**PRESS RELEASE**

May 14, 2014, Kyiv, Ukraine

**MHP S.A.**

**Financial Results for the First Quarter 2014**

MHP S.A. ("MHP" or the "Company", LSE ticker: "MHPC"), one of the leading agro-industrial companies in Ukraine, focusing on the production of poultry and the cultivation of grain, today announces its financial results for the first quarter 2014 ended 31 March 2014.

## Key operational highlights

*Poultry*

- Currently 9 from 12 production sites at the Vinnytsia complex are operational at full capacity.
- Owing to increasing production volumes at Vinnytsia during 2013, MHP's overall production volumes of chicken meat in Q1 2014 increased by approximately 30% year-on-year.
- Sales of chicken meat to third parties in Q1 2014 increased by 22% reaching 112,270 tonnes compared to 91,720 tonnes in Q1 2013.
- Domestic sales volume increased by 20% and export sales volume increased by 31% to 30,370 tonnes, compared to 23,200 tonnes in Q1 2013.
- As poultry exports to Custom Union territories were banned during Q1, MHP continued to diversify its export markets by substituting sales to Middle Eastern, Asian, African and some CIS countries.
- The average chicken meat price, and export prices, remained at approximately the same level in Q1 2014 as in Q4 2013. The average Q1 price decreased by 4% year-on-year to UAH 15.61 per kg of adjusted weight (excluding VAT), mostly due to lower export prices year-on-year.
- Due to the increased production of fodder at Vinnytsia, MHP's sales of sunflower oil in Q1 2014 grew by 37% to 67,520 tonnes compared to 49,310 tonnes in Q1 2013. In line with international commodity prices, the average price per tonne of sunflower oil decreased by 26% to US$853 compared to US$1,149 in Q1 2013.

*Grain Growing*

- MHP's 2014 spring sowing campaign is almost complete and all winter crops (winter wheat, rapeseeds, barley and rye) are in good condition.
- Driven by an increased land bank and current favorable weather conditions, MHP expects a strong harvest in 2014.

*Other Agricultural*

- Sales volume of processed meat products in Q1 2014 declined to 6,856 tonnes compared to 7,340 tonnes in Q1 2013 due to ongoing product mix optimization.
- The average price for sausages and cooked meat in Q1 2014 increased by 7% to UAH 24.10 per kg (excluding VAT) compared to UAH 22.51 in Q1 2013.

**Key financial highlights Q1 2014**

- Revenue increased by 2% to US$309 million (Q1 2013: US$304 million).
- EBITDA increased by 45% to US$106 million (Q1 2013: US$73 million), mostly driven by higher poultry production volumes and a decline in poultry production costs.
- The 37% devaluation of the Hryvna during the quarter resulted in non-cash foreign exchange translation losses of US$366 million.
- Net profit before FX losses in Q1 2014 increased by 64% to US$51 million compared to US$31 million in Q1 2013. After FX losses, the net loss amounted to US$316 million (Q1 2013: profit of US$36 million).

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

"I'm pleased to report that, despite the challenging macroeconomic and political situation in Ukraine, in the first quarter of 2014 the Company continued to grow and develop.

During the first quarter, poultry production increased by 30% year-on-year, and our sales volumes grew substantially, both domestically and in export markets. Export sales increased by over 30% during the reporting period. The Company continues to focus its growth strategy on exports, through increasing both sales volumes and geographic diversification. During the period we significantly increased our sales to Middle Eastern, Asian, African and some CIS countries, which compensated for reduced sales to the Custom Union.

Our vertical integration business model also contributed to our strong financial results. As a result of lower priced crops harvested in 2013, poultry production costs decreased significantly in the first quarter 2014. We anticipate this trend will continue during the whole year.

We have started 2014 with optimism supported by strong results, which create a sound platform for future progress in operational and financial performance."

- end -

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

| | |
|---|---|
| Date: | Wednesday, 14 May 2014 |
| Time: | 16.00 Kyiv / 14.00 London / 9.00 New York / 17.00 Moscow |
| Title: | MHP – Q1 2014 FINANCIAL RESULTS |

Conference ID **42584423**

| | |
|---|---|
| UK Standard International | +44 (0) 1452 555 566 |
| UK Free Call | 0800 694 0257 |
| Russia Free Call | 8108 002 097 2044 |
| USA Free Call | 1866 966 9439 |

A live webcast of the presentation will be available at:
https://webconnect.webex.com/webconnect/onstage/g.php?t=a&d=665771749

Alternative URL:
https://webconnect.webex.com

**Click on "Unlisted Events"**

Event number: **665 771 749**

Event password: **N/A**

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### Financial overview

| | | Q1 2014 | Q1 2013 | *% change* |
|---|---|---|---|---|
| **Revenue** | US$, m | **309** | **304** | **2%** |
| IAS 41 standard gains | US$, m | 16 | (8) | n/a |
| **Gross profit** | US$, m | **103** | **65** | **59%** |
| *Gross margin* | *%* | 34% | 21% | 13pps* |
| **Operating profit** | US$, m | **80** | **50** | **60%** |
| *Operating margin* | *%* | 26% | 17% | 9pps |
| **EBITDA** | US$, m | **106** | **73** | **45%** |
| *EBITDA margin* | *%* | 34% | 24% | 10pps |
| **Net income before FX gain/loss** | US$, m | **51** | **31** | **64%** |
| *Net income margin before FX* | *%* | 16% | 10% | 6pps |
| **FX gain/loss** | US$, m | **(366)** | **5** | **-** |
| **Net income** | US$, m | **(316)** | **36** | **n/a** |
| *Net income margin* | *%* | (102%) | 12% | (114pps) |

** pps – percentage points*
*Average official FX rate: UAH/US$ 8.86 for Q1 2014 and UAH/US$ 7.99 for Q1 2013*

Consolidated revenue totaled US$309 million in Q1 2014, 2% higher than in Q1 2013. The increase in the revenue was mostly due to the increased sales volume of chicken meat and sunflower oil. Export of chicken meat in Q1 2014 increased by 31% compared to Q1 2013 and reached 30,370 tonnes (Q1 2013: 23,200). Total export sales of poultry, sunflower oil and grains reached US$119 million or 39% of total revenue in Q1 2014.

EBITDA increased by 45% to US$106 million in Q1 2014 compared to Q1 2013 driven by higher poultry production volumes and significant chicken production cost decrease, which resulted from lower grain costs (low prices for 2013 harvest). Correspondingly, EBITDA margin increased from 24% in Q1 2013 to 34% in Q1 2014.

In Q1 2014 net income before FX losses grew by 64% to US$51 million (Q1 2013: US$31 million), in line with EBITDA trends. After accounting for US$366 million of non-cash foreign exchange losses, which were a consequence of US Dollars and EURO denominated debt revaluation following the sharp devaluation of the Hryvna against the US Dollar and against the Euro by approximately 37%), MHP posted a net loss of US$316 million.

### Poultry and related operations

| | | Q1 2014 | Q1 2013 | *% change** |
|---|---|---|---|---|
| **Revenue** | US$, m | **263** | **259** | **2%** |
| *- Poultry and other* | US$, m | 206 | 202 | 2% |
| *- Sunflower oil* | US$, m | 57 | 57 | 1% |
| **IAS 41 standard gains** | US$, m | **17** | **2** | **n/a** |
| **Gross profit** | US$, m | **98** | **61** | **61%** |
| *Gross margin* | *%* | *37%* | *24%* | *13pps* |
| **EBITDA** | US$, m | **115** | **73** | **58%** |
| *EBITDA margin* | *%* | *44%* | *28%* | *16pps* |
| *EBITDA per 1 kg (net IAS 41)* | *US$* | *0.87* | *0.76* | *14%* |

** pps – percentage points*
*Average official FX rate: UAH/US$ 8.86 for Q1 2014 and UAH/US$ 7.99 for Q1 2013*

| Poultry | Q1 2014 | Q1 2013 | *% change* |
|---|---|---|---|
| Sales volume, third parties tones | 112,270 | 91,720 | 22% |
| Price per 1 kg net VAT, UAH | 15.61 | 16.33 | -4% |
| | | | |
| **Sunflower oil** | | | |
| Sales volume, third parties tonnes | 67,520 | 49,310 | 37% |
| Price per 1 tonne net VAT, US$ | 853 | 1,149 | -26% |

Poultry production volume increased by 30% in Q1 2014 compared to Q1 2013 due to increasing production at the Vinnytsia poultry complex.

Sales volume of chicken meat to third parties in Q1 2014 increased by 22% reaching 112,270 tonnes compared to 91,720 tonnes in Q1 2013. Domestic sales volume increased by 20% while export sales volume increased by 31%.

In line with the Company's export growth strategy, during Q1 2014 the volume of chicken meat export increased by 31% to 30,370 tonnes, compared to 23,200 tonnes in Q1 2013, despite decreased exports to the Custom Union as at the beginning of February MHP was banned from exporting chicken meat to the Russian Federation as well as to other Custom Union countries (Kazakhstan and Belarus). During the reporting period the Company significantly increased its export sales to Middle Eastern, Asian, African and some CIS countries, further diversifying its export markets.

The average chicken meat price through Q1 2014 remained at approximately the same level as prices in Q4 2013, but decreased by 4% to UAH 15.61 per 1 kg of adjusted weight (excluding VAT) when compared to Q1 2013. Average price decreased mostly due to lower export prices year-on-year although export prices in Q1 2014 remained at the level of last months of 2013.

The average sunflower oil price decreased by 26% to US$853 per tonne, in line with world pricing trends. Sales volumes of sunflower oil increased by 37% to 67,520 tonnes due to the growth of the fodder meal production at the Vinnytsia complex.

The poultry segment revenue amounted to US$263 million in Q1 2014, 2% greater than in Q1 2013 mainly as a result of poultry and sunflower sales volume increase.

Low grain prices for the 2013 harvest resulted in about a 20% reduction of poultry production costs year on year.

As a result of decreased production costs combined with higher production volume, gross profit rose by 61% to US$98 million in Q1 2014 compared to Q1 2013. Gross profit margin increased from 24% to 37% in Q1 2014.

Correspondingly, EBITDA of the segment increased by 58% reaching US$115 million (Q1 2013: US$73 million). EBITDA margin rose from 28% to 44%. EBITDA per 1 kg of poultry meat (net IAS 41) was US$0.87, an increase of 14% compared to US$0.76 in Q1 2013.

### Grain growing operations

| | | Q1 2014 | Q1 2013 | % change |
|---|---|---|---|---|
| **Revenue** | US$, m | **11** | **9** | **30%** |
| **IAS 41 standard gains** | US$, m | **(1)** | **(8)** | **86%** |
| **EBITDA** | US$, m | **1** | **-** | **99%** |

Revenue totalled US$11 million in Q1 2014, as the lion's share of the 2013 harvest (soybean and wheat) was sold in 2013.

Due to the harvest cycle and seasonality in this division, the financial result of the segment is largely received in the second half of the year.

### Other agricultural operations

| | | Q1 2014 | Q1 2013 | % change* |
|---|---|---|---|---|
| **Revenue** | US$, m | **34** | **36** | **-4%** |
| *- Meat processing* | US$, m | 19 | 22 | -11% |
| *- Other* | US$, m | 15 | 14 | 6% |
| **IAS 41 standard gains** | US$, m | **-** | **(1)** | **-73%** |
| **Gross profit** | US$, m | **5** | **4** | **47%** |
| *Gross margin* | *%* | *15%* | *10%* | *5pps* |
| **EBITDA** | US$, m | **5** | **5** | **6%** |
| *EBITDA margin* | *%* | *16%* | *14%* | *2pps* |

** pps – percentage points*
*Average official FX rate: UAH/US$ 8.86 for Q1 2014 and UAH/US$ 7.99 for Q1 2013*

| **Meat processing products** | **Q1 2014** | **Q1 2013** | *% change* |
|---|---|---|---|
| Sales volume, third parties tonnes | 6,856 | 7,340 | *-7%* |
| Price per 1 kg net VAT, UAH | 24.10 | 22.51 | *7%* |

The revenue of other agricultural operations segment decreased by 4% to US$34 million in Q1 2014 compared to Q1 2013 as a result of hryvnia devaluation.

The average price of meat processing products rose by 7% to UAH 24.10 per kg excluding VAT in Q1 2014 compared to Q1 2013. Ongoing product mix optimization led to a slight decrease of sales volume of meat processing products, in which MHP remained an industry leader with around 10% market share.

The segment's gross profit amounted to US$5 million in Q1 2014, 47% higher than in Q1 2013 mostly as a result of higher UAH/US dollar exchange rate. EBITDA increased by 6% to US$5 million in Q1 2014 in line with the gross profit dynamics. Consequently, EBITDA margin increased from 14% in Q1 2013 to 16% in Q1 2014.

### Current Group financial position, cash flow and liquidity

| **Cash Flows US$, m** | **Q1 2014** | **Q1 2013** |
|---|---|---|
| **Cash from operations** | **96** | **75** |
| Change in working capital | (7) | (32) |
| **Net Cash from operating activities** | **89** | **43** |
| Cash from investing activities | (27) | (46) |
| Non-cash investments | (2) | (10) |
| **CAPEX** | **(29)** | **(56)** |
| *Cash from financing activities* | *(57)* | *(30)* |
| *incl. /dividends* | *(20)* | *-* |
| *Non-cash financing* | *2* | *10* |
| Deposits | - | - |
| **Total financial activities** | **(55)** | **(20)** |
| **Total change in cash** | **5** | **(33)** |

In Q1 2014 MHP generated US$96 million in its operations, 28% higher than in Q1 2013, mostly in line with EBITDA trends. CAPEX of US$29 million in Q1 2014 was mostly related to the Vinnytsia project and purchases of agricultural machineries for grain growing business.

**Debt Structure**

| Debt | 31.03.2014 | 31.12.2013 | 31.03.2013 |
|---|---|---|---|
| **Total Debt US$, m** | **1,275** | **1,302** | **1,118** |
| Cash and bank deposits | (164) | (172) | (61) |
| **Net Debt** | **1,112** | **1,130** | **1,056** |
| LTM EBITDA | 424 | 391 | 456 |
| *Net Debt /LTM EBITDA* | *2.62* | *2.89* | *2.31* |

As of March 31, 2014, the Company's total debt was US$1,275 million, most of which was denominated in US dollars. The share of long-term debt in the total debt outstanding is about 90%.The weighted average cost of debt remained below 9.9%.

At the end of Q1 2014, MHP's cash and cash equivalents amounted to US$164 million. Net debt decreased slightly to US$1,112 million from US$1,130 million at the end of 2013. The Net Debt/EBITDA ratio was 2.62 as of March 31, 2014, well within the Eurobond covenant limit of 3.0.

As a hedge for currency risks, revenues from the export of sunflower oil, sunflower husks and chicken meat are denominated in US Dollars, fully covering debt service expenses. In Q1 2014 export sales totaled US$119 million, almost 40% of total revenue.

**Outlook**

Since November 2013, Ukraine has been subjected to political instability. Despite this challenging situation, domestic demand for poultry remained strong in the first quarter and this is expected to continue during the year. Currently, all MHP production facilities continue operating at full capacity.

During 2014, as planned, Phase 1 of the Vinnytsia complex will be completed and will reach its full production capacity of around 220,000 tonnes of chicken meat per annum, which will enable increased sales in both domestic and export markets.

MHP's diversified export channels allow reduced sales to the Custom Union to be fully compensated by increased sales in other export markets.

We are confident that we will be able to continue to implement our strategy and deliver a strong year for MHP in 2014 and in the future. This will be driven mainly by the increase in overall production of chicken meat at Vinnytsia, and by additional sales of grain, which we will produce from our land bank expansion in 2013.

- end -

**Notes to Editors:**

## About MHP

MHP is the leading producer of poultry products in Ukraine with the greatest market share and highest brand recognition for its products. MHP owns and operates each of the key stages of chicken production processes, from feed grains and fodder production to egg hatching and grow out to processing, marketing, distribution and sales (including through MHP's franchise outlets). Vertical integration reduces MHP's dependence on suppliers and its exposure to increases in raw material prices. In addition to cost efficiency, vertical integration also allows MHP to maintain strict biosecurity and to control the quality of its inputs and the resulting quality and consistency of its products through to the point of sale. To support its sales, MHP maintains a distribution network consisting of 11 distribution and logistical centres, within major Ukrainian cities. MHP uses its trucks for the distribution of its products, which Management believes reduces overall transportation costs and delivery times.

MHP also has a leading grain cultivation business growing corn to support the vertical integration of its chicken production and increasingly other grains, such as wheat and rape, for sale to third parties. MHP leases agricultural land located primarily in the highly fertile black soil regions of Ukraine.

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

## Forward-Looking Statements

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

# MHP S.A. AND ITS SUBSIDIARIES

Interim condensed consolidated Financial Statements

*For the three-month period ended 31 March 2014*

## CONTENT

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## for the three-month period ended 31 March 2014
*(in thousands of US dollars, unless otherwise indicated)*

| | *Notes* | *Three- month period ended 31 March 2014* | *Three- month period ended 31 March 2013* |
|---|---|---|---|
| Revenue | *3* | 308,597 | 303,607 |
| Net change in fair value of biological assets and agricultural produce | *3* | 15,530 | (7,833) |
| Cost of sales | | (220,638) | (230,597) |
| **Gross profit** | | 103,489 | 65,177 |
| Selling, general and administrative expenses | | (30,068) | (28,837) |
| VAT refunds and other government grants income | | 18,795 | 17,999 |
| Other operating expenses, net | | (11,924) | (4,120) |
| **Operating profit** | | 80,292 | 50,219 |
| Finance income | | 1,688 | 662 |
| Finance costs | | (28,693) | (18,377) |
| Foreign exchange gain/ (loss), net | | (366,200) | 5,462 |
| Other income/ (expenses), net | | (36) | 105 |
| **Other expenses, net** | | (393,241) | (12,148) |
| **Profit/(loss) before tax** | | (312,949) | 38,071 |
| Income tax expense | | (2,725) | (1,760) |
| **Profit/(loss) for the period** | *4* | (315,674) | 36,311 |
| **Other comprehensive income/(loss)** | | | |
| Cumulative translation difference | | (303,703) | (412) |
| **Other comprehensive income/(loss) for the period** | | (303,703) | (412) |
| **Total comprehensive income/(loss) for the period** | | (619,377) | 35,899 |
| Profit/(loss) attributable to: | | | |
| Equity holders of the Parent | | (313,036) | 34,885 |
| Non-controlling interests | | (2,638) | 1,426 |
| | | (315,674) | 36,311 |
| Total comprehensive income/(loss) attributable to: | | | |
| Equity holders of the parent | | (614,794) | 34,473 |
| Non-controlling interests | | (4,583) | 1,426 |
| | | (619,377) | 35,899 |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (USD per share) | | (2.96) | 0.33 |

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

*The accompanying notes on the pages 8 to 18 form an integral part of these interim condensed consolidated financial statements*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as of 31 March 2014

*(in thousands of US dollars, unless otherwise indicated)*

| | Notes | 31 March 2014 | 31 December 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 1,097,099 | 1,493,739 |
| Land lease rights, net | | 37,537 | 48,837 |
| Deferred tax assets | | 14,609 | 20,022 |
| Long-term VAT recoverable, net | | - | 2,414 |
| Non-current biological assets | | 52,108 | 70,442 |
| Long-term bank deposits | | 5,661 | 5,802 |
| Other non-current assets | | 12,822 | 17,656 |
| | | 1,219,836 | 1,658,912 |
| **Current assets** | | | |
| Inventories | 6 | 198,389 | 245,861 |
| Biological assets | 8 | 174,799 | 199,680 |
| Agricultural produce | 7 | 125,591 | 172,721 |
| Other current assets, net | | 33,061 | 38,373 |
| Taxes recoverable and prepaid, net | | 120,349 | 209,149 |
| Trade accounts receivable, net | | 53,647 | 70,912 |
| Cash and cash equivalents | | 163,641 | 172,470 |
| | | 869,477 | 1,109,166 |
| **TOTAL ASSETS** | | 2,089,313 | 2,768,078 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | 284,505 | 284,505 |
| Treasury shares | | (65,393) | (65,393) |
| Additional paid-in capital | | 181,982 | 181,982 |
| Revaluation reserve | | 22,869 | 22,869 |
| Retained earnings | | 699,790 | 1,012,826 |
| Translation reserve | | (543,007) | (241,249) |
| **Equity attributable to equity holders of the Parent** | | 580,746 | 1,195,540 |
| Non-controlling interests | | 49,255 | 53,665 |
| **Total equity** | | 630,001 | 1,249,205 |
| **Non-current liabilities** | | | |
| Bank borrowings | 9 | 163,518 | 192,297 |
| Bonds issued | 10 | 961,801 | 951,728 |
| Finance lease obligations | | 34,639 | 39,370 |
| Deferred tax liabilities | | 6,778 | 7,043 |
| | | 1,166,736 | 1,190,438 |
| **Current liabilities** | | | |
| Trade accounts payable | 11 | 78,783 | 101,990 |
| Other current liabilities | | 56,669 | 86,823 |
| Bank borrowings | 9 | 95,493 | 98,367 |
| Accrued interest | | 41,847 | 20,771 |
| Finance lease obligations | | 19,784 | 20,484 |
| | | 292,576 | 328,435 |
| **TOTAL LIABILITIES** | | 1,459,312 | 1,518,873 |
| **TOTAL EQUITY AND LIABILITIES** | | 2,089,313 | 2,768,078 |

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

*The accompanying notes on the pages 8 to 18 form an integral part of these interim condensed consolidated financial statements*

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
**for the three-month period ended 31 March 2014**
*(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 2014** | 284,505 | (65,393) | 181,982 | 22,869 | 1,012,826 | (241,249) | 1,195,540 | 53,665 | 1,249,205 |
| Profit for the period | - | - | - | - | (313,036) | - | (313,036) | (2,638) | (315,674) |
| Other comprehensive income | - | - | - | - | - | (301,758) | (301,758) | (1,945) | (303,703) |
| Total comprehensive income for the period | - | - | - | - | (313,036) | (301,758) | (614,794) | (4,583) | (619,377) |
| Acquisition and changes in non-controlling interests in subsidiaries | - | - | - | - | - | - | - | 173 | 173 |
| Dividends declared by subsidiary | - | - | - | - | - | - | - | - | - |
| **Balance at 31 March 2014** | 284,505 | (65,393) | 181,982 | 22,869 | 699,790 | (543,007) | 580,746 | 49,255 | 630,001 |

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

*The accompanying notes on the pages 8 to 18 form an integral part of these interim condensed consolidated financial statements*

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
**for the three-month period ended 31 March 2013**
*(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 2013** | 284,505 | (65,393) | 181,982 | 22,869 | 976,919 | (241,227) | 1,159,655 | 39,008 | 1,198,663 |
| Profit for the period | - | - | - | - | 34,885 | - | 34,885 | 1,426 | 36,311 |
| Other comprehensive income | - | - | - | - | - | (412) | (412) | - | (412) |
| Total comprehensive income for the period | - | - | - | - | 34,885 | (412) | 34,473 | 1,426 | 35,899 |
| Dividends declared by subsidiary | - | - | - | - | - | - | - | (174) | (174) |
| **Balance at 31 March 2013** | 284,505 | (65,393) | 181,982 | 22,869 | 1,011,804 | (241,639) | 1,194,128 | 40,260 | 1,234,388 |

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

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# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
## for the three-month period ended 31 March 2014
*(in thousands of US dollars, unless otherwise indicated)*

| | *Three- month period ended 31 March 2014* | *Three- month period ended 31 March 2013* |
|---|---|---|
| **Operating activities** | | |
| Profit before tax | (312,949) | 38,071 |
| Non-cash adjustments to reconcile profit before tax to net cash flows | | |
| Depreciation and amortization expense | 25,607 | 23,023 |
| Net change in fair value of biological assets and agricultural produce | (15,530) | 7,833 |
| Change in allowance for irrecoverable amounts and direct write-offs | 11,048 | 5,269 |
| Loss/(gain) on disposal of property, plant and equipment and other non-current assets | 131 | (179) |
| Finance income | (1,688) | (662) |
| Finance costs | 28,693 | 18,377 |
| Unrealised foreign exchange (gain)/loss, net | 366,200 | (5,650) |
| Operating cash flows before movements in working capital | 101,512 | 86,082 |
| *Working capital adjustments* | | |
| Change in inventories | (1,350) | 1,840 |
| Change in biological assets | (28,391) | (19,178) |
| Change in agricultural produce | 14,136 | 24,490 |
| Change in other current assets | (5,925) | (1,755) |
| Change in taxes recoverable and prepaid | 25,469 | (15,425) |
| Change in trade accounts receivable | 1,042 | (693) |
| Change in other liabilities | (1,930) | (351) |
| Change in trade accounts payable | (10,174) | (21,000) |
| Cash generated by operations | 94,389 | 54,010 |
| Interest received | 1,688 | 662 |
| Interest paid | (4,902) | (8,778) |
| Income taxes paid | (2,722) | (2,851) |
| **Net cash flows from operating activities** | 88,453 | 43,043 |
| **Investing activities** | | |
| Purchases of property, plant and equipment | (23,586) | (44,826) |
| Purchases of land lease rights | (3,484) | - |
| Purchases of other non-current assets | (318) | (682) |
| Proceeds from disposals of property, plant and equipment | 129 | 323 |
| Purchases of non-current biological assets | 197 | (1,139) |
| Withdrawals of short-term deposits | 113 | 298 |
| Loans provided to employees, net | (27) | (16) |
| Loans repaid by related parties, net | - | 25 |
| **Net cash flows used in investing activities** | (26,976) | (46,017) |
| **Financing activities** | | |
| Proceeds from bank borrowings | 12,095 | 2 |
| Repayment of bank borrowings | (43,522) | (24,427) |
| Repayment of finance lease obligations | (5,478) | (6,050) |
| Dividends paid by subsidiary to shareholders | (19,883) | - |
| **Net cash flows from financing activities** | (56,788) | (30,475) |
| Net (decrease)/increase in cash and cash equivalents | 4,689 | (33,449) |
| Net foreign exchange difference | (13,518) | 47 |
| Cash and cash equivalents at 1 January | 172,470 | 94,785 |
| **Cash and cash equivalents at 31 March** | 163,641 | 61,383 |
| **Non-cash transactions** | | |
| Additions of property, plant and equipment under finance leases | - | 6,283 |
| Additions of property, plant and equipment financed through direct bank-lender payments to the vendor | 957 | 5,232 |
| Property, plant and equipment purchased for credit | 651 | (1,977) |

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

*The accompanying notes on the pages 8 to 18 form an integral part of these interim condensed consolidated financial statements*

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2014

*(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 ("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 three-month period ended 31 March 2014 the Group employed about 30,000 people (three-month period ended 31 March 2013: 27,800 people).

The Group has been undertaking a large-scale investment program to expand its poultry and related operations. In May 2010 the Group commenced construction of the greenfield Vinnytsia poultry complex and in the second half of 2012 started commissioning of production facilities which were already completed. During three-month 2014 the Group continued commissioning and launching into operations completed production facilities (Note 5). The facilities of Vinnytsia complex which remain under construction as of 31 March 2014 will be commissioned during 2014, as scheduled.

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent's effective ownership interest as of 31 March 2013 and 31 December 2013 were as follows:

| *Name* | *Country of registration* | *Year established/ acquired* | *Principal activities* | *31 March 2014* | *31 December 2013* |
|---|---|---|---|---|---|
| Raftan Holding Limited | Cyprus | 2006 | Sub-holding Company | 100.0% | 100.0% |
| MHP | Ukraine | 1998 | Management, marketing and sales | 99.9% | 99.9% |
| Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv | Ukraine | 1998 | Fodder and sunflower oil production | 88.5% | 88.5% |
| Vinnytska Ptahofabryka | Ukraine | 2011 | Chicken farm | 99.9% | 99.9% |
| Peremoga Nova | Ukraine | 1999 | Chicken farm | 99.9% | 99.9% |
| Druzhba Narodiv Nova | Ukraine | 2002 | Chicken farm | 99.9% | 99.9% |
| Oril-Leader | Ukraine | 2003 | Chicken farm | 99.9% | 99.9% |
| Tavriysky Kombikormovy Zavod | Ukraine | 2004 | Fodder production | 99.9% | 99.9% |
| Ptahofabryka Shahtarska Nova | Ukraine | 2003 | Breeder farm | 99.9% | 99.9% |
| Myronivska Ptahofabryka | Ukraine | 2004 | Chicken farm | 99.9% | 99.9% |
| Starynska Ptahofabryka | Ukraine | 2003 | Breeder farm | 94.9% | 94.9% |
| Ptahofabryka Snyatynska Nova | Ukraine | 2005 | Geese breeder farm | 99.9% | 99.9% |
| Zernoproduct | Ukraine | 2005 | Grain cultivation | 89.9% | 89.9% |
| Katerynopilsky Elevator | Ukraine | 2005 | Fodder production and grain storage, sunflower oil production | 99.9% | 99.9% |
| Druzhba Narodiv | Ukraine | 2006 | Cattle breeding, plant cultivation | 99.9% | 99.9% |
| Crimean Fruit Company | Ukraine | 2006 | Fruits and grain cultivation | 81.9% | 81.9% |
| NPF Urozhay | Ukraine | 2006 | Grain cultivation | 99.9% | 99.9% |
| Agrofort | Ukraine | 2006 | Grain cultivation | 86.1% | 86.1% |
| Urozhayna Krayina | Ukraine | 2010 | Grain cultivation | 99.9% | 99.9% |
| Ukrainian Bacon | Ukraine | 2008 | Meat processing | 79.9% | 79.9% |
| AgroKryazh | Ukraine | 2013 | Grain cultivation | 99.9% | 99.9% |
| Baryshevka | Ukraine | 2013 | Grain cultivation | 51.0% | 51.0% |
| Voronezh Agro Holding | the Russian Federation | 2013 | Grain cultivation | 100.0% | 100.0% |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2014

*(in thousands of US dollars, unless otherwise indicated)*

## 1. Corporate information *(continued)*

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 as well as in Voronezh region of the Russian Federation.

## 2. Basis of presentation and accounting policies

***Basis of preparation***

The interim condensed consolidated financial statements for the three month period ended 31 March 2014 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted. However, such information reflects all adjustments (consisting of normal recurring adjustments), which are, in the opinion of the Group management, necessary to fairly state the results of interim periods. Interim results are not necessarily indicative of results to be expected for the full year.

The 31 December 2013 statement of financial position was derived from the audited consolidated financial statements.

***Functional and presentation currencies***

The functional currency of Ukrainian, Cyprus and Luxemburg companies of the Group is the Ukrainian Hryvnia ("UAH"); the functional currency of Russian Federation companies of the Group is the Russian Rouble ("RUB").Transactions in currencies other than the functional currency of the Group are treated as transactions in foreign currencies. Such transactions are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the statement of financial position date. All realized and unrealized gains and losses arising on exchange differences are included in the consolidated statement of comprehensive income for the period.

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

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 following exchange rates were used:

| *Currency* | *Closing rate as of 31 March 2014* | *Average for three months ended 31 March 2014* | *Closing rate as of 31 December 2013* | *Average for three months ended 31 March 2013* | *Closing rate as of 31 December 2012* |
|---|---|---|---|---|---|
| UAH/USD | 10.9546 | 8.8627 | 7.9930 | 7.9930 | 7.9930 |
| UAH/EUR | 15.0724 | 12.1477 | 11.0415 | 10.5490 | 10.5372 |
| UAH/RUB | 0.3070 | 0.2534 | 0.2450 | 0.2629 | N/A |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2014

*(in thousands of US dollars, unless otherwise indicated)*

## 2. Basis of presentation and accounting policies *(continued)*

### *Seasonality of operations*

Poultry and related operations as well as other agricultural operations are not significantly exposed to the seasonal fluctuations.

Grain growing segment, due to seasonality and implications of IAS 41, in the first half of the year mainly reflects the sales of carried forward agricultural produce and effect of biological assets revaluation, while during the second half of the year it reflects sales of crops and effect of revaluation of agricultural produce harvested during the year. Also, grain growing segment has seasonal requirements for working capital increase during November – May, due to sowing campaign.

### *Significant accounting policies*

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

## 3. Segment information

For the three-month period ended 31 March 2014 the Group's segmental information was as follows:

| | *Poultry and related operations* | *Grain growing* | *Other agricultural operations* | *Eliminations* | *Consolidated* |
|---|---|---|---|---|---|
| External sales | 262,901 | 11,391 | 34,305 | - | 308,597 |
| Sales between business segments | 5,679 | 34,486 | 828 | (40,993) | - |
| **Total revenue** | 268,580 | 45,877 | 35,133 | (40,993) | 308,597 |
| **Segment results** | 91,664 | 326 | 3,925 | - | 95,915 |
| Unallocated corporate expenses | | | | | (15,623) |
| Other expenses, net [1)] | | | | | (393,241) |
| **Profit before tax** | | | | | (312,949) |
| **Other information:** | | | | | |
| Depreciation and amortization expense [2),3)] | 23,141 | 179 | 1,559 | - | 24,879 |
| Net change in fair value of biological assets and agricultural produce | 17,128 | (1,196) | (402) | - | 15,530 |

[1)] Include finance income, finance costs, foreign exchange loss (net) and other expenses (net).

[2)] Depreciation and amortization attributable to Grain growing segment for the three-months period ended 31 March 2014 in the amount of USD 59,610 thousand was capitalized in work in progress (Note 6);

[3)] Depreciation and amortization for the three-month period ended 31 March 2014 does not include unallocated depreciation and amortization in the amount of USD 728 thousand.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2014

*(in thousands of US dollars, unless otherwise indicated)*

## 3. Segment information *(continued)*

For the three-month period ended 31 March 2013 the Group's segmental information was as follows:

| | *Poultry and related operations* | *Grain growing* | *Other agricultural operations* | *Eliminations* | *Consolidated* |
|---|---|---|---|---|---|
| External sales | 258,962 | 8,811 | 35,834 | - | 303,607 |
| Sales between business segments | 6,165 | 32,831 | 2,164 | (41,160) | - |
| **Total revenue** | 265,127 | 41,642 | 37,998 | (41,160) | 303,607 |
| **Segment results** | 52,145 | 254 | 3,434 | - | 55,833 |
| Unallocated corporate expenses | | | | | (5,614) |
| Other expenses, net [1)] | | | | | (12,148) |
| **Profit before tax** | | | | | 38,071 |
| **Other information:** | | | | | |
| Depreciation and amortization expense [2),3)] | 20,503 | - | 1,746 | - | 22,249 |
| Net change in fair value of biological assets and agricultural produce | 2,059 | (8,410) | (1,482) | - | (7,833) |

[1)] Include finance income, finance costs, foreign exchange loss (net) and other expenses (net).

[2)] Depreciation and amortization attributable to Grain growing segment for the three-month period ended 31 March 2013 in the amount of USD 5,035 thousand was capitalized in work in progress (Note 6);

[3)] Depreciation and amortization for the three-month period ended 31 March 2013 includes unallocated depreciation and amortization in the amount of USD 774 thousand.

## 4. Profit/(loss) for the period

The Group's net result for the three-month period ended 31 March 2014 decreased compared to the three-month period ended 31 March 2013 mainly due to unrealized foreign exchange loss arose on bonds and borrowings as result of depreciation of UAH against to USD and EUR (Note 13, 14).

The Group's operating result for the three-month period ended 31 March 2014 increased compared to the three-month period ended 31 March 2013. The principal reason is high returns from poultry and related operations segment.

## 5. Property, plant and equipment

Decrease of property, plant and equipment as of 31 March 2014 as compared with 31 December 2013 is mainly attributable to translation difference arose as result of depreciation of UAH against USD that approximates USD 406,000 thousands.

During the three-month period ended 31 March 2014, the Group's additions to property, plant and equipment amounted to USD 25,194 thousand (three-month period ended 31 March 2013: USD 60,273 thousand).

There have been no significant disposals of property, plant and equipment during the three-month period ended 31 March 2014.

During three-month 2014 the Group continued commissioning production facilities at the Vinnytsia complex. The facilities of Vinnytsia complex remaining under construction as of 31 March 2014 will be commissioned during 2014, as scheduled.

## 6. Inventories

Change in inventories as of 31 March 2014 compared to 31 December 2013 is mainly attributable to the translation difference arose as result of depreciation of UAH against USD that approximates USD 73,000 thousands.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2014

*(in thousands of US dollars, unless otherwise indicated)*

## 6. Inventories *(continued)*

For period three-month 2014 net increase of work in progress and raw materials balances due to costs incurred by grain growing entities in respect of forthcoming spring sowing campaign as well as decrease in sunflower stock, due to internal consumption by poultry and related operations segment equal to USD 46,499 thousands and USD 29,829 thousands respectively.

## 7. Agricultural produce

Change in agricultural produce as of 31 March 2014 compared to 31 December 2014 is mainly attributable to the translation difference arose as result of depreciation of UAH against USD that approximates USD 46,000 thousands.

Decrease of agricultural produce for period three-month ended 31 March 2014 due to internal consumption of corn has been offset with increase in chicken meat stock resulted from increase of production at the Vinnytsia poultry farm.

## 8. Biological assets

Change in biological assets as of 31 March 2014 compared to 31 December 2014 mainly attributable to the translation difference arose as result of depreciation of UAH against USD that approximates USD 64,000 thousands.

Increase of current biological assets balances during the three-month period ended 31 March 2014 net of translation difference is primarily attributable to increase in crops balances that reflect seasonality element inherent in the grain growing segment.

## 9. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 31 March 2014 and 31 December 2013:

| | | *31 March 2014* | | *31 December 2013* | |
|---|---|---|---|---|---|
| *Bank* | *Currency* | *WAIR [1)]* | *USD' 000* | *WAIR [1)]* | *USD' 000* |
| **Non-current** | | | | | |
| Foreign banks | USD | 6.05% | 46,478 | 6.05% | 65,729 |
| Foreign banks | EUR | 1.85% | 117,040 | 1.81% | 126,568 |
| | | | 163,518 | | 192,297 |
| **Current** | | | | | |
| Ukrainian banks | USD | 4.81% | 22,173 | 4.80% | 38,000 |
| Current portion of long-term bank borrowings | | | 73,320 | | 60,367 |
| | | | 95,493 | | 98,367 |
| **Total bank borrowings** | | | 259,011 | | 290,664 |

[1)] WAIR represents the weighted average interest rate on outstanding borrowings.

The Group's bank 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. The 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.

As of 31 March 2014 and 31 December 2013 the Group's bank borrowings bearing a floating interest rate, only.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the three-month period ended 31 March 2014

*(in thousands of US dollars, unless otherwise indicated*

## 9. Bank borrowings *(continued)*

Bank borrowings and credit lines outstanding as of as of 31 March 2014 and 31 December 2013 were repayable as follows:

| | *31 March 2014* | *31 December 2013* |
|---|---|---|
| Within one year | 95,493 | 98,367 |
| In the second year | 59,297 | 58,479 |
| In the third to fifth year inclusive | 99,502 | 125,390 |
| After five years | 4,719 | 8,428 |
| | 259,011 | 290,664 |

As of 31 March 2014, the Group had available undrawn facilities of USD 205,376 thousand (31 December 2013: USD 287,844 thousand). These undrawn facilities expire during the period from April 2014 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.

As of 31 March 2014 and 31 December 2013, the Group had no borrowings that were secured.

## 10. Bonds issued

Bonds issued and outstanding as of 31 March 2014 and 31 December 2013 were as follows:

| | *31 March 2014* | *31 December 2013* |
|---|---|---|
| 8.25% Senior Notes due in 2020 | 750,000 | 750,000 |
| 10.25% Senior Notes due in 2015 | 234,767 | 234,767 |
| Unamortized premium on bonds issued | 1,275 | 1,426 |
| Unamortized debt issue cost | (24,241) | (34,465) |
| | 961,801 | 951,728 |

As of 31 March 2014 amount of accrued interest on bonds issued was USD 40,587 thousand (31 December 2013: USD 19,103 thousand).

***8.25% Senior Notes***

On 2 April 2013, MHP S.A. issued USD 750,000 thousand 8.25% Senior Notes due in 2020 at an issue price of 100% of the principal amount. USD 350,000 thousand out of issued USD 750,000 thousand 8.25% Senior Notes were used to facilitate the early redemption and exchange of its existed 10.25% Senior Notes due in 2015.

The early redemption of 10.25% Senior Notes due in 2015 from the issue of 8.25% Senior Notes due in 2020, which were placed with the same holders, resulted in a change in the net present value of the future cash flows of less than 10%, and thus was accounted for as modification and all the related expenses, including consent fees, were capitalized and will be amortized over the maturity period of the 8.25% Senior Notes due in 2020 in the amount of USD 28,293 thousand.

Other related expenses, including consent fees, in the amount of USD 16,654 thousand were expensed as incurred.

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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**for the three-month period ended 31 March 2014**
*(in thousands of US dollars, unless otherwise indicated)*

## 10. Bonds issued *(continued)*

***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 three-month period ended 31 March 2014 and during the year ended 31 December 2013 the Group has complied with all covenants defined by indebtedness agreement.

The weighted average effective interest rate on the Senior Notes is 9.9% per annum for the three-month periods ended 31 March 2014 and 2013. The notes are listed on the London Stock Exchange.

## 11. Trade accounts payable

Change in trade accounts payable as of 31 March 2014 compared to 31 December 2013 is mainly attributable to the translation difference arose as result of depreciation of UAH against USD that approximates USD 29,000 thousands.

Change of the trade accounts payable as of 31 March 2014 compared to 31 December 2013 net of translation difference is mainly attributable to the repayment of the Group payables under the sun-flower purchase financing arrangements that has been offset by increase of payables for fodder elements resulted from increase of production at the Vinnytsia poultry farm.

The sun-flower was purchased in the fourth quarter of 2013 and will be consumed during the first half of 2014, till the new harvest of sunflower seeds.

## 12. Related party balances and transactions

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

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

***Transactions with related parties under common control***

The Group enters into transactions with related parties that are 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.

*(in thousands of US dollars, unless otherwise indicated)*

## 12. Related party balances and transactions *(continued)*

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 three-month period ended 31 March 2014 and 2013 were as follows:

| | *2014* | *2013* |
|---|---|---|
| Sales of goods to related parties | 49 | 3,246 |
| Sales of services to related parties | 10 | 30 |
| Purchases from related parties | 6 | 29 |

The balances owed to and due from related parties were as follows as of 31 March 2014 and 31 December 2013:

| | *31 March 2014* | *31 December 2013* |
|---|---|---|
| Trade accounts receivable | 768 | 1,018 |
| Payables due to related parties | 56 | 11 |
| Payables for dividends declared, included in Other current liabilities | - | 20,974 |
| Short-term advances, finance aid and promissory notes | 198 | 115 |

***Compensation of key management personnel***

Total compensation of the Group's key management personnel (including compensation to Mr. Yuriy Kosyuk), which consist of contractual salary and performance bonuses amounted to USD 1,694 thousand and USD 2,160 thousand for the three-month period ended 31 March 2014 and 31 March 2013, respectively.

## 13. Contingencies and contractual commitments

***Political crisis***

Since November 2013, Ukraine has been in a political and economic turmoil. The Ukrainian Hryvnia devalued against major world currencies and significant external financing is required to maintain stability of the economy. The National Bank of Ukraine, among other measures, has imposed temporary restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market. In February 2014, Ukraine's sovereign rating has been downgraded to CCC with a negative outlook.

In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President. New presidential elections are scheduled for May 2014 and a transitional government has been formed. In March 2014, Crimea, an autonomous region of Ukraine, was effectively annexed by the Russian Federation. The further political developments are currently unpredictable and may adversely affect the Ukrainian economy.

As of 31 March 2014 and for the period then ended, the Group's assets located in the Crimea region amounted to 5% of the Group's total assets generating in average 10% of operating profit.

As of the date of this report, operation of the Group's facilities throughout Ukraine, including those in Crimea continued to operate normally.

## 13. Contingencies and contractual commitments *(continued)*

***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 the Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

In December 2010, the Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions took effect later (such as, Section III dealing with corporate income tax, 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 agricultural industry from 1 January 2018, the Tax Code also changed various other taxation rules.

Starting from 1 September 2013, the Ukrainian legislation was amended by new transfer pricing rules. These rules introduce additional reporting and documentation requirements to transactions. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including, but not limited to, transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated."

***Legal issues***

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 March 2014, 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 March 2014 amounted to USD 25,174 thousand (31 December 2013: USD 32,182 thousand). Out of this amount, USD 24,738 thousand (31 December 2013: USD 31,613 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 436 thousand as of 31 March 2014 (31 December 2013: USD 569 thousand).

***Contractual commitments on purchase of property, plant and equipment***

During the three-month period ended 31 March 2014, 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 March 2014, purchase commitments on such contracts were primarily related to construction of the Vinnytsya poultry complex and amounted to USD 13,185 thousand (31 December 2013: USD 6,993 thousand).

## 14. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, at the same time the management of the Group sets limits on the level of exposure to foreign currency fluctuations.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
## for the three-month period ended 31 March 2014
*(in thousands of US dollars, unless otherwise indicated)*

## 14. Currency risk *(continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 March 2014 and 31 December 2013 were as follows:

| | *31 March 2014* | | *31 December 2013* | |
|---|---|---|---|---|
| | *USD* | *EUR* | *USD* | *EUR* |
| **ASSETS** | | | | |
| Long-term bank deposits | - | 5,661 | - | 5,802 |
| Trade accounts receivable | 14,589 | | 12,429 | - |
| Other current assets, net | 986 | | 928 | 39 |
| Cash and cash equivalents | 119,595 | 411 | 118,211 | 540 |
| | 135,170 | 6,072 | 131,568 | 6,381 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade accounts payable | 42,963 | 5,423 | 66,088 | 5,637 |
| Other current liabilities | 192 | 1,258 | 21,145 | 3,373 |
| Accrued interest | 41,250 | 597 | 19,892 | 878 |
| Short-term bank borrowings | 56,465 | 39,028 | 59,401 | 38,966 |
| Short-term finance lease obligations | 13,575 | 6,209 | 14,088 | 6,312 |
| | 154,445 | 52,515 | 180,614 | 55,166 |
| **Non-current liabilities** | | | | |
| Long-term bank borrowings | 47,021 | 116,497 | 65,729 | 126,568 |
| Bonds issued | 984,767 | | 984,782 | - |
| Long-term finance lease obligations | 20,229 | 14,157 | 23,317 | 15,705 |
| | 1,052,017 | 130,654 | 1,073,828 | 142,273 |
| | 1,206,462 | 183,169 | 1,254,442 | 197,439 |

The table below details the Group's sensitivity to strengthening of the Ukrainian Hryvnia against US Dollar and EUR. 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* |
|---|---|---|
| *Three-month period ended 31 March 2014* | | |
| Increase in USD exchange rate | 10% | (107,129) |
| Increase in EUR exchange rate | 10% | (17,710) |
| Decrease in USD exchange rate | 5% | 53,565 |
| Decrease in EUR exchange rate | 5% | 8,855 |
| *Three-month period ended 31 March 2013* | | |
| Increase in USD exchange rate | 10% | (91,520) |
| Increase in EUR exchange rate | 10% | (18,616) |
| Decrease in USD exchange rate | 5% | 45,760 |
| Decrease in EUR exchange rate | 5% | 9,308 |

The effect of foreign currency sensitivity on shareholders' equity is equal to that reported in the statement of comprehensive income.

During the three-month period ended 31 March 2014, the Ukrainian Hryvnia depreciates against the EUR and USD by 36.5 % and 37.1 % respectively (three-month period ended 31 March 2013: appreciate against the EUR by 2.87% and has not significantly changed against the US Dollar). As a result, during the three-month period ended 31 March 2014 the Group recognized net foreign exchange loss in the amount of USD 410,400 thousand (three-month period ended 31 March 2013: foreign exchange gain in the amount of USD 5,462 thousand) in the consolidated statement of comprehensive income.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**for the three-month period ended 31 March 2014**
*(in thousands of US dollars, unless otherwise indicated)*

## 15. Subsequent events

On 13 May 2014, the Board of Directors approved payment of a dividend of USD 0.757 per share, equivalent to approximately USD 80 million. The Board of Directors approved a payment date of dividends on 5 June 2014 to shareholders of a record on 23 May 2014.

## 16. Authorization of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors of MHP S.A. on 13 May 2014.