PJSC MHP owns 82% of the share capital of Crimea Fruit and Mr. M.Bedrenko and Mr. S.Tkachenko own 17.9% and less than 0.5% of the share capital are held by five individuals and LLC "ALPHA-N LTD".

(4) Druzhba has been consolidated in MHP since 30 March 2006. PJSC MHP currently directly holds 99.977831% of the participatory interests in Druzhba. Approximately 0.022169% of the participatory interests in Druzhba are held by 7 individuals, none of whom owns more than 0.5%.

(5) PJSC MHP owns 22.4836% of the share capital of MFC and Myronivka holds 66.094% of the share capital of MFC. Less then 1% of the shares in MFC are held by 388 individuals. Approximately 10.93% of the shares in MFC are held by a number of unaffiliated legal entities and individuals, none of which owns more than 3%. An insignificant amount of MFC's shares is traded on the Ukrainian PFTS Stock Exchange.

(6) Myronivka owns 94.9963% 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 0.0035% of the participatory interests in Starynska and Ms. Alla Vlasenko owns 0.0002% of the participatory interests in Starynska.

(7) PJSC MHP currently holds 100% of the charter capital in Snyatynska following the completion of its acquisition of 15% of the participatory interest in Snyatynska on 6 June 2006 from an unaffiliated entity LLC Avis.

(8) PJSC MHP owns 90% of the shares in Urozhay. MHP S.A. owns the remaining 10% of the shares in Urozhay.

(9) PJSC MHP owns 90% of the shares in Zernoproduct, and Mr. Mykola Kucher, the CEO of Zernoproduct, owns the remaining 10%.

(10) Zernoproduct holds 70% of the participatory interests in Lypivka. Agricultural Company Lypivka, an entity unaffiliated with MHP, owns the remaining 30%.

(11) PJSC MHP currently owns 80% of the shares in Ukrainian Bacon. Mr. Baschinsky owns 20% of the shares in Ukrainian Bacon.

(12) RHL owns 70.646% of the participatory interests in TKZ, Snyatynska owns the remaining 29.354% of the participatory interests in TKZ.

RHL

RHL was incorporated as a private limited company under the laws of Cyprus on 15 May 2006 to serve as a sub-holding company for the MHP group of companies. RHL has an issued share capital of EUR 50,000 and is wholly-owned by the Issuer. RHL owns 95.3564% of the shares in PJSC MHP.

Significant Subsidiaries

The Issuer's significant subsidiaries (each of which is held indirectly) include the following:

Company	Effective Interest	Registered Office
PJSC Myronivsky Hliboproduct	99.9%	1 Elevatorna Str., Myronivka, Myronivskyi Region, Kyiv Oblast, 08800, Ukraine
PJSC Myronivsky Plant of Manufacturing Feeds and Groats	88.5%	1 Elevatorna Str., Myronivka, Myronivskyi Region, Kyiv Oblast, 08800, Ukraine
PrJSC Zernoproduct MHP	89.9%	1 Elevatorna Str., Myronivka, Myronivskyi Region, Kyiv Oblast, 08800, Ukraine
LLC Tavriysky Kombikormovy Zavod	99.9%	1 Elevatorna Str., Myronivka, Myronivskyi Region, Kyiv Oblast, 08800, Ukraine
ALLC Starynska Ptahofabryka	94.9%	1 Lenina Str., village Myrne, Boryspilskyi Region, Kyiv Oblast, 08361, Ukraine
LLC Katerinopolskiy Elevator	99.9%	47 Lenina, Yerky, Katerynopolskyi Region, Cherkasy Oblast, 20505, Ukraine
ALLC Druzhba Narodiv	99.9%	7 Poliova Str., Urban-type Village Krasnogvardiyske, Krasnogvardiyskyi Region, AR Crimea, 97000, Ukraine
PrJSC Crimean Fruit Company	81.9%	Village Petrivka, Krasnogvardiyskyi Region, AR Crimea, 97012, Ukraine
PrJSC Ukrainian Bacon	79.9%	1 A Zelena Str., village Vodyane Druge, Kostyantynivskyi Region, Donetsk Oblast, 85180, Ukraine
SE Ptahofabryka Shahtarska Nova	99.9%	6 Pershotravneva Str., village Sadove, Shahtarskyi Region, Donetsk Oblast, 86251, Ukraine
SE Peremoga Nova	99.9%	68 Lesi Ukrainky Boulevard, village Budysche, Cherkaskyi Region, Cherkasy Oblast, 19620, Ukraine
PrJSC Myronivska Pticefabrika	99.9%	25 Zhovtneva Str., village Stepantsi, Kanivskyi Region, Cherkasy Oblast, 19031, Ukraine
LLC Ptahofabryka Sniatynska Nova	99.9%	34 Shyroka Str., Snyatyn, Snyatynskyi Region, Ivano-Frankivsk Oblast, 78300, Ukraine
PrJSC Oril-Leader	99.9%	1,B. Khmelnytskogo Str. Village Yelyzavetivka, Petrykivskiy Region, Dnipropetrovska Oblast, 51831 Ukraine
PrJSC Druzba Narodiv Nova	99.9%	Village Petrivka, Krasnogvardiyskyi Region, AR Crimea, 97012, Ukraine
LLC Vinnytska Ptahofabryka	99.9%	141, Sloboda Str., Ladyzhyn, Vinnytska Oblast, 24320, Ukraine
PrJSC Agrofort	86.1%	22 Nezalezhnosti Str., Kaharlyk, Kaharlytskyi Region, Kyiv Oblast, 09200 Ukraine
PrJSC Research and Production Company Urozhay	99.9%	4 Shkilna Str., village Kirove, Korsun-Shevchenkivskyi Region, Cherkasy Oblast, 19421, Ukraine
LLC Urozhayna Kraina	99.9%	4 Chetverty Provulok Centralnoi, Pustoviytivka Village, Romensky Region, Sumy Oblast, 42020, Ukraine

Guarantors

The financial information in respect of the Guarantors and non-guarantor companies in the Group is included in the Audited Consolidated Financial Statements. For the year ended 31 December 2012, the Guarantors had Adjusted EBITDA of U.S.$448.6 million, which represented 96% of the Group's Adjusted EBITDA (the percentage of Adjusted EBTIDA for each Guarantor is set out in the table below). As of 31 December 2012, the Guarantors had net assets of U.S.$ 1,006.2 million after eliminating intercompany investments and balances, which represented 83.9% of the Group's net assets.

For the year ended 31 December 2012, the non-guarantor companies in the Group had Adjusted EBITDA of U.S.$19.7 million, which represented 4% of the Group's Adjusted EBITDA. As of 31 December 2012, the non-guarantor companies in the Group had net assets of U.S $192.5 million after eliminating intercompany investments and balances, which represented 16.1% of the Group's net assets. For the year ended 31 December 2012, Myronivka had Adjusted EBITDA of U.S.$154.8 million, which represented 33% of the Group's Adjusted EBITDA and net assets of U.S.$272.1 million after eliminating intercompany investments and balances, which represented 22.7% of the Group's net assets.

For the year ended 31 December 2012, the Issuer had Adjusted EBITDA of nil, which represented 0% of the Group's Adjusted EBITDA. As of 31 December 2012, the Issuer had net assets of U.S

$183.7 million after eliminating intercompany investments and balances, which represented 15.3% of the Group's net assets.

The following of the Issuer's significant subsidiaries will act as Guarantors:

PJSC MHP

Full and commercial name	PJSC "Myronivsky Hliboproduct"
Date and place of incorporation	Reorganised from CJSC "Myronivsky Hliboproduct" on 27 March 2006
Identification Code (EDRPOU No.)	No. 25412361
Duration of existence	Indefinite
Legal address	1 Elevatorna Str., Myronivka, Myronivskyi Region, Kyiv Oblast, 08800, Ukraine Telephone number: +38 (044) 207 00 00
Statutory Auditors	Small-scale auditing enterprise LLC "Storno", app. 211, 43, Anna Akhmatova Street, Kyiv 02095, Ukraine
Members of the Administrative, Management and Supervisory Bodies	Chairman of the Management Board: Yuriy A. Kosyuk Members of the Management Board: Viktoria B. Kapelyushnaya Yiriy F.Melnyk Artur F. Futyma Maxim E. Pisarev Chief Accountant: Ganna V. Glebova
Principal Activities	Holding Company
2012 Adjusted EBITDA percentage	2%

Myronivka

Full and commercial name	PrJSC Myronivska Pticefabrika (the former name CJSC "Myronivska Ptahofabryka"; CJSC "Torgoyyi Dim" "Myronivskyi Khliboproduct")
Date and place of incorporation	Incorporated in Ukraine on 22 February 2000
Identification Code (EDRPOU No.)	No 30830662
Duration of existence	Indefinite
Legal address	25 Zhovtneva Street, village Stepantsi, Kanivskyi Region, Cherkasy Oblast, 19031, Ukraine Telephone number: +38 (04736) 3 85 23
Statutory Auditors	Small-scale auditing enterprise LLC "Storno", app. 211, 43, Anna Akhmatova Street, Kyiv 02095, Ukraine
Members of the Administrative, Management and Supervisory Bodies	Maxim E. Pisarev—President Petro O. Sokyrko—Deputy President Mykola I. Koval—Deputy Director Yuliya V. Shevchenko—Deputy Director Natalia I. Kononenko—Chief Accountant
Principal Activities	Poultry production complex
2012 Adjusted EBITDA percentage	33%

Peremoga

Full and commercial name	Subsidiary Enterprise "Peremoga Nova"

Date and place of incorporation	Incorporated in Ukraine on 9 September 1999 (pursuant to a decision of general shareholders' meeting of CJSC "Myronivsky Hliboproduct" adopted on 3 September 1999)
Identification Code (EDRPOU No.) .	No. 30541899
Duration of existence	Indefinite
Legal address	68 Lesi Ukrainky Boulevard, village Budysche, Cherkaskyi Region, Cherkasy Oblast, 19620, Ukraine Telephone number: +38 (0472) 34 04 01
Statutory Auditors	Not required
Members of the Administrative, Management and Supervisory Bodies .	Sergiy M. Nezgoda—Director Olena S. Buryak—Chief Accountant
Principal Activities	Poultry production complex
2012 Adjusted EBITDA percentage . .	5%

Druzhba Nova

Full and commercial name	PrJSC "Druzba Narodiv Nova"
Date and place of incorporation	Incorporated in Ukraine on 7 May 2001
Registration number (EDRPOU No.)	No. 31398117
Duration of existence	Indefinite
Legal address	7 Poliova, Str., Urban-type Village Krasnogvardiyske, Krasnogvardiyskyi Region, AR Crimea, 97000, Ukraine Telephone number: +38 (06556) 6 29 99
Statutory Auditors	Small-scale auditing enterprise LLC "Storno", app. 211, 43, Anna Akhmatova Street, Kyiv 02095, Ukraine
Members of the Administrative, Management and Supervisory Bodies .	Yuriy A. Kosyuk—President Andriy V. Sidorenko—Director Natalia A. Kuzma—Chief Accountant
Principal Activities	Poultry production complex
2012 Adjusted EBITDA percentage . .	9%

Oril Leader

Full and commercial name	PrJSC Oril-Leader (the former name CJSC with foreign investments "Oril-Leader")
Date and place of incorporation	Incorporated in Ukraine on 22 November 1996
Identification Code (EDRPOU No.) .	No. 24426809
Duration of existence	Indefinite
Legal address	1,B. Khmelnytskogo Str. Village Yelyzavetivka, Petrykivskiy Region, Dnipropetrovska Oblast, 51831 Ukraine Telephone number: +38 (05634) 2 31 60
Statutory Auditors	Private entrepreneur Lyudmyla I. Chemerys, tax identification number 2289000505, app. 32, 131 Gagarin avenue, 49050 Dnepropetrovsk, Ukraine
Members of the Administrative, Management and Supervisory Bodies .	Yuriy A. Kosyuk—President

	Serhiy V. Mishchenko—Director Iryna M. Havryshuk—Chief Accountant
Principal Activities	Poultry production complex
2012 Adjusted EBITDA percentage	8%

MFC

Full and commercial name	PJSC "Myronivskiy Zavod po Vygotovlennyu Krup i Kombikormiv" (the former name OJSC "Myronivskiy Zavod po Vygotovlennyu Krup i Kombikormiv")
Date and place of incorporation	Incorporated in Ukraine on 13 June 1996 (by the way of reorganisation of Lease Enterprise into OJSC)
Identification Code (EDRPOU No.)	No. 00951770
Duration of existence	Indefinite
Legal address	1 Elevatorna Str., Myronivka, Myronivskyi Region, Kyiv Oblast, 08800, Ukraine Telephone number: +38 (04574) 4 20 42
Statutory Auditors	LLC "Auditing company "Stolichnaya kollegiya auditorov", identification number 32163093, block 14, 2/10 Melnikov Str., 04050 Kyiv, Ukraine
Members of the Administrative, Management and Supervisory Bodies	Oleksander V. Zhukotanskiy—Chairman of the Management Board Serhiy I. Chepelyuk—First Deputy Chairman of the Management Board Maria A. Nikiforova—Second Deputy Chairman of the Management Board Yevhen O. Yablunivskiy—Third Deputy Chairman of the Management Board Inna G. Kolomiets—Chief Accountant
Principal Activities	A multi-product production complex that includes a fodder mill, a protein mill, five grain elevators and a cereals mill
2012 Adjusted EBITDA percentage	2%

Zernoproduct

Full and commercial name	PrJSC "Zernoproduct MHP" (the former name CJSC "Zernoproduct MHP")
Date and place of incorporation	Incorporated in Ukraine on 7 September 2007 (reorganised from LLC "Zernoproduct")
Identification Code (EDRPOU No.)	No. 32547211
Duration of existence	Indefinite
Legal address	1 Elevatorna Str., Myronivka, Myronivskyi Region, Kyiv Oblast, 08800, Ukraine Telephone number: +38 (04343) 6 13 81
Statutory Auditors	Small-scale auditing enterprise LLC "Storno", app. 211, 43, Anny Akhmatovoy Street, Kyiv 02095, Ukraine
Members of the Administrative, Management and Supervisory Bodies	Yuriy A. Kosyuk—President Volodymyr Onuka—Director Tetyana M. Galenda—Chief Accountant

	Valeriy M. Noga—Deputy Director Myhaylo A. Zalevskiy—Deputy Director
Principal Activities	Corn, wheat, barley and sunflower farm
2012 Adjusted EBITDA percentage . .	9%

Druzhba

Full and commercial name	Agricultural LLC "Druzhba Narodiv"
Date and place of incorporation	Incorporated in Ukraine on 1 March 1995 (reorganised from KSP AFK "Druzhba Narodiv")
Identification Code (EDRPOU No.) .	No. 03759079
Duration of existence	Indefinite
Legal address	Village Petrivka, Krasnogvardiyskyi Region, AR Crimea, 97012, Ukraine Telephone number: +38(06556) 6 19 90
Statutory Auditors	Not required
Members of the Administrative, Management and Supervisory Bodies .	Yuriy A. Kosyuk—Director-general Andriy V. Sidorenko—Executive Director Kateryna O. Nikolayeva—Chief Accountant
Principal Activities	An integrated production facility for meat products
2012 Adjusted EBITDA percentage . .	2%

Starynska

Full and commercial name	Agricultural LLC "Starynska Ptahofabryka"
Date and place of incorporation	Incorporated in Ukraine on 11 May 2000
Identification Code (EDRPOU No.) .	No 30925770
Duration of existence	Indefinite
Legal address	1 Lenina Str., village Myrne, Boryspilskyi Region, Kyiv Oblast, 08361, Ukraine Telephone number: +38 (04595) 3 15 45
Statutory Auditors	Not required
Members of the Administrative, Management and Supervisory Bodies .	Oleksander M. Zubchuk—Director Nadiya V. Savchenco—Chief Accountant
Principal Activities	Breeder farm
2012 Adjusted EBITDA percentage . .	12%

Shahtarska

Full and commercial name	Subsidiary Enterprise "Ptahofabryka Shahtarska Nova"
Date and place of incorporation	Incorporated in Ukraine on 11 March 2003
Identification Code (EDRPOU No.) .	No 32357598
Duration of existence	Indefinite
Legal address	6 Pershotravneva Str., village Sadove, Shahtarskyi Region, Donetsk Oblast, 86251, Ukraine Telephone number: +38 (06255) 9 61 65
Statutory Auditors	Not required

Members of the Administrative, Management and Supervisory Bodies	Viktor S. Hrynyuk—Director Ganna M. Glyga—Chief Accountant
Principal Activities	Breeder farm
2012 Adjusted EBITDA percentage	2%

Vinnytsia

Full and commercial name	LLC Vinnytska Ptahofabryka
Date and place of incorporation	Incorporated in Ukraine on 17 June 2011
Identification Code (EDRPOU No.)	No. 35878908
Duration of existence	Indefinite
Legal address	141, Sloboda Str., Ladyzhyn, Vinnytska Oblast, 24320, Ukraine
Statutory Auditors	Not required
Members of the Administrative, Management and Supervisory Bodies	Yuriy A. Kosyuk—Director general Yuriy F. Melnyk—Deputy Director general Oleksiy V. Shevchenko—Executive Director Olga G. Paramonova—Chief Accountant
Principal Activities	Fodder mill and feed grains storage facility, poultry production complex
2012 Adjusted EBITDA percentage	2%

Agrofort

Full and commercial name	PrJSC Agrofort
Date and place of incorporation	Incorporated in Ukraine on 10 September 2007
Identification Code (EDRPOU No.)	No. 34378735
Duration of existence	Indefinite
Legal address	22 Nezalezhnosti Str., Kaharlyk, Kaharlytskyi Region, Kyiv Oblast, 09200 Ukraine
Statutory Auditors	Small-scale auditing enterprise LLC “Storno”, app. 211, 43, Anny Akhmatovoy Street, Kyiv 02095, Ukraine
Members of the Administrative, Management and Supervisory Bodies	Yuriy A. Kosyuk—President L.Onuka—Director Ylia Ishchenko—Chief Accountant
Principal Activities	Corn, wheat, barley and sunflower farm
2012 Adjusted EBITDA percentage	1%

Urozhay

Full and commercial name	PrJSC Research and Production Company Urozhay
Date and place of incorporation	Incorporated in Ukraine on 15 March 2002
Identification Code (EDRPOU No.)	No. 31860551
Duration of existence	Indefinite
Legal address	4 Shkilna Str., village Kirove, Korsun Shevchenkivskyi Region, Cherkasy Oblast, 19421, Ukraine

Statutory Auditors	Small-scale auditing enterprise LLC "Storno", app. 211, 43, Anny Akhmatovoy Street, Kyiv 02095, Ukraine
Members of the Administrative, Management and Supervisory Bodies	Yuriy A. Kosyuk—President Oleg V. Vasetskiy—Director L. Zhovnir—Chief Accountant
Principal Activities	Corn, wheat, barley and sunflower farm
2012 Adjusted EBITDA percentage	7%

Katerinopolskiy Elevator

Full and commercial name	Limited Liability Company "Katerynopolsky Elevator"
Date and place of incorporation	Incorporated in Ukraine on 30 June 2004
Identification Code (EDRPOU No.)	No 32580463
Duration of existence	Indefinite
Legal address	47 Lenina, Yerky, Katerynopolskyi Region, Cherkasy Oblast, 20505, Ukraine Telephone number: +38 (04742) 3 01 60
Statutory Auditors	Not required
Members of the Administrative, Management and Supervisory Bodies	Oleksander V. Zhukotanskiy—Director general Yuriy F. Melnyk—Deputy Director general Konstantin G. Zavalnyuk—Chief Accountant Artur F. Futyma—Executive Director
Principal Activities	Fodder mill and feed grains storage facility
2012 Adjusted EBITDA percentage	1%

Each Guarantor accepts responsibility for the information contained in this Offering Memorandum in respect of it and its guarantee obligations and such information, to the best of such Guarantor's knowledge and belief (having taken all reasonable care to ensure that such is the case), is in accordance with the facts and does not omit anything likely to affect its import.

Except as discussed in "Directors, Corporate Governance and Management", there is no actual or potential conflict of interest between the duties of any of the members of the Administrative, Management and Supervisory Bodies of each Guarantor to each such Guarantor and their respective private interests.

Eledem

Eledem was incorporated as a private limited company under the laws of Cyprus on 16 May 2006 to serve as a holding and investment company for the MHP group of companies. Eledem has an issued share capital of EUR 1,000 and is wholly-owned by the Issuer.

Legal Information

Except as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Trends and Developments" on page 75, there has been no significant change in the financial or trading position, and no material adverse change in prospects of the Issuer or any of the Guarantors since 31 December 2012.

The issue of the Notes and their offer, sale and listing as well as the issue of this Offering Memorandum and the transactions referred to herein were duly authorised by the Board of Directors of the Issuer pursuant to a resolution adopted on 4 March 2013, by the Sole Director of Eledem pursuant to a resolution adopted on 5 March 2013, by the Supervisory Councils of each of PJSC MHP and MFC pursuant to the respective minutes of the Supervisory Council Meetings each dated 27 February 2013, by the Participants of each of Katerynopolsky Elevator, Starynska, Vinnytsia, and Druzhba pursuant to the respective minutes of the General Participants Meetings dated 26 February 2013, 4 March 2013, 26 February 2013, and 28 February 2013 respectively, by the Shareholder of Druzhba Nova, Oril Leader and Myronivka pursuant to the resolution each dated 26 February 2013, and by the Shareholders of Zernoproduct, Agrofort, Urozhay pursuant to the respective minutes of the General Shareholders' Meeting dated 28 February 2013, and by the Shareholders of PJSC MHP pursuant to the minutes of the General Shareholders' Meeting dated 6 March 2013 and by the Chairman of the Management Board of PJSC MHP with respect to the obligations undertaken by its subsidiaries Peremoga and Shahtarska pursuant to the resolutions adopted on 26 February 2013.

For as long as the Notes are outstanding, copies in English of the following documents will, when published, be available in physical form from the specified office of the Paying Agent during usual business hours on any business day (Saturday, Sunday and public holidays excepted):

(a) the Articles of the Issuer and each Guarantor in effect from time to time;

(b) the Audited Consolidated Financial Statements for the years ended 31 December 2010, 2011 and 2012, together with the report of the Independent Reporting Auditors contained therein and the consent of the Independent Reporting Auditors to the inclusion of the review report herein;

(c) this Offering Memorandum;

(d) the Indenture (or a draft pending execution);

(e) the Notes Purchase Agreement;

(f) the Suretyship Agreement (or a draft pending execution);

(g) the Proceeds Loan Agreements (or drafts pending execution);

(h) the Proceeds Loan Assignments (or drafts pending execution);

(i) the Tender Offer and Consent Solicitation Memorandum; and

(j) the Dealer Manager Agreement.

The address of the Independent Reporting Auditors of the issuer is as follows: Deloitte S.A., 560, rue de Neudorf, L-2220 Luxembourg, Grand Duchy of Luxembourg.

The Issuer is in full compliance with Luxembourg's corporate governance regime. PJSC MHP is in full compliance with the Ukrainian corporate governance regime.

The Issuer and other entities within the MHP group (including each of the Guarantors) 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 Issuer is aware) that may have or have had in the twelve months before the date of this Offering Memorandum, a significant effect on the financial position or profitability of the Issuer and/or other entities within the MHP group. As of the date of this Offering Memorandum, the Issuer is not aware that any such proceedings are pending or threatened.

Except as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources;—Contractual Obligations", "Significant Shareholders and Related Party Transactions", "Description of Other Indebtedness" and "Plan of Distribution", 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 Offering Memorandum, 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 Offering Memorandum.

Listing Information

Application has been made to the Irish Stock Exchange for the approval of this document as listing particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

The total fees and expenses in connection with the admission of the Notes to trading on the Irish Stock Exchange are expected to be approximately EUR 5,041.20.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Global Exchange Market of the Irish Stock Exchange.

Clearing Systems and Security Codes

The Notes have been accepted for clearance through DTC. The Common Code, ISIN and CUSIP numbers of the Rule 144A Notes are 078395079, US55302TAC99 and 55302T AC9, respectively, and for the Regulation S Notes are 078395044, USL6366MAC75 and L6366M AC7, respectively.

MHP S.A. AND ITS SUBSIDIARIES

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CONTENT

MHP S.A. AND ITS SUBSIDIARIES

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of MHP S.A. and its subsidiaries (the "Group") as of 31 December 2012 and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

In preparing the consolidated financial statements, the Board of Directors is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern.

The Board of Directors, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2012 were authorized for issue by the Board of Directors on 4 March 2013.

Board of Directors' responsibility statement

We confirm that to the best of our knowledge the directors report, which is incorporated into the annual report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

Yuriy Kosyuk Chief Executive Officer	Viktoria Kapelyushnaya Chief Financial Officer

To the Shareholders of MHP S.A.
5, rue Guillaume Kroll
L-1882 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

We have audited the accompanying consolidated financial statements of MHP S.A., which comprise the consolidated statement of financial position as at 31 December 2010, 31 December 2011, 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the years then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors' for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier.* Those standards require that we comply with ethical requirements and plan and perform the audits 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 consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated 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 give a true and fair view of the consolidated financial position of MHP S.A. as of 31 December 2010, 31 December 2011, 31 December 2012, and of its financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matter

This report is intended solely for the purpose of the offering memorandum prepared in connection with the international offering of senior notes by MHP S.A.

For Deloitte Audit
Société á responsabilité limitée
Cabinet de révision agréé

Sophie Mitchell, *Réviseur d'entreprises agréé*
Partner

March 4, 2013
560, rue de Neudorf,
L-2220 Luxembourg,

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

(in thousands of US dollars, unless otherwise indicated)

	Notes	2012	2011	2010
Revenue	6	1,407,522	1,229,090	944,206
Net change in fair value of biological assets and agricultural produce		16,734	21,288	29,014
Cost of sales	7	(1,001,909)	(889,127)	(680,637)
Gross profit		422,347	361,251	292,583
Selling, general and administrative expenses	8	(120,485)	(106,447)	(102,107)
VAT refunds and other government grants income	9	102,369	87,985	82,058
Other operating expenses, net		(23,648)	(22,045)	(15,750)
Operating profit		380,583	320,744	256,784
Finance income		3,350	6,356	13,309
Finance costs	10	(59,311)	(65,918)	(62,944)
Foreign exchange (loss)/gain, net		(3,285)	2,318	10,965
Other expenses, net		(2,633)	(1,385)	(793)
Other expenses, net		(61,879)	(58,629)	(39,463)
Profit before tax		318,704	262,115	217,321
Income tax expense	11	(7,788)	(2,760)	(1,873)
Profit for the year		310,916	259,355	215,448
Other comprehensive income/(loss)				
Effect of revaluation of property, plant and equipment	12	5,166	—	—
Deferred tax charged directly to revaluation reserve		(826)	—	—
Cumulative translation difference		(436)	(3,040)	770
Other comprehensive income/(loss) for the year		3,904	(3,040)	770
Total comprehensive income for the year		314,820	256,315	216,218
Profit attributable to:				
Equity holders of the Parent		297,104	243,376	205,395
Non-controlling interests		13,812	15,979	10,053
		310,916	259,355	215,448
Total comprehensive income attributable to:				
Equity holders of the Parent		300,756	240,336	206,165
Non-controlling interests		14,064	15,979	10,053
		314,820	256,315	216,218
Earnings per share				
Basic and diluted earnings per share (USD per share)	33	2.80	2.26	1.88

On behalf of the Board:

Chief Executive Officer/Yuriy Kosyuk

Chief Financial Officer/Viktoria Kapelyushnaya

The accompanying notes on the pages F-9 to F-58 form an integral part of these consolidated financial statements

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2012

(in thousands of US dollars, unless otherwise indicated)

	Notes	31 December 2012	31 December 2011	31 December 2010
ASSETS				
Non-current assets				
Property, plant and equipment	12	1,339,687	1,008,923	744,965
Land lease rights	13	26,694	27,227	23,216
Deferred tax assets	11	8,231	7,795	5,190
Long-term VAT recoverable, net	14	35,784	24,850	24,017
Non-current biological assets	15	53,695	46,327	43,288
Long-term bank deposits		6,154	6,017	—
Other non-current assets		16,615	14,476	14,251
		1,486,860	1,135,615	854,927
Current assets				
Inventories	16	274,255	182,240	132,591
Biological assets	15	159,276	135,990	116,310
Agricultural produce	17	166,128	169,022	113,850
Other current assets, net		33,880	21,989	21,331
Taxes recoverable and prepaid, net	18	200,308	137,175	107,824
Trade accounts receivable, net	19	72,616	65,794	53,395
Short-term bank deposits	20	—	1,777	134,460
Cash and cash equivalents	21	94,785	94,758	39,321
		1,001,248	808,745	719,082
TOTAL ASSETS		2,488,108	1,944,360	1,574,009
EQUITY AND LIABILITIES				
Equity				
Share capital	22	284,505	284,505	284,505
Treasury shares	22	(65,393)	(40,555)	(40,555)
Additional paid-in capital		181,982	179,565	179,565
Revaluation reserve		22,869	18,781	18,781
Retained earnings		976,919	679,815	436,439
Translation reserve		(241,227)	(240,791)	(237,751)
Equity attributable to equity holders of the Parent		1,159,655	881,320	640,984
Non-controlling interests		39,008	44,489	29,384
Total equity		1,198,663	925,809	670,368
Non-current liabilities				
Bank borrowings	23	199,483	109,108	58,426
Bonds issued	24	571,515	567,000	562,886
Finance lease obligations	25	45,955	32,558	37,389
Deferred tax liabilities	11	3,345	2,207	2,502
		820,298	710,873	661,203
Current liabilities				
Trade accounts payable	26	68,970	52,689	19,012
Other current liabilities	27	62,902	53,269	38,042
Bank borrowings	23	301,658	170,380	140,092
Bonds issued	24	—	—	9,892
Accrued interest	23, 24	14,125	12,073	11,573
Finance lease obligations	25	21,492	19,267	23,827
		469,147	307,678	242,438
TOTAL LIABILITIES		1,289,445	1,018,551	903,641
TOTAL EQUITY AND LIABILITIES		2,488,108	1,944,360	1,574,009

On behalf of the Board:

Chief Executive Officer/Yuriy Kosyuk

Chief Financial Officer/Viktoria Kapelyushnaya

The accompanying notes on the pages F-9 to F-58 form an integral part of these consolidated financial statements

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Parent								
	Share capital	**Treasury shares**	**Additional paid-in capital**	**Revaluation reserve**	**Retained earnings**	**Translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2010	284,505	—	178,815	18,781	231,044	(238,521)	474,624	19,784	494,408
Profit for the year	—	—	—	—	205,395	—	205,395	10,053	215,448
Other comprehensive income	—	—	—	—	—	770	770	—	770
Total comprehensive income for the year	—	—	—	—	205,395	770	206,165	10,053	216,218
Acquisition of treasury shares (*Note 22*)	—	(46,288)	—	—	—	—	(46,288)	—	(46,288)
Treasury shares disposed of under a compensation scheme (*Note 22*)	—	5,733	750	—	—	—	6,483	—	6,483
Dividends declared by subsidiaries	—	—	—	—	—	—	—	(453)	(453)
Balance at 31 December 2010	284,505	(40,555)	179,565	18,781	436,439	(237,751)	640,984	29,384	670,368
Profit for the year	—	—	—	—	243,376	—	243,376	15,979	259,355
Other comprehensive loss	—	—	—	—	—	(3,040)	(3,040)	—	(3,040)
Total comprehensive income for the year	—	—	—	—	243,376	(3,040)	240,336	15,979	256,315
Dividends declared by subsidiaries	—	—	—	—	—	—	—	(601)	(601)
Acquisition and changes in non-controlling interests in subsidiaries	—	—	—	—	—	—	—	(273)	(273)
Balance at 31 December 2011	284,505	(40,555)	179,565	18,781	679,815	(240,791)	881,320	44,489	925,809
Profit for the year	—	—	—	—	297,104	—	297,104	13,812	310,916
Other comprehensive income	—	—	—	4,088	—	(436)	3,652	252	3,904
Total comprehensive income for the year	—	—	—	4,088	297,104	(436)	300,756	14,064	314,820
Dividends declared by subsidiaries	—	—	—	—	—	—	—	(501)	(501)
Acquisition of treasury shares (*Note 22*)	—	(41,465)	—	—	—	—	(41,465)	—	(41,465)
Acquisition and changes in non-controlling interests in subsidiaries (*Note 2, 22*)	—	16,627	2,417	—	—	—	19,044	(19,044)	—
Balance at 31 December 2012	284,505	(65,393)	181,982	22,869	976,919	(241,227)	1,159,655	39,008	1,198,663

On behalf of the Board:

Chief Executive Officer/Yuriy Kosyuk

Chief Financial Officer/Viktoria Kapelyushnaya

The accompanying notes on the pages F-9 to F-58 form an integral part of these consolidated financial statements

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

(in thousands of US dollars, unless otherwise indicated)

	Notes	2012	2011	2010
Operating activities				
Profit before tax		318,704	262,115	217,321
Non-cash adjustments to reconcile profit before tax to net cash flows				
Depreciation and amortization expense	5	87,135	80,341	67,902
Net change in fair value of biological assets and agricultural produce	5	(16,734)	(21,288)	(29,014)
Change in allowance for irrecoverable amounts and direct write-offs		25,605	18,888	8,264
Loss on disposal of property, plant and equipment and other non-current assets		199	551	1,931
Bonus to key management personnel settled in treasury shares	28	—	—	6,483
Finance income		(3,350)	(6,356)	(13,309)
Finance costs	10	59,311	65,918	62,944
Non-operating foreign exchange loss/(gain), net		3,257	(2,519)	(10,965)
Operating cash flows before movements in working capital		474,127	397,650	311,557
Working capital adjustments				
Change in inventories		(75,508)	(29,033)	(23,962)
Change in biological assets		(12,059)	(13,011)	(4,868)
Change in agricultural produce		2,276	(43,290)	(21,768)
Change in other current assets		(13,245)	(886)	(5,130)
Change in taxes recoverable and prepaid		(92,911)	(47,103)	(47,919)
Change in trade accounts receivable		(7,638)	(12,666)	(10,744)
Change in other liabilities		13,615	7,491	256
Change in trade accounts payable		(127)	13,350	(52,516)
Cash generated by operations		288,530	272,502	144,906
Interest received		3,350	6,645	12,924
Interest paid		(81,508)	(77,239)	(58,134)
Income taxes paid		(12,238)	(4,247)	(3,116)
Net cash flows from operating activities		198,134	197,661	96,580
Investing activities				
Purchases of property, plant and equipment		(257,667)	(234,895)	(139,157)
Acquisition of land lease rights		(1,314)	(5,424)	(4,767)
Purchases of other non-current assets		(3,629)	(4,093)	(2,883)
Proceeds from disposals of property, plant and equipment		1,746	369	703
Purchases of non-current biological assets		(1,408)	(2,139)	(3,610)
Acquisition of subsidiaries, net of cash acquired	2	—	—	(38,659)
Financing provided in relation to acquisition of subsidiaries		—	—	(13,408)
Investments in long-term deposits		—	(6,017)	—
Investments in short-term deposits		(4)	(52,259)	(164,662)
Withdrawals of short-term deposits		1,792	184,419	37,608
Loans repaid by/(provided to) employees, net		78	(1,098)	(993)
Loans repaid by related parties, net		—	—	100
Net cash flows used in investing activities		(260,406)	(121,137)	(329,728)

The accompanying notes on the pages F-9 to F-58 form an integral part of these consolidated financial statements

MHP S.A. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

for the year ended 31 December 2012

(in thousands of US dollars, unless otherwise indicated)

	Notes	2012	2011	2010
Financing activities				
Proceeds from bank borrowings		223,179	158,071	565,134
Repayment of bank borrowings		(96,666)	(142,867)	(560,309)
Proceeds from bonds issued	24	—	—	323,018
Repayment of bonds		—	(9,976)	—
Repayment of finance lease obligations		(22,268)	(25,740)	(24,532)
Repayment of other financing		—	—	(6,420)
Dividends paid by subsidiaries to non-controlling shareholders		(501)	(602)	(453)
Acquisition of treasury shares	22	(41,465)	—	(46,288)
Net cash flows from/(used in) financing activities		62,279	(21,114)	250,150
Net increase in cash and cash equivalents		7	55,410	17,002
Net foreign exchange difference		20	27	71
Cash and cash equivalents at 1 January		94,758	39,321	22,248
Cash and cash equivalents at 31 December		94,785	94,758	39,321
Non-cash transactions				
Additions of property, plant and equipment under finance leases		30,370	13,895	16,365
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor		93,333	72,007	3,970
Revaluation of grain storage facilities	12	5,166	—	—

On behalf of the Board:

Chief Executive Officer/Yuriy Kosyuk

Chief Financial Officer/Viktoria Kapelyushnaya

The accompanying notes on the pages F-9 to F-58 form an integral part of these consolidated financial statements

(in thousands of US dollars, unless otherwise indicated)

1. Corporate information

MHP S.A. (the "Parent" or "MHP S.A."), a limited liability company (**société anonyme**) 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-1882 Luxembourg.

The controlling shareholder of MHP S.A. is the Chief Executive Officer of MHP S.A. Mr. Yuriy Kosyuk (the "Principal Shareholder"), who owns 100% of the shares of WTI Trading Limited ("WTI"), which is the immediate majority shareholder of MHP S.A.

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 year ended 31 December 2012 the Group employed about 27,800 people (2011: 24,800 people, 2010: 22,000 people).

The Group has been undertaking a large-scale investment program to expand its poultry and related operations, and in May 2010 the Group commenced construction of the greenfield Vinnytsia poultry complex. During the second half of 2012 the Group started commissioning production facilities at Vinnytsia complex, which were already completed. Since the end of 2012 respective production facilities have been being launched into operations reaching a full production capacity in forthcoming years (Note 12). The facilities of Vinnytsia complex remaining under construction as of 31 December 2012 will be commissioned during 2013 and 2014, as scheduled.

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 (Note 13).

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent's effective ownership interest as of 31 December 2012, 2011 and 2010 were as follows:

Name	Country of registration	Year established/ acquired	Principal activities	2012	2011	2010
Raftan Holding Limited	Cyprus	2006	Sub-holding Company	100.0%	100.0%	100.0%
MHP	Ukraine	1998	Management, marketing and sales	99.9%	99.9%	99.9%
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	Ukraine	1998	Fodder and sunflower oil production	88.5%	88.5%	88.5%
Vinnytska Ptahofabryka	Ukraine	2011	Chicken farm	99.9%	99.9%	—
Peremoga Nova	Ukraine	1999	Chicken farm	99.9%	99.9%	99.9%
Druzhba Narodiv Nova	Ukraine	2002	Chicken farm	99.9%	99.9%	99.9%
Oril-Leader	Ukraine	2003	Chicken farm	99.9%	99.9%	99.9%
Tavriysky Kombikormovy Zavod	Ukraine	2004	Fodder production	99.9%	99.9%	99.9%
Ptahofabryka Shahtarska Nova	Ukraine	2003	Breeder farm	99.9%	99.9%	99.9%

(in thousands of US dollars, unless otherwise indicated)

1. Corporate information (Continued)

Name	Country of registration	Year established/ acquired	Principal activities	2012	2011	2010
Myronivska Ptahofabryka	Ukraine	2004	Chicken farm	99.9%	99.9%	99.9%
Starynska Ptahofabryka	Ukraine	2003	Breeder farm	94.9%	94.9%	94.9%
Ptahofabryka Snyatynska Nova	Ukraine	2005	Geese breeder farm	99.9%	99.9%	99.9%
Zernoproduct	Ukraine	2005	Grain cultivation	89.9%	89.9%	89.9%
Katerynopilsky Elevator	Ukraine	2005	Fodder production and grain storage, sunflower oil production	99.9%	99.9%	99.9%
Druzhba Narodiv	Ukraine	2006	Cattle breeding, plant cultivation	99.9%	99.9%	99.9%
Crimean Fruit Company	Ukraine	2006	Fruits and grain cultivation	81.9%	81.9%	81.9%
NPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	89.9%	89.9%
Agrofort	Ukraine	2006	Grain cultivation	86.1%	86.1%	86.1%
Urozhayna Krayina	Ukraine	2010	Grain cultivation	99.9%	99.9%	99.9%
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9%	79.9%	79.9%

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

2. Changes in the group structure

Detailed below is the information on incorporations and acquisitions of subsidiaries, as well as changes in non-controlling interests in subsidiaries of the Group during the years ended 31 December 2012, 2011 and 2010.

Incorporations

During the year ended 31 December 2011 the Group established new subsidiary Vinnytskaya Ptahofabryka engaged in poultry production at Vinnytsia Complex.

Acquisitions

2010 acquisitions in the grain growing segment

During the year ended 31 December 2010, the Group acquired from third parties 100% interests in a number of entities engaged in grain growing activities. The transactions were accounted for under the acquisition method. The Group's effective ownership interest following the acquisition and as of 31 December 2010 was 99.9%.

(in thousands of US dollars, unless otherwise indicated)

2. Changes in the group structure (Continued)

The fair value of the net assets acquired was as follows:

	2010
Property, plant and equipment	16,463
Land lease rights	18,801
Non-current biological assets	3,482
Agricultural produce	5,274
Biological assets	5,827
Inventories	1,076
Taxes recoverable and prepaid, net	1,086
Trade accounts receivable, net	113
Cash and cash equivalents	54
Total assets	52,176
Accounts payable to the Group	(13,408)
Trade accounts payable	(1,656)
Other current liabilities	(981)
Total liabilities	(16,045)
Net assets acquired	36,131
Fair value of the consideration transferred	(38,943)
Goodwill	2,812
Cash consideration paid	(38,713)
Cash acquired	54
Net cash outflow arising on the acquisition	(38,659)

Goodwill arising on the acquisitions of these subsidiaries is attributable to the benefits of expected synergies and future development of the grain growing activities. Had the transactions related to acquisitions as discussed above, occurred on 1 January 2010, "Pro forma" revenue and profit for the year ended 31 December 2010 would have been USD 957,497 thousand and USD 217,734 thousand, respectively. "Pro forma" earnings per share would have been USD 1.9 per share.

These "pro forma" revenue and profit measures for the year do not reflect any adjustments related to other transactions. "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.

Changes in non-controlling interests in subsidiaries

In December 2012 the Group increased its effective ownership interest in NPF Urozhay to 99.9% through the acquisition of a non-controlling interest previously held by one of its key management personnel in exchange for 1,257,032 treasury shares held by the Group. The transaction was recognised within the equity (Note 22).

The Group made certain 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 consolidated financial statements of the Group, either individually or in aggregate.

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 as adopted by the European Union ("IFRS"). 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 basis of historical cost, except for revalued amounts of grain storage facilities, biological assets, agricultural produce, and certain financial instruments, which are carried at fair value.

Adoption of new and revised International Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

- IFRS 1 (Revised 2008) "First-time Adoption of International financial Reporting Standards". Amendments to severe hyperinflation. Effective 1 July 2011;
- IFRS 1 (Revised 2008) "First-time Adoption of International financial Reporting Standards". Amendments to removal of fixed dates of first-time adopters. Effective 1 July 2011;
- IFRS 7 "Financial instruments: Disclosures". Amendments to transfers of financial assets. Effective 1 July 2011;
- IAS 12 "Income taxes". Amendments to IAS 12 "Income Taxes"—Deferred Tax: Recovery of Underlying Assets. Effective 1 January 2012;

IFRS 1 (Revised 2008) "First-time Adoption of International financial Reporting Standards" (Amendments)

The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

The amendments regarding the removal of fixed dates provide relief to first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs.

The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IFRS 7 "Financial instruments: Disclosures" (Amendment)

The amendments to IFRS 7 increase the disclosure requirement for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 12 "Income taxes" (Amendment)

Amendments to IAS 12 "Income Taxes" provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 "Investment Property" will, normally, be through sale.

(in thousands of US dollars, unless otherwise indicated)

3. Summary of significant accounting policies (Continued)

As a result of the amendments, SIC-21 "Income Taxes—Recovery of Revalued Non-Depreciable Assets" would no longer apply to investment property carried at fair value. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model as described in IAS 40 "Investment Property". The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

Standards and Interpretations in issue but not effective

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standards and Interpretations	Effective for annual period beginning on or after
Amendments to IAS 1 "Presentation of Financial Statements" To revise the way other comprehensive income is presented	1 July 2012
IAS 27 "Separate Financial Statements" (revised 2011)	1 January 2014
IAS 28 "Investments in Associates and Joint Ventures" (revised 2011)	1 January 2014
IFRS 10 "Consolidated Financial Statements"	1 January 2014
IFRS 11 "Joint Arrangements"	1 January 2014
IFRS 12 "Disclosure of Interests in Other Entities"	1 January 2014
IFRS 13 "Fair Value Measurement"	1 January 2013
IFRIC 20 "Stripping costs in the production phase of a surface mine"	1 January 2013
Amendments to IAS 19 "Employee benefits" Post employment benefits and termination benefits projects	1 January 2013
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"—Accounting for government loan below-market rate when transitioning to IFRS 1[(1)]	1 January 2013
Amendments to IFRS 7 "Financial instruments: Disclosures"—Offsetting of financial assets and financial liabilities	1 January 2013
Amendments to IAS 32 "Financial instruments: Presentation"—Application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
Amendments to IFRS 7 "Financial instruments: Disclosures"—Disclosures about the initial application of IFRS 9[(1)]	1 January 2015
IFRS 9 "Financial Instruments: Classification and Measurement and Accounting for financial liabilities and derecognition"[1)]	1 January 2015

(1) This standard and amendment have not yet been endorsed for use in European Union

Management is currently evaluating the impact of the adoption of IFRS 9 "Financial Instruments", IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", IFRS 13 "Fair Value Measurement", and amendment to IFRS 7 "Financial instruments: Disclosures". For other Standards and Interpretations management anticipates that their adoption in future periods will not have material effect on the financial statements of the Group in future periods.

Functional and presentation currency

The functional currency of the entities within the Group is the Ukrainian Hryvnia ("UAH"). Transactions in currencies other than the functional currency of the entities concerned are treated as

(in thousands of US dollars, unless otherwise indicated)

3. Summary of significant accounting policies (Continued)

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 reporting date. All realized and unrealized gains and losses arising on exchange differences are recognised in the consolidated statement of comprehensive income for the period.

These consolidated financial statements are presented in US Dollars ("USD"), which is the Group's presentation currency.

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

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate as of the reporting date of that statement of financial position;
- Income and expenses for each consolidated statement of 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.

For practical reasons, the Group translates items of income and expenses for each period presented in the financial statements using the quarterly average rates of exchange, if such translations reasonably approximate the results translated at exchange rates prevailing at the dates of the transactions.

The relevant exchange rates were:

Currency	Closing rate as of 31 December 2012	Average for 2012	Closing rate as of 31 December 2011	Average for 2011	Closing rate as of 31 December 2010	Average for 2010
UAH/USD	7.9930	7.9910	7.9898	7.9677	7.9617	7.9353
UAH/EUR	10.5372	10.2692	10.2981	11.0926	10.5731	10.5313

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 entity, 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income or loss of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidation, except when the intragroup losses indicate an impairment that requires recognition in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those adopted by the Group.

3. Summary of significant accounting policies (Continued)

Accounting for acquisitions

The acquisitions of subsidiaries from third parties are accounted for using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values.

The consideration transferred by the Group is measured at fair value, which is the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquired subsidiary and the equity interests issued by the Group in exchange for control of the subsidiary. Acquisition-related costs are generally recognized in statement of comprehensive income as incurred.

When the consideration transferred by the Group in a business combination includes assets and liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which may not exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the subsidiary's identifiable net assets. The choice of measurement basis is made on transaction-by-transaction basis. Other types of non-controlling interests, if any, are measured at fair value or, when applicable, on the basis specified in other IFRS standards.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired subsidiary, and the fair value of the Group's previously held equity interest in the acquired subsidiary (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of non-controlling interests in the subsidiary and the fair value of the Group's previously-held interest in the subsidiary (if any), the excess is recognized in the consolidated statement of comprehensive income, as a bargain purchase gain.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent.

When an acquisition of a legal entity does not constitute a business, the cost of the group of assets is allocated between the individual identifiable assets in the group based on their relative fair values.

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 statements as an adjustment to shareholders' equity. The results of the acquired entity are reflected from the date of acquisition.

3. Summary of significant accounting policies (Continued)

Any gain or loss on disposals to entities under common control are recognized directly in equity and attributed to owners of the Parent.

Borrowing costs

Borrowing costs include interest expense, finance charges on finance leases and other interest-bearing long-term payables and debt service costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements. Rather, they are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognized only when the contingency is resolved.

Segment information

Segment reporting is presented on the basis of management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports provided to the Group's chief operating decision maker ("CODM"). The Group has identified its top management team as its CODM and the internal reports used by the top management team to oversee operations and make decisions on allocating resources serve as the basis of information presented. These internal reports are prepared on the same basis as these consolidated financial statements.

Based on the current management structure, the Group has identified the following reportable segments:

- Poultry and related operations;
- Grain growing operations;
- Other agricultural operations.

The Group does not present information on segment assets and liabilities as the CODM does not review such information for decision-making purposes.

Revenue recognition

The Group generates revenue primarily from the sale of agricultural products to the 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.

3. Summary of significant accounting policies (Continued)

When goods are exchanged or swapped for goods which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. When goods are sold in exchange for dissimilar goods, the exchange is regarded as a transaction which generates revenue, and revenue is measured at the fair value of the goods received, adjusted by the amount of any cash or cash equivalents transferred.

Government grants

Government grants received or receivable for processing of live animals and value added tax (''VAT''), and grants for the agricultural industry (conditional upon reinvestment of the granted funds for agricultural production purposes) are recognized as income over the periods necessary to match them with the related costs, or as an offset against finance costs when received as compensation for the finance costs for agricultural producers. To the extent the conditions attached to the grants are not met at the reporting date, the received funds are recorded in the Group's consolidated financial statements as deferred income. Other government grants are recognized at the moment when the decision to disburse the amounts to the Group is made.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Property, plant and equipment

Property, plant and equipment are carried at historical cost 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 depreciation and 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, (d) the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period; and (e) for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

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

For grain storage facilities revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity as a revaluation reserve. However, such increase is recognized in the statement of comprehensive income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the statement of comprehensive income. 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.

Depreciation on revalued assets is charged to the statement of comprehensive income. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the

3. Summary of significant accounting policies (Continued)

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 prospectively 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 recognised in the statement of comprehensive income.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of construction in progress commences when 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.

Intangible assets

Intangible assets, which are acquired by the Group and which have finite useful lives, consist primarily of land lease rights.

Land lease rights acquired separately are carried at cost less accumulated amortization and accumulated impairment losses.

Land lease rights acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, land lease rights acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as land lease rights acquired separately.

Amortization of intangible assets is recognized on a straight line basis over their estimated useful lives. For land lease rights, the amortization period varies from 3 to 15 years.

The amortization period and the amortization method for intangible assets with finite useful life are reviewed at least at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. Summary of significant accounting policies (Continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets 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 statement of comprehensive income 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 for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income, 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.

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in statement of comprehensive income in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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 reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable

3. Summary of significant accounting policies (Continued)

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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Deferred tax assets and liabilities are offset when:

- The Group has a legally enforceable right to set off the 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.

The majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. These companies are exempt from income taxes and pay the Fixed Agricultural Tax instead (Note 11).

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition.

Cost is calculated using the FIFO (first-in, first-out) method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Agriculture related production process results in production of joint products: main and by-products. A by-product arising from the process is measured at net realizable value and this value is deducted from the cost of the main product.

Biological assets and agricultural produce

Agricultural activity is defined as a biological transformation of biological assets for sale into agricultural produce or into additional biological assets. The Group classifies hatchery eggs, live poultry and other animals and plantations as biological assets.

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 costs to sell at both initial recognition and as of the reporting date, with any resulting gain or loss recognized in the consolidated statement of comprehensive income. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

The difference between fair value less costs to sell and total production costs is allocated to biological assets held in stock as of each reporting date as a fair value adjustment.

The change in this adjustment from one period to another is recognized as "Net change in fair value of biological assets and agricultural produce" in the statement of comprehensive income.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is included in the statement of comprehensive income.

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. The fair value of broilers is determined by reference to the cash flows that will be obtained from the 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 and pigs

Cattle and pigs comprise cattle held for regeneration of livestock population and animals raised 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 the production of fruit. Fruit trees achieve their normal productive age in the second to fifth year. The fair value of orchards which have attained normal productive age is determined using the discounted cash flow approach.

(v) 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.

3. Summary of significant accounting policies (Continued)

Agricultural Produce

(i) Dressed poultry, beef and pork

The fair value of dressed poultry, beef and pork is determined by reference to market prices at the point of harvest.

(ii) Grain and fruits

The fair value of fodder grain and fruits is determined by reference to market prices at the point of harvest.

The Group's biological assets are classified into bearer and consumable biological assets depending upon the function of a particular group of biological assets in the Group's production process. Consumable biological assets are those that are to be harvested as agricultural produce, and include hatchery eggs and live broiler poultry intended for the production of meat, as well as pork and meat cows. Bearer biological assets include poultry held for hatchery eggs production, orchards, milk cows and breeding bulls.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of 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.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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. Accounts receivable, which are non-interest bearing, are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income 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 an 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

3. Summary of significant accounting policies (Continued)

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

The Group enters into derivative financial instruments to purchase sunflower seeds. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not remeasured at fair value through statement of comprehensive income.

As of 31 December 2012, 2011 and 2010 there were no material derivative financial instruments that were recognized in these consolidated financial statements.

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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held 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 statement of financial position 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 expenses are recognised directly to the statement of comprehensive income and are classified as finance costs.

Rental income or expenses under operating leases are recognized in the consolidated statement of comprehensive income 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.

Reclassifications and revisions

Certain comparative information presented in the consolidated financial statements for the years ended December 31, 2011 and 2010 has been revised in order to achieve comparability with the presentation used in the consolidated financial statements for the year ended December 31, 2012. Such reclassifications and revisions were not significant to the Group financial statements.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Acquisitions of land lease rights

During the year ended 31 December 2010, the Group acquired control over entities owning legal rights for operating leases of agricultural land plots. For each individual acquisition, the Group evaluated whether the acquisition constituted an asset acquisition or a business combination. In making this judgment, management considered whether the acquired entities are capable of being conducted and managed as a business for the purpose of providing returns, including whether the acquired entities possess other assets and workforce as inputs compared to normal industry requirements. As a result, the Group's management concluded that land lease rights of USD 4,767 thousand and USD 18,801 thousand were acquired in assets acquisition and business combination transactions, respectively (Note 13).

Revenue recognition

In the normal course of business, the Group engages in sale and purchase transactions with the purpose of exchanging crops in various locations to fulfill the Group's production requirements. In accordance with the Group's accounting policy, revenue is not recognized with respect to the exchange transactions involving goods of similar nature and value. Group management applies judgment to determine whether each particular transaction represents an exchange or a transaction that generates revenue. In making this judgment, management considers whether the underlying crops are of similar type and quality, as well as whether the time passed between the transfer and receipt of the underlying crops indicates that the substance of the transaction is an exchange of similar goods.

Recognition of inventories

During the year ended 31 December 2012 and 2011, the Group acquired components for mixed fodder production from a local supplier under grain purchase financing arrangements. According to the contractual terms, legal ownership to the goods passed to the Group on physical delivery to the Group's grain storage facilities, which is generally the date when inventories are recognized in the Group's financial statements. However, based on the analysis of the nature of this arrangement, management applied judgment to determine the date on which control over these goods passed to the Group. In making this judgment, management considered the relevant significance of risk and rewards associated with ownership of grain, in particular date of transfer of physical damage risk, as well as commercial risks and benefits associated with ownership. Based on this assessment, management concluded that the Group assumed risk of physical damage and obtained commercial benefits prior to obtaining legal ownership over these inventories and as such, that these inventories should be recognized in the Group's financial statements from the date when they were acquired by the supplier. There were no such transactions in the year ended 31 December 2010.

4. Critical accounting judgments and key sources of estimation uncertainty (Continued)

Revaluation of property, plant and equipment

As described in Note 3 and 12, the Group applies revaluation model to the measurement of grain storage facilities. At each reporting date, the Group carries out a review of the carrying amount of these assets to determine whether the carrying amount differs materially from fair value. The Group carries out such review by preparing a discounted cash flow analysis involving assumptions on projected revenues and costs, and a discount rate. Additionally, the Group considers economic stability and availability of transactions with similar assets in the market when determining whether to perform a fair value assessment in a given period. Based on the results of this review, the Group concluded that grain storage facilities should be revalued during the year ended 31 December 2012, only.

Group appointed an independent valuator for revaluation of its grain storage facilities during the year ended 31 December 2012. Key assumptions used by independent valuator in assessing fair value of grain storage facilities using cost replacement method was as follows:

- present condition of particular assets was ranked from excellent to good;
- changes in prices of assets and construction materials from the date of its acquisition/construction till the date of valuation was assessed as 1.15;
- other external and internal factors that might have effect on fair value of grain-storage facilities;
- received results of revaluation based on replacement cost approach were compared with revaluation performed using income approach to check for impairment indicators of revalued assets, if any. Discount factor used in the model was USD WACC of 18.8%.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value less costs to sell of biological assets and agricultural produce

Biological assets are recorded at fair values less costs to sell. The Group estimates the fair values of biological assets based on the following key assumptions:

- Average meat output for broilers and livestock for meat production;
- Average productive life of breeders and cattle held for regeneration and milk production;
- Expected crops output;
- Projected orchards output;
- Estimated changes in future sales prices;
- Projected production costs and costs to sell;
- Discount rate.

During the year ended 31 December 2012 fair value of biological assets and agricultural produce was estimated using UAH WACC discount factor of 21,67% (31 December 2011: 19,87%; 31 December 2010 15,66%).

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results.

4. Critical accounting judgments and key sources of estimation uncertainty (Continued)

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

VAT recoverable

Note 14 describes long-term VAT recoverable accumulated by the Group on its capital expenditures and investments in working capital. The balance of VAT recoverable may be realized by the Group either through a cash refund from the state budget or by set off against VAT liabilities with the state budget in future periods. Management classified VAT recoverable balance as current or non-current based on expectations as to whether it will be realized within twelve months from the reporting date. In addition, management assessed whether the allowance for irrecoverable VAT needs to be created. In making this assessment, management considered past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess of VAT output over VAT input in the normal course of the business.

Vinnytsia complex commissioning

As discussed in Notes 1 and 12, during the second half of 2012 the Group started commissioning production facilities at Vinnytsia complex, which were already completed, and therefore were operated under the trial mode. During this period the facilities were not ready for being used in the manner intended by management and no depreciation was charged. After, the trial period completion, the Group has been launching into operations production facilities reaching a full production capacity in forthcoming years and commenced depreciation of respective assets.

In making the assessment of the trial period length, management considered actual utilization of production facilities as well as output achieved, which were significantly lower than designed capacity of the equipment.

5. Segment information

All of the Group's operations are located within Ukraine.

Segment information is analyzed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are therefore as follows:

Poultry and related operations segment:	• sales of chicken meat
	• sales of sunflower oil
	• other poultry related sales
Grain growing operations segment:	• sales of grain
Other agricultural operations segment:	• sales of meat processing products and other meat
	• other agricultural operations (sales of fruits, milk, feed grains and other)

(in thousands of US dollars, unless otherwise indicated)

5. Segment information (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Sales between segments are carried out at market prices. The segment result represents operating profit under IFRS before unallocated corporate expenses. Unallocated corporate expenses include management remuneration, representative expenses, and expenses incurred in respect of the maintenance of office premises. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

As of 31 December and for the year then ended the Group's segmental information was as follows:

Year ended 31 December 2012	Poultry and related operations	Grain growing	Other agricultural operations	Eliminations	Consolidated
External sales	1,082,978	169,142	155,402	—	1,407,522
Sales between business segments	42,919	147,719	5,074	(195,712)	—
Total revenue	1,125,897	316,861	160,476	(195,712)	1,407,522
Segment results	318,537	92,139	3,494	—	414,170
Unallocated corporate expenses					(33,587)
Other expenses, net(1)					(61,879)
Profit before tax					318,704
Other information:					
Additions to property, plant and equipment(2)	375,604	21,375	11,679	—	408,658
Depreciation and amortization expense(3)	57,922	19,569	6,522	—	84,013
Net change in fair value of biological assets and agricultural produce	11,955	4,329	450	—	16,734

(1) Include finance income, finance costs, foreign exchange loss (net) and other expenses (net).

(2) Additions to property, plant and equipment in 2012 (Note 12) include unallocated additions in the amount of USD 4,092 thousand.

(3) Depreciation and amortization for the year ended 31 December 2012 does not include unallocated depreciation and amortization in the amount of USD 3,122 thousand.

(in thousands of US dollars, unless otherwise indicated)

5. Segment information (Continued)

Year ended 31 December 2011	Poultry and related operations	Grain growing	Other agricultural operations	Eliminations	Consolidated
External sales	978,871	103,739	146,480	—	1,229,090
Sales between business segments	36,381	117,831	5,203	(159,415)	—
Total revenue	1,015,252	221,570	151,683	(159,415)	1,229,090
Segment results	236,602	104,286	9,651	—	350,539
Unallocated corporate expenses					(29,795)
Other expenses, net[(1)]					(58,629)
Profit before tax					262,115
Other information:					
Additions to property, plant and equipment[(2)]	309,072	23,079	7,598	—	339,749
Depreciation and amortization expense[(3)]	53,879	16,422	6,742	—	77,043
Net change in fair value of biological assets and agricultural produce	2,665	17,322	1,301	—	21,288

(1) Include finance income, finance costs, foreign exchange gain (net) and other expenses (net).

(2) Additions to property, plant and equipment in 2011 (Note 12) include unallocated additions in the amount of USD 2,527 thousand.

(3) Depreciation and amortization for the year ended 31 December 2011 does not include unallocated depreciation and amortization in the amount of USD 3,298 thousand.

Year ended 31 December 2010	Poultry and related operations	Grain growing	Other agricultural operations	Eliminations	Consolidated
External sales	800,237	35,631	108,338	—	944,206
Sales between business segments	28,584	85,668	3,353	(117,605)	—
Total revenue	828,821	121,299	111,691	(117,605)	944,206
Segment results	225,073	55,765	3,738	—	284,576
Unallocated corporate expenses					(27,792)
Other expenses, net[(1)]					(39,463)
Profit before tax					217,321
Other information:					
Additions to property, plant and equipment[(2)]	128,972	17,360	9,825	—	156,157
Depreciation and amortization expense[(3]	47,600	11,397	5,585	—	64,582
Net change in fair value of biological assets and agricultural produce	9,473	17,019	2,522	—	29,014

(1) Include finance income, finance costs, foreign exchange gain (net) and other expenses (net).

(2) Additions to property, plant and equipment in 2010 (Note 12) include unallocated additions in the amount of USD 4,818 thousand.

(3) Depreciation and amortization for the year ended 31 December 2010 does not include unallocated depreciation and amortization in the amount of USD 3,320 thousand.

(in thousands of US dollars, unless otherwise indicated)

5. Segment information (Continued)

The Group's export sales to external customers by major product types were as follows during the years ended 31 December 2012, 2011 and 2010:

	2012	2011	2010
Sunflower oil and related products	227,835	222,418	188,156
Grain	138,639	63,101	22,454
Chicken meat and related products	112,931	67,874	29,147
Other agricultural segment products	431	486	290
	479,836	353,879	240,047

Export sales of sunflower oil and related products and export sales of grains are primarily made to global trading companies at CPT port terms. The major markets for the Group's export sales of chicken meat are Kazakhstan and Russia as well as, to the lower extent, other CIS countries, Middle East, Central Asia and Africa.

6. Revenue

Revenue for the years ended 31 December 2012, 2011 and 2010 was as follows:

	2012	2011	2010
Poultry and related operations segment			
Chicken meat	804,381	693,207	562,982
Sunflower oil and related products	227,835	222,418	188,156
Other poultry related sales	50,762	63,246	49,099
	1,082,978	978,871	800,237
Grain growing operations segment			
Grain	169,142	103,739	35,631
	169,142	103,739	35,631
Other agricultural operations segment			
Other meat	102,959	99,740	79,185
Other agricultural sales	52,443	46,740	29,153
	155,402	146,480	108,338
	1,407,522	1,229,090	944,206

7. Cost of sales

Cost of sales for the years ended 31 December 2012, 2011 and 2010 was as follows:

	2012	2011	2010
Poultry and related operations	705,128	684,001	546,494
Grain growing operations	147,821	71,883	29,771
Other agricultural operations	148,960	133,243	104,372
	1,001,909	889,127	680,637

(in thousands of US dollars, unless otherwise indicated)

7. Cost of sales (Continued)

For the years ended 31 December 2012, 2011 and 2010 cost of sales comprised the following:

	2012	2011	2010
Costs of raw materials and other inventory used	700,410	620,385	475,093
Payroll and related expenses	151,538	131,840	101,425
Depreciation and amortization expense	74,870	66,675	56,799
Other costs	75,091	70,227	47,320
	1,001,909	889,127	680,637

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.

8. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended 31 December 2012, 2011 and 2010 were as follows:

	2012	2011	2010
Payroll and related expenses	46,414	40,391	43,576
Services	20,738	24,381	17,517
Fuel and other materials used	13,646	12,433	9,166
Advertising expense	12,691	2,415	9,094
Depreciation expense	12,265	13,666	11,103
Representative costs and business trips	8,641	8,330	8,611
Insurance expense	1,594	1,919	1,734
Bank services and conversion fees	474	486	535
Other	4,022	2,426	771
	120,485	106,447	102,107

Remuneration to the auditors, included in Services above, approximate to USD 744 thousand, USD 832 thousand and USD 1,000 thousand for the years ended 31 December 2012, 2011 and 2010, respectively, and audit fees approximate USD 600 thousand for each of the years ended 31 December 2012, 2011 and 2010, with the remaining amount attributable to other advisory fees.

During the year ended 31 December 2010 Payroll and related expenses included a one-off bonus paid by the Group to one of the top managers in the form of 455,000 shares representing 0.4% of the share capital of MHP S.A. (Note 22). The amount recognized as part of selling, general and administrative expenses, was measured as the sum of the fair value of the shares at grant date of USD 6,483 thousand and the amount of payroll related taxes of USD 1,145 thousand (Note 28).

9. VAT refunds and other 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 thousands of US dollars, unless otherwise indicated)

9. VAT refunds and other government grants income (Continued)

VAT refunds and other government grants recognized by the Group as income during the years ended 31 December 2012, 2011 and 2010 were as follows:

	2012	2011	2010
VAT refunds	101,581	87,476	80,223
Fruits and vine cultivation	343	26	1,219
Other government grants	445	483	616
	102,369	87,985	82,058

VAT refunds for agricultural industry

According to the Tax Code of Ukraine issued in December 2010 and effective as of 1 January 2011 («Tax Code»), companies that generated not less than 75% of gross revenues for the previous tax year from sales of own agricultural products are entitled to retain VAT on sales of agricultural products, net of VAT paid on purchases, for use in agricultural production.

In accordance with the Tax Code, the VAT rate will be decreased from currently effective 20% to 17% starting from 1 January 2014. The special VAT regime for the agricultural industry will be effective through 1 January 2018.

Included in VAT refunds for the years ended 31 December 2012, 2011 and 2010 there were specific VAT subsidies for the production and sale of milk and live animals for further processing in the amount of USD 1,426 thousand, USD 422 thousand and USD 2,125 thousand, respectively.

Government grants on fruits and vine cultivation

In accordance with the Law "On State Budget of Ukraine" two companies of the Group received grants for the years ended 31 December 2012, 2011 and 2010 for the creation and cultivating of orchards, vines and berry-fields.

Other government grants

Other government grants recognized as income during the years ended 31 December 2012, 2011 and 2010 mainly comprised subsidies related to crop growing.

In addition to the government grants income recognized by the Group, the Group receives a grant to compensate agricultural producers for costs used to finance operations. Agricultural producers are entitled to the compensation of finance costs incurred on bank borrowings in accordance with the Law "On State Budget of Ukraine" during the years ended 31 December 2012, 2011 and 2010. The eligibility, application and tender procedures related to such grants are 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 2012, 2011 and 2010 were USD nil, USD 1,828 thousand and USD 4,999 thousand, respectively (Note 10).

(in thousands of US dollars, unless otherwise indicated)

10. Finance costs

Finance costs for the years ended 31 December 2012, 2011 and 2010 were as follows:

	2012	2011	2010
Interest on corporate bonds	64,449	64,996	50,911
Interest on bank borrowings	15,839	9,720	8,539
Interest on obligations under finance leases	4,795	5,157	5,979
Interest on financing arrangements for grain purchases	643	294	3,049
Bank commissions and other charges	3,786	3,782	1,921
Government grants as compensation for the finance costs of agricultural producers *(Note 9)*	—	(1,828)	(4,999)
Total finance costs	89,512	82,121	65,400
Less:			
Finance costs included in the cost of qualifying assets	(30,201)	(16,203)	(2,456)
	59,311	65,918	62,944

For qualifying assets, the weighted average capitalization rate on funds borrowed generally during the year ended 31 December 2012 was 8.10% (2011: 9.55%, 2010: 10.62%).

Interest on corporate bonds for the years ended 31 December 2012, 2011 and 2010 includes amortization of premium and debt issue costs on bonds issued in the amounts of USD 4,509 thousand, USD 4,124 thousand and USD 1,526 thousand, respectively.

11. Income tax

Substantially all of the Group's operating entities are located in Ukraine, therefore the effective tax rate reconciliation is completed based on Ukrainian statutory rates. The net results of the Group companies incorporated in jurisdictions other than Ukraine were insignificant during the years ended 31 December 2012, 2011 and 2010.The majority of the Group companies that are involved in agricultural production pay the Fixed Agricultural Tax (the "FAT") in accordance with the Tax Code. The FAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Municipal Tax, Natural Resources Usage Duty, Geological Survey 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 valid indefinitely. FAT does not constitute an income tax, and as such, is recognized in the statement of comprehensive income in other operating expenses.

During the year ended 31 December 2012, the Group's companies that have the status of Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at a rate of 21% (1 January 2011—1 April 2011—25%, 1 April 2011—31 December 2011—23%, and for the year ended 31 December 2010—25%).

The Tax Code of Ukraine (Note 29) is introducing gradual decreases in income tax rates from 23% effective 1 April 2011 to 16% effective 1 January 2014, as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as of 31 December 2012, 2011 and 2010 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

(in thousands of US dollars, unless otherwise indicated)

11. Income tax (Continued)

The components of income tax expense were as follows for the years ended 31 December 2012, 2011 and 2010:

	2012	2011	2010
Current income tax charge	7,915	5,664	3,413
Deferred tax benefit	(127)	(2,904)	(1,540)
Income tax expense	7,788	2,760	1,873

Reconciliation between profit before tax multiplied by the statutory tax rate and the tax expense for the years ended 31 December 2012, 2011 and 2010 was as follows:

	2012	2011	2010
Profit before income tax	318,704	262,115	217,321
At the Company's statutory income tax rate of 21% (23% since 1 April 2011 till 31 December 2011, 25% till 1 April 2011)	66,928	61,010	54,330
Tax effect of:			
Income generated by FAT payers (exempt from income tax)	(82,443)	(77,043)	(76,815)
Changes in tax rate and law	—	—	(18,801)
(Recognized)/unrecognized deferred tax assets on property, plant and equipment	—	(6,792)	6,792
Non-deductible expenses (by law)	19,402	10,332	11,889
Expenses not deducted for tax purposes (policy choice)	3,901	15,253	24,478
Income tax expense	7,788	2,760	1,873

As of 31 December 2012, 2011 and 2010 the Group did not recognize deferred tax assets arising from temporary differences of USD 18.576 thousand, USD 64,907 thousand and USD 97,912 thousand, respectively, as the Group did not intend to deduct the relevant expenses for tax purposes in subsequent periods. As of 31 December 2010 the Group did not recognize deferred tax assets on temporary differences in respect of the property, plant and equipment of USD 27,168 thousand due to uncertainties relating to norms of Tax Code which came into effect from 1 April 2011. As of 31 December 2011, subsequent to the implementation of the Tax Code, management of the Group reassessed the recoverability of the deferred tax assets in respect property, plant and equipment. The Group was able to utilize part of the deferred tax assets balance in 2011 and has the ability to utilize the residual balance in future periods in accordance with the provisions of the Tax Code.

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, based on current legislation.

(in thousands of US dollars, unless otherwise indicated)

11. Income tax (Continued)

As of 31 December 2012, 2011 and 2010 deferred tax assets and liabilities comprised the following:

	2012	2011	2010
Deferred tax assets arising from:			
Property, plant and equipment	4,732	5,996	6,792
Other current liabilities	1,301	1,518	1,619
Inventories	1,081	1,011	—
Advances received and other payables	849	1,155	4,284
Expenses deferred in tax books	3,484	288	1,942
less:			
Unrecognized deferred tax assets	—	—	(6,792)
Total deferred tax assets	11,447	9,968	7,845
Deferred tax liabilities arising from:			
Property, plant and equipment	(4,165)	(2,987)	(2,655)
Inventories	(2,138)	(996)	(675)
Prepayments to suppliers	(258)	(397)	(1,827)
Total deferred tax liabilities	(6,561)	(4,380)	(5,157)
Net deferred tax assets	4,886	5,588	2,688

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 authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as of 31 December 2012, 2011 and 2010:

	2012	2011	2010
Deferred tax assets	8,231	7,795	5,190
Deferred tax liabilities	(3,345)	(2,207)	(2,502)
	4,886	5,588	2,688

The movements in net deferred tax assets for the years ended 31 December 2012, 2011 and 2010 were as follows:

	2012	2011	2010
Net deferred tax assets as of beginning of the year	5,588	2,688	1,213
Deferred tax benefit	127	2,904	1,540
Deferred tax on property, plant and equipment charged directly to revaluation reserve	(826)		—
Translation difference	(3)	(4)	(65)
Net deferred tax assets as of end of the year	4,886	5,588	2,688

(in thousands of US dollars, unless otherwise indicated)

12. Property, plant and equipment

The following table represents movements in property, plant and equipment for the year ended 31 December 2012:

	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 fair value:								
At 1 January 2012	293,998	43,912	348,916	58,726	215,188	17,876	315,380	1,293,996
Additions	61,598	—	25,487	7,204	53,341	1,383	263,737	412,750
Disposals	(1,293)	—	(2,222)	(147)	(4,352)	(947)	(18)	(8,979)
Transfers	99,744	4,721	62,339	10,495	1,445	343	(179,087)	—
Revaluations	—	1,151	—	—	—	—	—	1,151
Translation difference	(177)	(28)	(415)	(127)	(335)	(121)	(322)	(1,525)
At 31 December 2012	453,870	49,756	434,105	76,151	265,287	18,534	399,690	1,697,393
Accumulated depreciation and impairment:								
At 1 January 2012	51,435	2,373	109,983	16,473	94,868	9,941	—	285,073
Depreciation charge for the year	16,365	1,584	31,039	3,750	28,239	3,195	—	84,172
Elimination upon disposal	(938)	—	(1,731)	(75)	(3,380)	(865)	—	(6,989)
Elliminated upon revaluations	—	(4,015)	—	—	—	—	—	(4,015)
Translation difference	(112)	133	(248)	(67)	(185)	(56)	—	(535)
At 31 December 2012	66,750	75	139,043	20,081	119,542	12,215	—	357,706
Net book value								
At 1 January 2012	242,563	41,539	238,933	42,253	120,320	7,935	315,380	1,008,923
At 31 December 2012	387,120	49,681	295,062	56,070	145,745	6,319	399,690	1,339,687

(in thousands of US dollars, unless otherwise indicated)

12. Property, plant and equipment (Continued)

The following table represents movements in property, plant and equipment for the year ended 31 December 2011:

	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 fair value:								
At 1 January 2011	259,799	32,589	274,024	52,440	190,943	16,046	131,551	957,392
Additions	27,030	7,728	45,656	5,530	29,285	1,786	225,261	342,276
Disposals	(247)	—	(743)	(4)	(2,083)	(121)	—	(3,198)
Transfers	8,361	3,720	31,011	950	(2,263)	223	(42,002)	—
Translation difference	(945)	(125)	(1,032)	(190)	(694)	(58)	570	(2,474)
At 31 December 2011	293,998	43,912	348,916	58,726	215,188	17,876	315,380	1,293,996
Accumulated depreciation and impairment:								
At 1 January 2011	37,189	1,046	83,171	13,198	71,068	6,755	—	212,427
Depreciation charge for the year	14,517	1,331	27,602	3,325	25,323	3,322	—	75,420
Elimination upon disposal	(128)	—	(473)	(1)	(1,253)	(109)	—	(1,964)
Translation difference	(143)	(4)	(317)	(49)	(270)	(27)	—	(810)
At 31 December 2011	51,435	2,373	109,983	16,473	94,868	9,941	—	285,073
Net book value								
At 1 January 2011	222,610	31,543	190,853	39,242	119,875	9,291	131,551	744,965
At 31 December 2011	242,563	41,539	238,933	42,253	120,320	7,935	315,380	1,008,923

(in thousands of US dollars, unless otherwise indicated)

12. Property, plant and equipment (Continued)

The following table represents movements in property, plant and equipment for the year ended 31 December 2010:

	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 fair value:								
At 1 January 2010	217,356	30,929	244,698	52,757	154,570	13,897	66,322	780,529
Additions	25,500	1,563	21,906	4,897	29,526	2,102	75,481	160,975
Disposals	(176)	—	(425)	(38)	(1,563)	(51)	—	(2,253)
Transfers	6,670	12	2,248	1,167	122	49	(10,268)	—
Acquired through business combination (*Note 2*)	6,365	—	2,106	22	7,955	15	—	16,463
Reclassifications	3,652	—	2,869	(6,521)	—	—	—	—
Translation difference	432	85	622	156	333	34	16	1,678
At 31 December 2010	259,799	32,589	274,024	52,440	190,943	16,046	131,551	957,392
Accumulated depreciation:								
At 1 January 2010	23,447	—	59,634	9,593	49,896	3,690	—	146,260
Depreciation charge for the year	13,216	1,049	23,409	4,397	22,088	3,110	—	67,269
Elimination upon disposal	(36)	—	(234)	(3)	(992)	(46)	—	(1,311)
Reclassifications	540	—	265	(805)	—	—	—	—
Translation difference	22	(3)	97	16	76	1	—	209
At 31 December 2010	37,189	1,046	83,171	13,198	71,068	6,755	—	212,427
Net book value								
At 1 January 2010	193,909	30,929	185,064	43,164	104,674	10,207	66,322	634,269
At 31 December 2010	222,610	31,543	190,853	39,242	119,875	9,291	131,551	744,965

12. Property, plant and equipment (Continued)

During the second half of 2012 the Group started commissioning production facilities at Vinnytsia complex, which were already completed. Since the end of 2012 respective production facilities have been being launched into operations reaching a full production capacity in forthcoming years (Note 1). The facilities of Vinnytsia complex remaining under construction as of 31 December 2012 will be commissioned during 2013 and 2014, as scheduled.

As of 31 December 2012, included within construction in progress were prepayments for property, plant and equipment in the amount of USD 24,796 thousand (2011: USD 46,086 thousand, 2010: USD 25,020 thousand).

As of 31 December 2012, included within property, plant and equipment were fully depreciated assets with the original cost of USD 34 722 thousand (2011: USD 19,647 thousand, 2010: USD 12,494 thousand).

As of 31 December 2012, certain of the Group's machinery and equipment with the carrying amount of USD nil (2011: USD 4,648 thousand, 2010: USD 5,247 thousand) were pledged as collateral to secure its bank borrowings (Note 23).

As of 31 December 2012, 2011 and 2010 the net carrying amount of property, plant and equipment, represented by vehicles and agricultural machinery, held under finance lease agreements was USD 69,059 thousand, USD 73,798 thousand and USD 72,234 thousand, respectively.

Impairment assessment

The Group reviews its property, plant and equipment each period to determine if any indication of impairment exists. Based on these reviews, there were no indicators of impairment as of 31 December 2012, 2011 and 2010.

Revaluation of grain storage facilities

During the year ended 31 December 2012, the Group engaged independent appraisers to revalue its grain storage facilities. The effective date of revaluation was 31 October 2012. The valuation, which conformed to the International Valuation Standards, was determined using replacement cost method by reference to observable prices in an active market.

No revaluation of grain storage facilities was performed during the years ended 31 December 2011 and 2010 as, based on management's assessment, the fair value of grain storage facilities as of 31 December 2011 and 2010 did not materially differ from their carrying amount.

If the grain storage facilities were carried at cost and depreciated on a straight line basis based on their original depreciation rate, their net book value as of 31 December 2012 would be USD 24,102 thousand (2011: USD 20,514 thousand, 2010: USD 13,792 thousand).

13. Land lease rights

Land lease rights represent rights for operating leases of agricultural land plots, the major part of which was acquired by the Group during the year ended 31 December 2010 as part of asset acquisitions and through business combinations.

(in thousands of US dollars, unless otherwise indicated)

13. Land lease rights (Continued)

The following table represents the movements in land lease rights for the years ended 31 December:

	2012	2011	2010
Cost:			
As of 1 January	30,332	24,439	965
Additions	1,314	5,995	4,767
Acquired through business combinations *(Note 2)*	—	—	18,801
Translation difference	(12)	(102)	(94)
As of 31 December	31,634	30,332	24,439
Accumulated amortization:			
As of 1 January	3,105	1,223	111
Amortization charge for the year	1,837	1,891	1,117
Translation difference	(2)	(9)	(5)
As of 31 December	4,940	3,105	1,223
Net book value:			
As of 1 January	27,227	23,216	854
As of 31 December	26,694	27,227	23,216

14. Long-term VAT recoverable, net

As of 31 December 2012, 2011 and 2010 the balance of long-term VAT recoverable was accumulated on continuing capital expenditures. Management expects that these balances will not be recovered within twelve months of the reporting date.

As of 31 December 2012, an allowance for estimated irrecoverable long-term VAT of USD 7,754 thousand was recorded by the Group (2011: USD 4,938 thousand, 2010: USD 3,746 thousand).

15. Biological assets

The balances of non-current biological assets were as follows as of 31 December 2012, 2011 and 2010:

	2012		2011		2010	
	Thousand units	Carrying amount	Thousand units	Carrying amount	Thousand units	Carrying amount
Orchards, hectare	1.64	30,018	1.64	27,978	1.87	25,768
Milk cows, boars, sows, units	21.6	18,547	14.1	14,803	13.1	13,997
Other non-current bearer biological assets		994		906		714
Total bearer non-current biological assets		49,559		43,687		40,479
Non-current cattle and pigs, units	7.1	4,136	5.1	2,640	5.9	2,809
Total consumable non-current biological assets		4,136		2,640		2,809
Total non-current biological assets		53,695		46,327		43,288

(in thousands of US dollars, unless otherwise indicated)

15. Biological assets (Continued)

The balances of current biological assets were as follows as of 31 December 2012, 2011 and 2010:

	2012		2011		2010	
	Thousand units	Carrying amount	Thousand units	Carrying amount	Thousand units	Carrying amount
Breeders held for hatchery eggs production, units	2,634	54,273	2,384	39,345	2,360	39,530
Total bearer current biological assets		54,273		39,345		39,530
Broiler poultry, units	26,223	51,051	25,273	55,411	26,371	43,287
Hatchery eggs, units	20,587	6,628	20,472	5,915	20,179	5,724
Crops in fields, hectare	75	39,590	71	23,876	76	17,840
Cattle and pigs, units	45	7,204	56	10,654	61	9,118
Other current consumable biological assets		530		789		811
Total consumable current biological assets		105,003		96,645		76,780
Total current biological assets		159,276		135,990		116,310

Other current consumable biological assets include geese and other livestock.

(in thousands of US dollars, unless otherwise indicated)

15. Biological assets (Continued)

The following table represents movements in biological assets for the years ended 31 December 2012, 2011 and 2010:

	Crops in fields	Orchards	Breeders held for hatchery eggs production	Broiler poultry	Milk cows, boars, sows	Non-current cattle and pigs	Cattle, pigs
As of 1 January 2010	11,715	23,478	35,845	36,957	9,560	2,667	6,714
Increase due to purchases	3,135	1,537	8,176	2,830	176	65	1,756
Acquired through business combinations *(Note 2)*	2,234	—	—	—	3,411	71	3,560
Gains/(losses) arising from change in fair value of biological assets less costs to sell	155,551	10,104	72,341	504,092	10,599	(1,976)	23,792
Transfer to consumable biological assets	—	—	(69,968)	69,968	(1,782)	(295)	2,077
Transfer to bearing non-current biological assets	—	—	—	—	2,162	3,724	(5,886)
Decrease due to sale	—	—	—	—	(529)	(7)	(8,371)
Decrease due to harvest	(154,791)	(9,455)	(6,957)	(570,647)	(9,611)	(1,449)	(14,535)
Translation difference	(4)	104	93	87	11	9	11
As of 31 December 2010	17,840	25,768	39,530	43,287	13,997	2,809	9,118
Increase due to purchases	7,239	1,820	8,983	80	12	35	1,946
Gains/(losses) arising from change in fair value of biological assets less costs to sell	273,357	13,487	84,905	616,361	12,781	(63)	32,249
Transfer to consumable biological assets	—	—	(76,889)	76,889	(1,325)	(285)	1,610
Transfer to bearing non-current biological assets	—	—	—	—	4,072	1,269	(5,340)
Decrease due to sale	—	—	—	—	(198)	(12)	(11,291)
Decrease due to harvest	(274,383)	(12,994)	(17,045)	(681,022)	(14,484)	(1,104)	(17,601)
Translation difference	(177)	(103)	(139)	(184)	(52)	(9)	(37)
As of 31 December 2011	23,876	27,978	39,345	55,411	14,803	2,640	10,654
Increase due to purchases	6,300	1,896	10,359	186	251	54	1,722
Gains/(losses) arising from change in fair value of biological assets less costs to sell	290,952	13,964	104,920	725,261	12,820	(389)	31,402
Transfer to consumable biological assets	—	—	(87,496)	87,496	—	(176)	176
Transfer to bearing non-current biological assets	—	—	—	—	9,559	2,498	(12,057)
Decrease due to sale	—	—	—	—	(599)	(13)	(12,303)
Decrease due to harvest	(281,529)	(13,805)	(12,836)	(817,282)	(18,279)	(477)	(12,388)
Translation difference	(9)	(15)	(19)	(21)	(8)	(1)	(2)
As of 31 December 2012	39,590	30,018	54,273	51,051	18,547	4,136	7,204

(in thousands of US dollars, unless otherwise indicated)

16. Inventories

The balances of inventories were as follows as of 31 December 2012, 2011 and 2010:

	2012	2011	2010
Components for mixed fodder production	175,013	111,220	83,477
Work in progress	44,043	35,705	19,100
Other raw materials	25,023	19,037	14,345
Spare parts	10,999	5,373	3,831
Sunflower oil	9,662	3,077	4,234
Packaging materials	4,533	4,057	4,092
Mixed fodder	3,802	2,822	2,231
Other inventories	1,180	949	1,281
	274,255	182,240	132,591

As of 31 December 2012, 2011 and 2010 work in progress in the amount of USD 44,043 thousand, 35,705 thousand and USD 19,100 thousand comprised expenses incurred in cultivating fields to be planted in the years 2013, 2012 and 2011, respectively.

As of 31 December 2012, components for mixed fodder production with carrying amount of USD 62,500 thousand (2011: USD 45,491 thousand, 2010: USD 62,500 thousand) were pledged as collateral to secure bank borrowings (Note 23).

17. Agricultural produce

The balances of agricultural produce were as follows as of 31 December 2012, 2011 and 2010:

	Thousand tonnes	Carrying amount	Thousand tonnes	Carrying amount	Thousand tonnes	Carrying amount
	2012		2011		2010	
Chicken meat	14,715	26,206	5,561	11,716	15,333	24,403
Other meat	N/A[1]	4,059	N/A[1]	6,380	N/A[1]	4,058
Grain	631	121,507	841	131,764	455	77,069
Fruits, vegetables and other crops	N/A[1]	14,356	N/A[1]	19,162	N/A[1]	8,320
		166,128		169,022		113,850

(1) Due to the diverse composition of noted produce unit of measurement is not applicable.

18. Taxes recoverable and prepaid, net

Taxes recoverable and prepaid were as follows as of 31 December 2012, 2011 and 2010:

	2012	2011	2010
VAT recoverable	213,944	149,853	116,534
Miscellaneous taxes prepaid	5,228	1,350	1,472
Less: allowance for irrecoverable VAT	(18,864)	(14,028)	(10,182)
	200,308	137,175	107,824

(in thousands of US dollars, unless otherwise indicated)

19. Trade accounts receivable, net

The balances of trade accounts receivable were as follows as of 31 December 2012, 2011 and 2010:

	2012	2011	2010
Agricultural operations	59,177	53,750	44,888
Due from related parties *(Note 28)*	10,359	10,895	7,756
Sunflower oil sales	4,237	1,934	1,536
Less: allowance for irrecoverable amounts	(1,157)	(785)	(785)
	72,616	65,794	53,395

The allowance for irrecoverable amounts is estimated at the level of 25% of trade accounts receivable on sales of poultry meat which are over 30 days past due (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.

The Group also performs specific analysis of trade accounts receivable due from individual customers to determine whether any further adjustments are required to the allowance for irrecoverable amounts assessed on the percentages disclosed above. Based on the results of such a review as of 31 December 2012 the Group determined that trade accounts receivable on sales of poultry meat of USD 456 thousand (2011: USD 750 thousand, 2010: USD 305 thousand) were overdue but do not require allowance for irrecoverable amounts.

For the year ended 31 December 2012, 2011 and 2010 the Group has not recorded any impairment of receivables relating to amounts owed by related parties as management is certain about their recoverability.

The ageing of trade accounts receivable that were impaired as of 31 December 2012, 2011 and 2010 was as follows:

	Trade accounts receivable			Allowance for irrecoverable amounts		
	2012	2011	2010	2012	2011	2010
Trade accounts receivable on sales of poultry meat:						
Over 30 but less than 270 days	915	372	408	(457)	(93)	(102)
Over 270 days	125	344	79	(125)	(344)	(79)
	1,040	716	487	(582)	(437)	(181)
Trade accounts receivable on other sales:						
Over 60 but less than 360 days	359	199	141	(141)	(50)	(35)
Over 360 days	434	298	569	(434)	(298)	(569)
	793	497	710	(575)	(348)	(604)
	1,833	1,213	1,197	(1,157)	(785)	(785)

(in thousands of US dollars, unless otherwise indicated)

20. Short-term bank deposits

Short-term bank deposits were as follows as of 31 December 2012, 2011 and 2010:

	2011		2010	
	Effective rate	USD' 000	Effective rate	USD' 000
UAH	9.00%	1,777	15.93%	59,460
USD	—	—	8.37%	75,000
		1,777		134,460

As of 31 December 2011 and 2010, short-term deposits were placed with Ukrainian banks for periods of six months to one year. As of 31 December 2012 the Group had no short-term bank deposits.

21. Cash and cash equivalents

The balances of cash and cash equivalents were as follows as of 31 December 2012, 2011 and 2010:

	2012	2011	2010
Cash in hand and with banks	41,027	47,119	39,321
USD short-term deposits with banks	45,000	37,000	—
UAH short-term deposits with banks	8,758	10,639	—
	94,785	94,758	39,321

During the year ended 31 December 2012, UAH and USD denominated short-term deposits earned an effective interest rate of 18.00% and 6.42%, respectively (2011: 5.29% and 5.60%, respectively; 2010: nil). All cash and cash equivalents are held within reputable foreign and Ukrainian banks.

22. Shareholders' equity

Share capital

As of 31 December the authorized, issued and fully paid share capital of MHP S.A. comprised the following number of shares:

	2012	2011	2010
Number of shares authorized for issue	159,250,000	159,250,000	159,250,000
Number of shares issued and fully paid	110,770,000	110,770,000	110,770,000
Number of shares outstanding	105,666,888	107,854,856	107,854,856

The authorized share capital as of 31 December 2012, 2011 and 2010 was EUR 318,500 thousand represented by 159,250,000 shares with par value of EUR 2 each.

All shares have equal voting rights and rights to receive dividends, which are payable at the discretion of the Group.

Treasury shares

During the year ended 31 December 2012 the Group acquired, under the share buy-back program, 3,445,000 shares for cash consideration of USD 41,465 thousand. In December 2012 the Group transferred 1,257,032 shares in exchange for 10% share in NPF Urozhay, the Group's subsidiary. The excess of the fair value of shares transferred that approximated the carrying value of the non-controlling interest at the transaction date over the carrying value of the shares bought back, in the amount of USD 2,417 thousand was recognized as an adjustment to additional paid-in capital (Note 2).

(in thousands of US dollars, unless otherwise indicated)

22. Shareholders' equity (Continued)

During the year ended 31 December 2010, the Group acquired, under the share buy-back program, 3,370,144 shares for a cash consideration of USD 46,288 thousand, of which 455,000 shares were further partially used for the compensation scheme (Note 8). The excess of the fair value of shares transferred over the carrying value of the shares bought back in the amount of USD 750 thousand was recognized as an adjustment to additional paid-in capital.

23. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 31 December 2012, 2011 and 2010:

		2012		2011		2010	
Bank	**Currency**	**WAIR (1)**	**USD' 000**	**WAIR (1)**	**USD' 000**	**WAIR (1)**	**USD' 000**
Foreign banks	USD	5.14%	190,976	4.39%	95,979	5.52%	78,642
Foreign banks	EUR	2.15%	162,675	3.13%	97,009	3.12%	56,712
			353,651		192,988		135,354
Ukrainian banks	USD	5.43%	147,490	5.39%	86,500	6.25%	36,750
Ukrainian banks	UAH		—		—	7.75%	26,414
			147,490		86,500		63,164
Total bank borrowings			501,141		279,488		198,518
Less:							
Short-term bank borrowings and current portion of long-term bank borrowings			(301,658)		(170,380)		(140,092)
Total long-term bank borrowings			199,483		109,108		58,426

(1) WAIR represents the weighted average interest rate on outstanding borrowings.

The Group's borrowings are drawn from various banks as term loans, credit line facilities and overdrafts. Repayment terms of principal amounts of bank borrowings vary from monthly repayment to repayment on maturity depending on the agreement reached with each bank. Interest on the borrowings drawn with the 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 2012, 2011 and 2010:

	2012	2011	2010
Credit lines	232,490	146,500	141,806
Term loans	268,651	132,988	56,712
	501,141	279,488	198,518

(in thousands of US dollars, unless otherwise indicated)

23. Bank borrowings (Continued)

The following table summarizes fixed and floating interest rates bank loans and credit lines held by the Group as of 31 December 2012, 2011 and 2010:

	2012	2011	2010
Floating interest rate	501,141	276,712	158,750
Fixed interest rate	—	2,776	39,768
	501,141	279,488	198,518

Bank borrowings and credit lines outstanding as of 31 December 2012, 2011 and 2010 were repayable as follows:

	2012	2011	2010
Within one year	301,658	170,380	140,092
In the second year	66,840	30,951	22,001
In the third to fifth year inclusive	115,316	60,871	31,377
After five years	17,327	17,286	5,048
	501,141	279,488	198,518

As of 31 December 2012, the Group had available undrawn facilities of USD 133,981 thousand (2011: USD 251,315 thousand, 2010: USD 168,323 thousand). These undrawn facilities expire during the period from January 2013 until June 2020.

The Group, as well as, particular subsidiaries of the Group have to comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied with by the Group are as follows: total equity to total assets ratio, net debt to EBITDA ratio, EBITDA to interest expenses ratio and current ratio. The Group subsidiaries are also required to obtain approval from lenders regarding the property to be used as collateral.

During the years ended 31 December 2012, 2011 and 2010 the Group has complied with all covenants imposed by banks providing the loans.

As of 31 December 2012, the Group had borrowings of USD 50,000 thousand (2011: USD 52,191 thousand, 2010: USD 55,751 thousand) that were secured. These borrowings were secured by property, plant and equipment with a carrying amount of USD nil thousand (2011: USD 4,648 thousand, 2010: USD 5,247 thousand) (Note 12) and inventories with a carrying amount of USD 62,500 thousand (2011: USD 45,491 thousand, 2010: 62,500) (Note 16).

As of 31 December 2012, 2011 and 2010 accrued interest on bank borrowings were USD 3,969 thousand, USD 1,916 thousand and USD 1,329 thousand, respectively

(in thousands of US dollars, unless otherwise indicated)

24. Bonds issued

Bonds issued and outstanding as of 31 December 2012, 2011 and 2010 were as follows:

	2012	2011	2010
10.25% Senior Notes due in 2011	—	—	9,967
10.25% Senior Notes due in 2015	584,767	584,767	584,767
Unamortized premium on bonds issued	2,801	3,755	4,640
Unamortized debt issuance cost	(16,053)	(21,522)	(26,596)
	571,515	567,000	572,778
Less:			
Current portion of bonds issued	—	—	(9,892)
Total long-term portion of bonds issued	571,515	567,000	562,886

As of 31 December 2012, 2011 and 2010 accrued interest on bonds issued were USD 10,156 thousand, USD 10,157 thousand and USD 10,244 thousand, respectively.

10.25% Senior Notes

In November 2006, MHP SA issued USD 250,000 thousand10.25% Senior Notes, due in November 2011, at par.

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

As of 13 May 2010 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 in 2015. As a result of the exchange, new Senior Notes were issued for the total par value of USD 254,767 thousand.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Druzhba Narodiv, Druzhba Narodiv Nova, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Oril-Leader, Katerynopilsky Elevator, Ptahofabryka Peremoga Nova, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Ptahofabryka Shahtarska Nova, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka. Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates.

If the Group fails to comply with the covenants imposed, all outstanding Senior Notes will become due and payable without further action or notice. If a change of control occurs the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

During the years ended 31 December 2012, 2011 and 2010 the Group has complied with all covenants defined by indebtedness agreement.

The weighted average effective interest rate on the Senior Notes is 11.7% per annum for the years ended 31 December 2012, 2011 and 2010. The notes are listed on London Stock Exchange.

25. Finance lease obligations

Long-term 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 2012, the weighted average interest rates on finance lease obligations were 7.28% and 7.69% for finance lease obligations denominated in EUR and USD, respectively (2011: 8.88% and 7.68%, 2010: 8.92% and 7.91%).

(in thousands of US dollars, unless otherwise indicated)

25. Finance lease obligations (Continued)

The following are the minimum lease payments and present value of minimum lease payments under the finance lease agreements as of 31 December 2012, 2011 and 2010:

	Minimum lease payments			Present value of minimum lease payments		
	2012	2011	2010	2012	2011	2010
Payable within one year	25,704	22,736	28,350	21,491	19,267	23,827
Payable in the second year	20,130	16,391	18,775	17,814	14,706	16,705
Payable in the third to fifth year inclusive	30,488	19,145	22,353	28,142	17,852	20,684
	76,322	58,272	69,478	67,447	51,825	61,216
Less:						
Future finance charges	(8,875)	(6,447)	(8,262)	—	—	—
Present value of finance lease obligations	67,447	51,825	61,216	67,447	51,825	61,216
Less:						
Current portion				(21,492)	(19,267)	(23,827)
Finance lease obligations, long-term portion				45,955	32,558	37,389

26. Trade accounts payable

Trade accounts payable were as follows as of 31 December 2012, 2011 and 2010:

	2012	2011	2010
Trade accounts payable to third parties	68,918	52,655	18,986
Payables due to related parties (*Note 28*)	52	34	26
	68,970	52,689	19,012

As of 31 December 2012 trade accounts payable included liabilities that bear a floating rate of interest under grain purchase financing arrangements in the amount of USD 29,362 thousand and accrued interest of USD 294 thousand (2011: USD 11,184 thousand and accrued interest of USD 126 thousand, 2010: nil).

27. Other current liabilities

Other current liabilities were as follows as of 31 December 2012, 2011 and 2010:

	2012	2011	2010
Accrued payroll and related taxes	34,285	32,886	24,528
Amounts payable for property, plant and equipment	11,415	10,236	4,396
Advances from and other payables due to third parties	7,820	1,921	4,137
Advances from related parties *(Note 28)*	200	200	200
Other payables	9,182	8,026	4,781
	62,902	53,269	38,042

28. 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

(in thousands of US dollars, unless otherwise indicated)

28. Related party balances and transactions (Continued)

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 that are the companies under common control of the Principal Shareholder of the Group (Note 1) in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing arrangements.

Terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction. Management believes that amounts receivable due from related parties do not require an 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 years ended 31 December 2012, 2011 and 2012 were as follows:

	2012	2011	2010
Sales of goods to related parties	9,058	10,649	7,476
Sales of services to related parties	107	89	51
Purchases from related parties	544	127	194

The balances owed to and due from related parties were as follows as of 31 December 2012, 2011 and 2010:

	2012	2011	2010
Trade accounts receivable *(Note 19)*	10,359	10,895	7,756
Payables due to related parties*(Note 28)*	52	34	26
Advances received *(Note 27)*	200	200	200
Advances and finance aid	4,935	2,000	2,304

Compensation of key management personnel

Total compensation of the Group's key management personnel included primarily in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income amounted to USD 11,686 thousand, USD 8,741 thousand and USD 15,514 thousand for the years ended 31 December 2012, 2011 and 2010, respectively. Compensation of key management personnel consists of contractual salary and performance bonuses. During the year ended 31 December 2010 compensation to key management personnel included a one-off bonus to one of the top managers in the amount of USD 7,628 thousand (Note 8).

Total compensation of the Group's non-executive directors, which consists of contractual salary, amounted to USD 407 thousand, USD 380 thousand and USD 353 thousand in 2012, 2011 and 2010, respectively.

Key management personnel totalled 40, 38 and 38 individuals as of 31 December 2012, 2011 and 2010, respectively, including 4 independent directors as of 31 December 2012 and 2011 and 3 independent directors as of 31 December 2010.

28. Related party balances and transactions (Continued)

Other transactions with related parties

In December 2012 the Group increased its effective ownership interest in NPF Urozhay to 99.9% through the acquisition of a non-controlling interest previously held by one of its key management personnel in exchange for 1,257,032 treasury shares held by the Group (Note 2, 22).

29. 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. Laws and regulations affecting business 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.

After the crisis year 2009, the Ukraine's economy recovered during 2010 and 2011, and has slowed in 2012. Due to a decrease of industrial production by 1.2%, GDP growth constituted 0.2%, in 2012, comparing to 5.2% growth in 2011 and 4.1% growth 2010.

The Ukrainian currency remained relatively stable during 2012, following the trends of 2011 and 2010.

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 fines. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and fines, and these amounts could be material. While the Group believes it has complied with local tax legislation, 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, which came into force from 1 April 2011). Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for the agricultural industry from 1 January 2018, as discussed in Notes 11 and 9, respectively, the Tax Code also changed various other taxation rules.

Legal issues

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 December 2012, the Group companies had ongoing litigations with the tax authorities related to disallowance of certain amounts of VAT refunds claimed by the Group. According to the assessment performed by the management of the Group on a case by case basis the maximum exposure of the Group to such risks as of 31 December 2012 amounted to USD 30,729 thousand. Out of this amount, USD 29,533 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favour of the Group. Based on past history of court resolutions of similar lawsuits Management believes that possible exposure relating to these court cases amounts to approximately USD 1,196 thousand as of 31 December 2012 (2011: USD 2,000 thousand, 2010: nil).

(in thousands of US dollars, unless otherwise indicated)

29. Contingencies and contractual commitments (Continued)

Contractual commitments on purchase of property, plant and equipment

During the years ended 31 December 2012, 2011 and 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 31 December 2012, purchase commitments on such contracts were primarily related to construction of the Vinnytsya poultry complex and amounted to USD 14,689 thousand (2011: USD 80,168 thousand, 2010: USD 79,746 thousand).

Commitments on land operating leases

The Group has the following contractual obligations in respect of land operating leases as of 31 December 2012, 2011 and 2010:

	2012	2011	2010
Within one year	22,011	12,480	11,855
In the second to the fifth year inclusive	74,288	41,457	37,037
Thereafter	79,551	64,713	51,688
	175,850	118,650	100,580

The increase in contractual obligations under land operating leases was attributable to higher rates, introduced by the Ukrainian Government effective from January 2012, used to determine the amount of such obligations.

Ukrainian legislation provides for a ban on sales of agricultural land plots till 1 January 2016. There are significant uncertainties as to the subsequent extension of the ban. The current legislation has resulted in the Group holding land lease rights, rather than the land itself.

30. Fair value of financial instruments

Fair value disclosures in respect of financial instruments are 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.

The fair value is estimated to be the same as the carrying value for cash and cash equivalents, short-term bank deposits, trade accounts receivables, and trade accounts payable due to the short-term nature of the financial instruments.

Set out below is the comparison by category of carrying amounts and fair values of all the Group’s financial instruments, excluding those discussed above, that are carried in the consolidated statement of financial position:

	Carrying amount			Fair value		
	2012	2011	2010	2012	2011	2010
Financial liabilities						
Bank borrowings *(Note 23)*	501,141	279,488	198,518	508,702	283,677	199,185
Senior Notes due in 2015 *(Note 24)*	581,671	577,157	573,043	601,385	513,697	613,339
Senior Notes due in 2011*(Note 24)*	—	—	9,979	—	—	10,092
Finance lease obligations *(Note 25)*	67,447	51,825	61,216	66,342	51,418	63,420

(in thousands of US dollars, unless otherwise indicated)

30. Fair value of financial instruments (Continued)

The carrying amount of Senior Notes issued includes interest accrued at each of the respective dates.

The fair value of bank borrowings and finance lease obligations was estimated by discounting the expected future cash outflows by a market rate of interest.

The fair value of Senior Notes was estimated based on market quotations.

31. Risk management policies

During the years ended 31 December 2012, 2011 and 2010 there were no changes to objectives, policies and process for credit risk, capital risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk and commodity price and procurement risk managing.

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 through the issue of new debt or the redemption of existing debt.

The Group's target is to achieve a leverage ratio (net debt to adjusted operating profit) of not higher than 2.5. Prior to 2010 the Group defined its leverage ratio as the proportion of debt to adjusted operating profit. During the year ended 31 December 2010, the Group changed the definition of its leverage ratio, which now is determined as the proportion of net debt to adjusted operating profit.

As of 31 December 2012, 2011 and 2010 the leverage ratio was as follows:

	2012	2011	2010
Bank borrowings *(Note 23)*	501,141	279,488	198,518
Bonds issued *(Note 24)*	571,515	567,000	572,778
Finance lease obligations *(Note 25)*	67,447	51,825	61,216
Debt	1,140,103	898,313	832,512
Less:			
Cash and cash equivalents and Short-term bank deposits	(94,785)	(96,535)	(173,781)
Net debt	1,045,318	801,778	658,731
Operating profit	380,583	320,744	256,784
Adjustments for:			
Depreciation and amortization expense *(Notes 7,8)*	87,135	80,341	67,902
Adjusted operating profit	467,718	401,085	324,686
Debt to adjusted operating profit	2.44	2.24	2.56
Net debt to adjusted operating profit	2.23	2.00	2.03

Debt is defined as bank borrowings, bonds issued and finance lease obligations. Net debt is defined as debt less cash and cash equivalents and short-term bank deposits. For the purposes of the leverage ratio, debt does not include interest-bearing liabilities, which are included in trade accounts payable (Note 26). Adjusted operating profit is defined as operating profit adjusted for the depreciation and amortization expense and losses and gains believed by the management to be non-recurring in nature, as this measure produces results substantially comparable to those reviewed for the purposes of financial covenants under the Group's borrowings.

(in thousands of US dollars, unless otherwise indicated)

31. Risk management policies (Continued)

Major categories of financial instruments

	2012	2011	2010
Financial assets:			
Long-term bank deposits	6,154	6,017	—
Loans to employees and related parties	1,966	2,437	1,673
VAT bonds	—	—	5,038
Other receivables	5,750	1,828	2,320
Trade accounts receivable, net *(Note 19)*	72,616	65,794	53,395
Short-term bank deposits *(Note 20)*	—	1,777	134,460
Cash and cash equivalents *(Note 21)*	94,785	94,758	39,321
	181,271	172,611	236,207
Financial liabilities:			
Bank borrowings *(Note 23)*	501,141	279,488	198,518
Bonds issued *(Note 24)*	571,515	567,000	572,778
Finance lease obligations *(Note 25)*	67,447	51,825	61,216
Amounts payable for property, plant and equipment *(Note 27)*	11,415	10,236	4,396
Accrued interest	14,125	12,073	11,573
Trade accounts payable *(Note 26)*	68,970	52,689	19,012
Other current liabilities *(Note 27)*	9,182	8,026	4,781
	1,243,795	981,337	872,274

The main risks inherent to the Group's operations are those related to credit risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk, 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.

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. About 31% (2011: 28%, 2010: 29%) of trade accounts receivable comprise amounts due from 12 large supermarket chains, which have the longest contractual receivable settlement period among customers.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Group can be required to pay. The table includes both interest and principal

(in thousands of US dollars, unless otherwise indicated)

31. Risk management policies (Continued)

cash flows as of 31 December 2012. The amounts in the table may not be equal to the statement of financial position carrying amounts since the table includes all cash outflows on an undiscounted basis.

Year ended 31 December 2012	Carrying amount	Contractual Amounts	Less than 1 year	From 2nd to 5th year	After 5th year
Bank borrowings	501,141	526,824	313,702	195,146	17,976
Bonds issued	571,515	734,613	59,939	674,674	—
Finance lease obligations	67,447	76,735	25,705	51,030	—
Total	1,140,103	1,338,172	399,346	920,850	17,976

All other financial liabilities (excluding those disclosed above) are repayable within one year.

The Group's target is to maintain its current ratio, defined as the proportion of current assets to current liabilities, at the level of not less than 1.2. As of 31 December 2012, 2011 and 2010, the current ratio was as follows:

	2012	2011	2010
Current assets	1,001,248	808,745	719,082
Current liabilities	469,147	307,678	242,438
	2.13	2.63	2.97

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, but the management of the Group sets limits on the level of exposure to foreign currency fluctuations in order to manage currency risk.

(in thousands of US dollars, unless otherwise indicated)

31. Risk management policies (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December were as follows:

	2012		2011		2010	
	USD	EUR	USD	EUR	USD	EUR
ASSETS						
Long-term bank deposits	—	6,154	—	6,017	—	—
Trade accounts receivable	8,607	—	3,794	—	1,954	—
Other current assets, net	732	35	688	—	386	—
Short-term bank deposits	—	—	—	—	75,000	—
Cash and cash equivalents	73,270	1,017	71,766	1,165	27,217	128
	82,609	7,206	76,248	7,182	104,557	128
LIABILITIES						
Current liabilities						
Trade accounts payable	30,592	4,897	12,146	3,522	104	2,798
Other current liabilities	593	5,508	266	7,389	—	2,587
Accrued interest	13,312	813	11,416	657	11,163	311
Short-term bank borrowings	270,362	31,296	151,918	17,264	89,371	23,627
Short-term finance lease obligations	12,794	8,698	9,605	9,662	8,323	15,504
Current portion of bonds issued	—	—	—	—	9,967	—
	327,653	51,212	185,351	38,494	118,928	44,827
Non-current liabilities						
Long-term bank borrowings	68,104	131,379	30,561	79,745	26,021	33,085
Bonds issued	584,767	—	584,767	—	584,767	—
Long-term finance lease obligations	25,013	20,536	25,581	6,977	24,219	13,170
	677,884	151,915	640,909	86,722	635,007	46,255
	1,005,537	203,127	826,260	125,216	753,935	91,082

The table below details the Group's sensitivity to strengthening of the Ukrainian Hryvnia against the US Dollar and EUR. This sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency

(in thousands of US dollars, unless otherwise indicated)

31. Risk management policies (Continued)

denominated monetary items and adjusts their translation at the period end for possible change in foreign currency rates.

	Change in foreign currency exchange rates	Effect on profit before tax
2012		
Increase in USD exchange rate	10%	(92,293)
Increase in EUR exchange rate	10%	(19,592)
Decrease in USD exchange rate	5%	46,146
Decrease in EUR exchange rate	5%	9,796
2011		
Increase in USD exchange rate	10%	(75,001)
Increase in EUR exchange rate	10%	(11,803)
Decrease in USD exchange rate	5%	37,501
Decrease in EUR exchange rate	5%	5,902
2010		
Increase in USD exchange rate	10%	(64,938)
Increase in EUR exchange rate	10%	(9,095)
Decrease in USD exchange rate	5%	32,469
Decrease in EUR exchange rate	5%	4,548

The effect of foreign currency sensitivity on shareholders' equity is included in the statement of comprehensive income. There are no hedging activities in the other comprehensive income, so the statement of comprehensive income and the statement of changes in equity impacts are the same.

During the years ended 31 December 2012, 2011 and 2010, the Ukrainian Hryvnia was relatively stable against US dollar. During the year ended 31 December 2012 Ukrainian Hryvnia has depreciated against the EUR by 2.32% (2011: appreciated against the EUR by 2.60%, 2010: appreciated against the EUR by 7.65%). As a result, during the year ended 31 December 2012 the Group recognized net foreign exchange losses in the amount of USD 3,285 thousand (2011: foreign exchange gains in the amount of USD 2,318 thousand, 2010: foreign exchange gains of USD 10,965 thousand) in the consolidated statement of comprehensive income.

In November 2012 the National Bank of Ukraine ("NBU") introduced a requirement whereby a company is required to sell 50% of their foreign currency proceeds from any export sales at Ukrainian interbank currency market. During the year ended 31 December 2012 a USD 3,578 thousand foreign exchange gain resulting from the difference in NBU and Ukrainian interbank currency market exchange rates, was included in Other operating expenses, net.

Group management believes that the currency risk is mitigated by the existence of USD-denominated proceeds from sales of sunflower oil, grain and chicken meat, which are sufficient for servicing the Group's

(in thousands of US dollars, unless otherwise indicated)

31. Risk management policies (Continued)

foreign currency denominated liabilities and were as follows during the years, ended 31 December 2012, 2011 and 2010:

	2012	2011	2010
Sunflower oil and related products	227,835	222,418	188,156
Grain	138,639	63,101	22,454
Chicken meat and related products	112,931	67,874	29,147
Other agricultural segment products	431	486	290
	479,836	353,879	240,047

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. For variable rate borrowings, interest is linked to LIBOR or EURIBOR.

The below table details the Group's sensitivity to increases or decreases of interest rates by 5% (2011: 5%, 2010: 10%). The analysis was applied to interest bearing liabilities (bank borrowings, finance lease obligations and accounts payable under grain purchase financing arrangements) based on the assumption that the amount of liability outstanding as of the reporting date was outstanding for the whole year.

	Increase/ (decrease) of floating rate	Effect on profit before tax
		USD ' 000
2012		
LIBOR	5%	(17,146)
LIBOR	−5%	17,146
EURIBOR	5%	(8,189)
EURIBOR	−5%	8,189
2011		
LIBOR	5%	(9,263)
LIBOR	−5%	9,263
EURIBOR	5%	(4,781)
EURIBOR	−5%	4,781
2010		
LIBOR	10%	(11,825)
LIBOR	−10%	11,825
EURIBOR	10%	(5,778)
EURIBOR	−10%	5,778

The effect of interest rate sensitivity on shareholders' equity is equal to that on statement of comprehensive income.

Livestock diseases risk

The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk. 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.

(in thousands of US dollars, unless otherwise indicated)

31. Risk management policies (Continued)

Commodity price and procurement risk

Commodity price risk arises from the risk of an adverse effect on current or future earnings from fluctuations in the prices of commodities. To mitigate this risk the Group continues expansion of its grain growing segment, as part of vertical integration strategy, and also accumulates sufficient commodity stock to meet its production needs.

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 for the year ended 31 December 2012 was USD 58,450 thousand and is recorded in the consolidated statement of comprehensive income on an accrual basis (2011: USD 48,563 thousand, 2010: USD 34,024 thousand). In January 2011 in accordance with the Law of Ukraine "On charge and accounting of unified social contribution" certain changes in the administration of social charges were made and social charges are to become payable in the form of Unified Social Contribution, including contributions to the State Pension Fund in range of 36.76%-49.7% of gross salary cost. The Group companies are not liable for any other supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

33. Earnings per share

The earnings and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

	2012	2011	2010
Profit for the year attributable to equity holders of the Parent	297,104	243,376	205,395
Earnings used in calculation of earnings per share	297,104	243,376	205,395
Weighted average number of shares outstanding	106,242,419	107,854,856	109,411,408
Basic and diluted earnings per share (USD per share)	2.80	2.26	1.88

The Group has no potentially dilutive ordinary shares nor other dilutive instruments; therefore, the diluted earnings per share equal basic earnings per share.

34. Subsequent events

On 4 March 2013, the Board of Directors approved payment of a dividend of USD 1.13 per share, equivalent to approximately USD 120 million. Such dividend will be paid after the Company's subsidiaries distribute their 2012 profits to the Company. Therefore, the dividend will be paid as an interim dividend in 2013. The Company anticipates making a further announcement in this regard by mid-May 2013.

35. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors of MHP S.A. on 4 March 2012.

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