



PRESS RELEASE

September 17, 2008 , Kyiv, Ukraine

MHP S.A.

Unaudited Results for the Six Months Ended 30 June 2008

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, published today its unaudited IFRS results for the six months ended 30 June 2008.

Key financial highlights for the second quarter of 2008

- Revenue increased 125% to US \$206 million (Q2 2007: US \$91 million).
- EBITDA increased 158% to US \$101 million (Q2 2007: US \$39 million).
- EBITDA margin increased to 49% (Q2 2007: 43%).
- Net income increased 445% to US \$87 million (Q2 2007: US 16 million).
- Net income margin increased to 42% (Q2 2007: 17%).

Key financial highlights for the first six months of 2008

- Revenue increased 129% to US \$382 million (H1 2007: US \$167 million).
- EBITDA increased 154% to US \$160 million (H1 2007: US \$63 million).
- EBITDA margin increased to 42% (H1 2007: 38%).
- Net income increased 441% to US \$111 million (H1 2007: US \$21 million).
- Net income margin increased to 29% (H1 2007: 12%).

Operational highlights

- During the first half of 2008 the Company’s poultry production facilities have continued to operate at their full production capacity.
- Consumer demand for high quality meat products still remains high.
- Agricultural land bank increased to more than 160,000 hectares.
- Record-breaking yields across all crops.

Post period end

- On July 8th, 2008 MHP announced the acquisition of an 80% stake in Private Enterprise “Ukrainian Bacon”, a private Ukrainian meat production company with a current production capacity of approximately 50 tonnes of meat products per day and a production potential of 200 tonnes per day.
- On August 6th, 2008 the Ukrainian Cabinet of Ministers approved an increase of approximately 50% of state subsidies per 1 kilogramme of produced meat in live weight to agricultural producers that breed poultry and cattle.

Yuriy Kosyuk, Chief Executive Officer of MHP, said:

“I am pleased to announce another record performance by MHP. During the first half of the year our sales revenue increased by 129% reaching a record US \$382 million and net income jumped 441% to US \$111 million due to solid EBITDA growth and stable financial costs. The main growth drivers for the period were the growth of volumes in our poultry segment due to the launch of the Myronovka farm complex, unsatisfied consumer demand for chicken meat and the resulting increase in average prices, as well as the organic growth in production volumes of sausage and cooked meat products.

“We continue to focus on increasing shareholder value by strengthening vertical integration, managing our costs, growing our production volumes and expanding our agricultural land bank. High consumer demand in poultry and other agricultural segments, record breaking yields across all crops, our focus on vertical integration and our ability to control costs makes us confident that the strong performance in the first half of the year will continue into the second half.”

-Ends-

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, 17 September 2008
Time:	16.00 Kyiv / 14.00 London / 9.00 New York / 17.00 Moscow
Title:	MHP – 1H 2008 Results
Conference ID	62924904
UK Local Call	0845 302 2566
UK Standard International	+44 (0) 1452 586 157
USA Free Call	1 866 595 6357

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Financial Overview

	Q2 2008	Q2 2007	growth rate	H1 2008	H1 2007	growth rate
Revenue	206	91	<i>125%</i>	382	167	<i>129%</i>
<i>IFRS 41 standard gains</i>	13	10	<i>34%</i>	13	10	<i>34%</i>
Gross profit	86	30	<i>187%</i>	132	48	<i>172%</i>
<i>Gross margin</i>	<i>42%</i>	<i>33%</i>		<i>34%</i>	<i>29%</i>	
Operation profit	87	31	<i>179%</i>	134	48	<i>179%</i>
<i>Operation margin</i>	<i>42%</i>	<i>34%</i>		<i>35%</i>	<i>29%</i>	
EBITDA	101	39	<i>158%</i>	160	63	<i>154%</i>
<i>EBITDA margin</i>	<i>49%</i>	<i>43%</i>		<i>42%</i>	<i>38%</i>	
Net income	87	16	<i>445%</i>	111	21	<i>441%</i>
<i>Net income margin</i>	<i>42%</i>	<i>17%</i>		<i>29%</i>	<i>12%</i>	

In the second quarter of 2008 MHP's consolidated revenues increased by 125% to US \$206 million (Q2 2007: US \$91 million) and by 129% in the first six month 2008 to US \$382 million (H1 2007: US \$167 million), which reflected the strong performance of the Company's poultry segment. Gross margins increased to 42% from 33% in the second quarter and to 34% from 29% in the first six month 2008. In the second quarter EBITDA increased 158% to US \$101 million as against the same period last year (Q2 2007: US \$39 million) and EBITDA margin increased year-on-year from 43% to 49%. In the first six months of 2008 EBITDA increased by 154% to US \$160 million (H1 2007: US \$63 million) and EBITDA margin increased from 38% to 42%. Net Income for the second quarter 2008 increased by 445% to US \$87 million (Q2 2007: US \$16 million) and for the first six months of 2008 net income increased by 441% from US \$21 million to US \$111 million as the result of solid EBITDA growth and stable financial expenses.

Poultry and Related Operations

	Q2 2008	Q2 2007	growth rate	H1 2008	H1 2007	growth rate
Revenue	181	79	<i>130%</i>	338	144	<i>136%</i>
<i>- poultry and other</i>	<i>160</i>	<i>66</i>		<i>287</i>	<i>122</i>	
<i>- sunflower oil</i>	<i>21</i>	<i>12</i>		<i>51</i>	<i>21</i>	
Gross profit	69	19	<i>269%</i>	113	39	<i>192%</i>
<i>Gross margin</i>	<i>38%</i>	<i>24%</i>		<i>33%</i>	<i>27%</i>	
EBITDA	82	24	<i>238%</i>	140	46	<i>206%</i>
<i>EBITDA margin</i>	<i>45%</i>	<i>31%</i>		<i>41%</i>	<i>32%</i>	
Gross profit per 1 kg of poultry meat	1,25	0,45	<i>178%</i>	1,02	0,52	<i>96%</i>
EBITDA per 1 kg of poultry meat	1,49	0,58	<i>154%</i>	1,28	0,62	<i>106%</i>

MHP's poultry division is the main contributor to the Company's total turnover comprising approximately 90% of total group revenues. During the first six months of 2008, all the Company's poultry production facilities continued to operate to their full production capacity.

Average chicken meat prices for the second quarter increased by 81% to 13.28 UAH (excluding VAT) per 1 kilogramme of poultry meat in adjusted weight (Q2 2007: 7.35 UAH) and volumes increased by 33% against for the same period last year. This was primarily due to the launch of the first stage of the Myronivka chicken farm complex in the middle of 2007, which reached its full production capacity in October 2007. As a result revenue in the segment in the second quarter 2008 increased by 130% from US \$79 million to US \$181 million.

Average chicken meat prices for the first six month increase by 58% to 11.75 UAH (excluding VAT) per 1 kilogramme of poultry meat in adjusted weight (H1 2007: 7.44 UAH). Volumes increased by 49% and as a result segment revenue in the first six months of 2008 increased by 136% from US \$144 million to US \$338 million.

As MHP is fully vertical integrated and does not need to rely on third party suppliers, costs in the segment remain stable. Despite salary inflations and utilities price growth the share of salary and utilities costs remain constant mostly due to the efficiency of the Myronovka farm complex. As a result, net gross profit in the segment increased from US \$19 million in the second quarter 2007 to US \$69 million in the second quarter of 2008 (from US \$ 39 million in the first half of 2007 to US \$ 113 million in the first half of 2008). Segment gross margin improved from 24% in the second quarter 2007 to 38% in the second quarter of 2008 (from 27% in H1 2007 to 33% in H1 2008). EBITDA in the second quarter of 2008 increased by 238% from US \$24 million to US \$82 million and in the first six months of the year EBITDA increased by 206% from US \$46 million to US \$140 million.

As a result of average chicken meat price growth and stable costs, gross profit per 1 killogramme of poultry meat has grown significantly from US \$0.45 in the second quarter of 2007 to US \$1.25 in the second quarter of 2008 (from US \$0.52 in H1 2007 to US \$1.02 in H1 2008).

Grain Cultivation and Storage

	Q2 2008	Q2 2007	growth rate	H1 2008	H1 2007	growth rate
Revenue	1	0	<i>69%</i>	3	2	<i>31%</i>
IFRS 41 standard gains	17	11	<i>51%</i>	14	11	<i>24%</i>
Gross profit	18	12	<i>46%</i>	18	12	<i>49%</i>
<i>Gross margin</i>	<i>n/a</i>	<i>n/a</i>		<i>n/a</i>	<i>n/a</i>	
EBITDA	19	14	<i>37%</i>	19	14	<i>38%</i>
<i>EBITDA margin</i>	<i>n/a</i>	<i>n/a</i>		<i>n/a</i>	<i>n/a</i>	

Revenues from grain sold to third parties only materialises in the second half of the year due to the harvest cycle and so H1 2008 only contains the revenue from the sale of grain stocks that have already been revalued to market prices in 2007.

In 2008 cultivated land cropped with wheat increased by 60% to 32,500 hectares and land cropped with rape increased by 130% to 14,000 hectares, as against 2007. As of today the company has finished rape and wheat harvesting. Wheat yield was averaging 6.3 tonnes per hectare (2007: 3.9

tonnes per hectare) and rape yield was averaging 3.5 tonnes per hectare (2007: 1.9 tonnes per hectare).

Rape price in 2008 increased by 39% to 2,420 UAH per tonne (excluding VAT) compared to 1,737 UAH per tonne in 2007.

Other agriculture operations

	Q2 2008	Q2 2007	growth rate	H1 2008	H1 2007	growth rate
Revenue	24	12	<i>102%</i>	41	21	<i>94%</i>
- meat processing	15	8	<i>99%</i>	27	14	<i>94%</i>
- other	9	4	<i>97%</i>	15	8	<i>95%</i>
Gross profit	(1)	(1)		1	(3)	
EBITDA	1	3	<i>-71%</i>	6	3	<i>70%</i>
EBITDA margin	4%	27%		14%	16%	
Sausage volume	2 963	1 865	<i>59%</i>	5 478	3 014	<i>82%</i>

Throughout the first six months of 2008 consumer demand for high quality meat products still remained at a high level. The increase in the production of sausage and smoked meat products in the Company's meat processing plant in Crimea was the main growth driver for the segment. Throughout the second quarter production volumes increased by 59% to 2,963 tonnes and throughout the first six months of the year production volumes increased by 82% to 5,500 tonnes mostly due to organic growth. Average sausage and cooked meat prices during the first six months of 2008 increased by 40% to 19.80 UAH per kilogramme excluding VAT (first six months of 2007: 15.33 UAH per kilogramme). As a result, segment revenue for the second quarter increased by 102% year-on-year to US \$24 million (Q2 2007: US\$ 12 million) and for the first six months by 94% to US \$41 million (H1 2007: US \$21 million).

In the second quarter of 2008 EBITDA decreased from US \$3 million to US \$1 million year-on-year and EBITDA margin decreased from 27% to 4%. The EBITDA decrease relates to Y2007 government grants for fruit producers that were eliminated in 2008.

In the first six months of 2008 EBITDA increased from US \$3 million to US \$6 million as against the same period last year, while EBITDA margin decreased from 16% to 14%.

On July 8th, 2008 MHP announced the acquisition of an 80% stake in Private Enterprise "Ukrainian Bacon", a private Ukrainian meat production company with current production capacity of approximately 50 tonnes of meat products per day and production potential of 200 tonnes per day. The first set of financial results that will reflect this acquisition will be the Q3 results for the period to 30 September 2008 that will be published at the end of this year.

Outlook

MHP has a clear and proven strategy of increasing vertical integration that helps the Company maintain a stable cost structure and we expect the benefits of this to continue to be felt in the second half of the year. We expect that due to increases in state subsidies with effect from August 1st 2008 poultry market average prices will remain stable and we expect sausage and meat production volumes to increase during the second six months of the year due to the Ukrainian Bacon acquisition. Favorable yields across all crops will help us improve the financial performance of the grain segment. We remain confident that the outlook for the Company for the rest of the year will remain positive.

- End -

Notes to Editors:

Information on 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.

Information on Ukraine

Independent since 1991, Ukraine represents a large consumer market with 46 million people and a growing economy fuelled by the rising affluence of domestic consumers and external demand for Ukrainian products. In 2007, per capita GDP amounted to US\$2,965 and the current pace of household income growth is expected to be sustained in 2008 owing to increasing salaries and enlarged social payments. Ukraine has been a member of the WTO since May 2008.

Forward-Looking Statements

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

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

Condensed Consolidated Interim Financial Statements
For the six months
ended 30 June 2008

MHP S.A. AND ITS SUBSIDIARIES

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MHP S.A. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS OF 30 JUNE 2008***(in Ukrainian Hryvnias and in thousands)*

	Note s	30 June 2008	31 December 2007
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment, net		3,279,526	3,155,028
Prepayments for property, plant and equipment		220,822	29,699
Deferred tax assets		12,683	13,658
Long-term VAT prepaid		88,113	8,795
Non-current biological assets		209,136	212,586
Other non-current assets		51,463	40,468
Total non-current assets		<u>3,861,743</u>	<u>3,460,234</u>
CURRENT ASSETS			
Inventories		292,822	215,358
Biological assets		872,777	458,466
Agricultural produce		73,259	159,984
Taxes recoverable and prepaid, net		230,568	229,272
Trade accounts receivable, net		217,743	102,832
Other current assets, net		111,097	133,199
Bank deposits with maturity over three months		247,394	-
Cash and cash equivalents		367,482	50,942
Total current assets		<u>2,413,142</u>	<u>1,350,053</u>
TOTAL ASSETS		<u>6,274,885</u>	<u>4,810,287</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital		1,436,750	1,269,121
Additional paid-in capital		897,415	303,299
Revaluation reserve		46,877	47,672
Retained earnings		979,624	433,874
		<u>3,360,666</u>	<u>2,053,966</u>
MINORITY INTEREST		74,544	64,034
Total equity		<u>3,435,210</u>	<u>2,118,000</u>
NON-CURRENT LIABILITIES			
Long-term bank borrowings		289,069	332,686
Bonds issued		1,184,204	1,230,198
Long-term finance lease and vendor financing obligations		206,116	154,215
Other long-term payables		9,329	10,129
Deferred tax liabilities		33,137	32,851
Total non-current liabilities		<u>1,721,855</u>	<u>1,760,079</u>
CURRENT LIABILITIES			
Trade accounts payable		130,363	126,837
Accounts payable for property, plant and equipment		55,713	48,611
Other current liabilities		104,482	91,331
Short-term bank borrowings and current portion of long-term bank borrowings		489,633	372,969
Current portion of bonds issued		200,000	200,000
Interest accrued		20,037	20,717
Current portion of finance lease obligations		87,012	70,210
Deferred income		30,580	1,533
Total current liabilities		<u>1,117,820</u>	<u>932,208</u>
TOTAL LIABILITIES		<u>2,839,675</u>	<u>2,692,287</u>
CONTINGENCIES AND CONTRACTUAL COMMITMENTS		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>6,274,885</u>	<u>4,810,287</u>
On behalf of the Board			

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

MHP S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

(in Ukrainian Hryvnias and in thousands)

	Notes	Six months ended 30 June 2008	2007
Continuing operations			
REVENUE		1,913,088	843,725
Net change in fair value of biological assets and agricultural produce		67,106	50,615
COST OF SALES		<u>(1,320,555)</u>	<u>(649,913)</u>
GROSS PROFIT		659,639	244,427
Selling, general and administrative expenses		(195,442)	(111,565)
Government grants recognized as income		222,028	113,302
Other operating income and expenses		<u>(15,491)</u>	<u>(3,409)</u>
OPERATING PROFIT		<u>670,734</u>	<u>242,755</u>
Finance costs, net		(122,479)	(125,822)
Foreign exchange gains/(losses), net		16,031	(12,695)
Other income and expenses		<u>(3,363)</u>	<u>1,183</u>
OTHER EXPENSES, NET		<u>(109,811)</u>	<u>(137,334)</u>
PROFIT BEFORE TAX		560,923	105,421
Income tax expense		<u>(4,897)</u>	<u>(1,811)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		<u>556,026</u>	<u>103,610</u>
Discontinued operations			
(Loss)/profit for the period from discontinued operations		<u>-</u>	<u>(643)</u>
NET PROFIT FOR THE PERIOD		<u>556,026</u>	<u>102,967</u>
ATTRIBUTABLE TO:			
Equity holders of the Parent		544,563	97,806
Minority interest		11,463	5,161
EARNINGS PER SHARE			
From continuing operations (UAH per share):			
Basic		4.92	0.98
Diluted		4.92	0.98
From continuing and discontinued operations (UAH per share):			
Basic		4.92	0.98
Diluted		4.92	0.98

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages 7 to 15 form an integral part of these condensed consolidated financial statements.

MHP S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2008

(in Ukrainian Hryvnias and in thousands)

	Attributable to Equity Holders of the Parent				Total	Minority interest	Total equity
	Share capital	Additional paid-in capital	Revaluation reserve	Retained earnings			
1 January 2007	1,269,121	287,713	2,858	224,111	1,783,803	68,879	1,852,682
Acquisition and changes in non-controlling interest in subsidiaries	-	-	-	11,520	11,520	(31,529)	(20,009)
Net profit for the period	-	-	-	97,806	97,806	5,161	102,967
30 June 2007	1,269,121	287,713	2,858	333,437	1,893,129	42,511	1,935,640
1 January 2008	1,269,121	303,299	47,672	433,874	2,053,966	64,034	2,118,000
Share capital issue	167,629				167,629		167,629
Share premium		646,684			646,684		646,684
Transaction costs related to share capital issue		(52,568)			(52,568)		(52,568)
Net profit for the period				544,563	544,563	11,463	556,026
Depreciation charged to the revaluation of property, plant and equipment reserve			(795)	795	-	-	-
Total recognized income and expense for the period	-	-	(795)	545,358	544,563	11,463	556,026
Acquisition and changes in non-controlling interest in subsidiaries				392	392	(953)	(561)
30 June 2008	1,436,750	897,415	46,877	979,624	3,360,666	74,544	3,435,210

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

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MHP S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2008

(in Ukrainian Hryvnias and in thousands)

	Six months ended 30 June 2008	2007
OPERATING ACTIVITIES		
Profit before income tax	560,923	104,778
Adjustments to reconcile profit to net cash provided by operations		
Depreciation of property, plant and equipment	131,220	76,211
Finance costs, net	122,479	125,822
Effect of fair value adjustments	(67,106)	(44,728)
Non-operating foreign exchange loss/(gain), net	(16,031)	12,695
Change in allowance for irrecoverable amounts and VAT and direct write-offs	9,622	2,254
(Gain)/loss on disposal of property, plant and equipment	3,245	3,273
Income related to discontinued operations	-	643
Other non-cash items	2,490	(2,489)
Operating profit before working capital changes	<u>746,842</u>	<u>278,459</u>
(Increase)/decrease in inventories	(76,999)	103,711
Increase in biological assets	(273,804)	(117,177)
Decrease/(increase) in agricultural produce	52,580	(10,115)
Decrease in natural gas stock	-	18,559
Decrease/(increase) in other current assets	22,886	(6,276)
Increase in taxes recoverable and prepaid	(83,797)	(10,960)
(Increase)/decrease in trade accounts receivable	(110,571)	18,909
(Decrease)/increase in other long-term payables	(1,065)	5,911
Increase in trade accounts payable	4,446	25,633
Increase in other current liabilities	5,215	25,106
Increase/(decrease) in deferred income	<u>29,047</u>	<u>(323)</u>
Cash generated by operations	314,780	331,437
Finance costs paid	(127,241)	(115,232)
Interest received	8,941	3,278
Income tax paid	<u>(3,636)</u>	<u>(3,845)</u>
Net cash generated by operating activities	<u>192,844</u>	<u>215,638</u>
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(270,478)	(346,506)
Prepayment for investments	(106,818)	-
Purchases of other non-current assets	(9,886)	(44,303)
Proceeds from disposals of property, plant and equipment	5,434	42,663
Purchases of non-current biological assets	(24,131)	-
Short-term deposits	(263,643)	-
Withdrawals of short-term deposits	8,819	-
Loans provided to employees, net	(2,820)	(355)
Loans provided to related parties, net	(474)	-
(Purchases)/proceeds from sales of available-for-sale investments	<u>-</u>	<u>24,240</u>
Net cash used in investing activities	<u>(663,997)</u>	<u>(324,261)</u>

MHP S.A. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FFLAWS FOR THE SIX MONTHS ENDED 30 JUNE 2008

(in Ukrainian Hryvnias and in thousands)

FINANCING ACTIVITIES

Issue of share capital and contribution to additional paid in capital	814,313	-
Transaction costs related to share capital issue	(55,550)	-
Proceeds from loans received	786,339	314,322
Repayment of bank loans	(710,747)	(360,678)
Finance lease payments	<u>(30,159)</u>	<u>(25,424)</u>
Net cash generated by financing activities	<u>804,196</u>	<u>(71,780)</u>
Effects of exchange rates on cash and cash equivalents	(16,503)	-
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	316,540	(180,403)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>50,942</u>	<u>224,297</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>367,482</u></u>	<u><u>43,894</u></u>

On behalf of the Board

Yuriy Kosyuk/Chief Executive Officer

Viktoria Kapelyushnaya/Chief Financial Officer

The notes on pages 7 to 15 form an integral part of these condensed consolidated financial statements.

MHP S.A. AND ITS SUBSIDIARIES

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

(in Ukrainian Hryvnias and in thousands)

1. DESCRIPTION OF FORMATION AND THE BUSINESS

Description of formation

MHP S.A. (the "Parent" or "MHP S.A."), a limited liability company registered under the laws of Luxembourg, was formed on 30 May 2006. MHP S.A. was formed to serve as the ultimate holding company of OJSC "Myronivsky Hliboproduct" ("MHP") and its subsidiaries.

The registered address of MHP S.A. is 8-10, rue Mathias Hardt, L-1717 Luxembourg, Grand-Duchy of Luxembourg.

In the course of the corporate reorganization related to the establishment of MHP S.A., Raftan Holding Limited ("RHL") was established as a subholding company under MHP S.A. and through a series of transactions became the immediate parent of MHP. As a result of these transactions (collectively referred to as the "Corporate Reorganization") MHP S.A. indirectly owned 99.8% of MHP.

References to the "Group" for periods prior to the formation of MHP S.A. are references to MHP and its subsidiaries and for periods after the formation of MHP S.A. are to MHP S.A. and its subsidiaries.

The primary subsidiaries and the principal activities of the companies forming the Group as of 30 June 2008 and 31 December 2007 were as follows:

Operating entity	Country of registration	Year established / acquired	Principal activity	Effective ownership interest*, %	
				30 June 2008	31 December 2007
MHP S.A.	Luxembourg	2006	Holding	Parent	Parent
RHL	Republic of Cyprus	2006	Sub-holding company	100	100
MHP	Ukraine	1998	Management, marketing and sales	99.8	99.8
Myronivsky Zavod po Vygotovlennyyu Krup i Kombikormiv ("MZVKK")	Ukraine	1998	Fodder and sunflower oil production	88.3	84.7
Peremoga Nova ("Peremoga")	Ukraine	1999	Chicken farm	99.8	99.8
Druzhba Narodiv Nova ("Druzhba Nova")	Ukraine	2002	Chicken farm	99.8	99.8
Oril-Leader ("Oril")	Ukraine	2003	Chicken farm	99.8	99.8
Tavriysky Kombikormovy Zavod ("TKZ")	Ukraine	2004	Fodder production	99.9	99.9
Ptahofabryka Shahtarska Nova ("Shahtarska")	Ukraine	2003	Breeder farm	99.8	99.8

Operating entity	Country of registration	Year established / acquired	Principal activity	Effective ownership interest*, %	
				30 June 2008	31 December 2007
Myronivska Pticefabryka ("Myronivska")	Ukraine	2004	Chicken farm	99.8	99.8
Starynska Ptahofabryka ("Starynska")	Ukraine	2003	Breeder farm	84.8	84.8
Ptahofabryka Snyatynska Nova ("Snyatynska")	Ukraine	2005	Geese breeder farm	99.8	99.8
Zernoproduct	Ukraine	2005	Fodder grain cultivation	89.8	89.8
Katerynopilsky Elevator	Ukraine	2005	Fodder production and grain storage	99.8	99.8
Druzhba Narodiv ("Druzhba")	Ukraine	2006	Cattle breeding, plant cultivation	95.3	95.3
Agrofirma Kyivska ("Kyivska")	Ukraine	2006	Cattle breeding	75.8	75.8
Crimean Fruit Company ("Crimean Fruit")	Ukraine	2006	Fruits grain cultivation	81.8	81.8
NPF Urozhay ("Urozhay")	Ukraine	2006	Fodder grain cultivation	89.8	89.8
Agrofort ("AGF")	Ukraine	2006	Fodder grain cultivation	86.0	86.0
Zernoproduct-Lypivka ("ZPL")	Ukraine	2006	Fodder grain cultivation	62.9	62.9

* Effective voting rights in subsidiaries did not differ from effective ownership rights. Direct ownership interest in subsidiaries by the Parent differs from the effective ownership interest due to cross holdings between subsidiaries.

Description of the business

The principal business activities of the Group are presented by the three operating segments: poultry and related operations, grain growing and other agricultural operations. The Group's poultry and related operations integrate all functions related to the production of chicken, including hatching, fodder manufacturing, raising chickens to marketable age ("grow-out"), processing and marketing of branded chilled products and include the production and sale of chicken products, sunflower oil, mixed fodder and convenience food products. Other agricultural operations comprise the production and sale of sausages, beef, goose meat, foie gras, fruits, potatoes and feed grains. Grain growing comprises the production and sale of grains.

The grain growing segment operations results are dependent on seasonality. The main sales of harvested grain incur beginning in the third quarter.

Prior to 2007, the Group also had natural gas related operations which were discontinued in April 2007.

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared on the basis of accounting policies as set forth in the Group's consolidated financial statements as at and for the year ended 31 December 2007. 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 2007 balance sheet was derived from the audited consolidated financial statements.

3. INITIAL PUBLIC SHARES OFFERING

On May 15, 2008 MHP S.A.' issued 10,750,000 new ordinary shares.

After the issue MHP S.A.' share capital consists of 110,770,000 ordinary shares at par value EUR 2 each.

The offering has been completed at USD 15 per share.

Increase of MHP S.A.' share capital amounted to UAH 167,629 thousand (USD 33,194 thousand). Share premium on issue constitute UAH 646,684 thousand (USD 128,056 thousand). The net expenses related to the issue amount UAH 52,568 thousand (USD 10,494 thousand).

Net proceeds, after deducting expenses, of the MHP S.A. from the offering amounted to UAH 761,745 thousand (USD 150,756 thousand).

4. PROPERTY, PLANT AND EQUIPMENT

In 2008 the Group continues investment mainly into its poultry and grain business.

During the six months ended 30 June 2008, the Group's additions to Property, plant and equipment amounted to UAH 365,490 thousand.

The main capital expenditures were incurred in connection with acquisition of agricultural machinery for the grain growing operations, particularly combines, and commencement of the second phase of Myronivka chicken farm complex construction.

The Group's disposals of equipment during the six months ended 30 June 2008 amounted to UAH 8,679 thousand.

The amount paid to settle Ukrainian Bacon's liabilities of UAH 106,818 thousand as prepayment for investment in the Ukrainian Bacon, is included in prepayment for property, plant and equipment as at 30 June 2008.

5. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

The following companies and individuals are considered to be related parties to the Group as of 30 June 2008:

Name of the related party	Nature of relations with the Group
Mr. Yuriy Kosyuk	Chief Executive Officer of MHP S.A. and the Principal Shareholder of the Group
WTI	Immediate parent, company owned by Mr. Yuriy Kosyuk
Mrs. Olena Kosyuk	Wife of Mr. Yuriy Kosyuk
Allied Tech LLP (United Kingdom)	Companies owned or controlled by Mr. Yuriy Kosyuk
Allied Tech LLC (USA)	
Allied Tech Commerce LLP (United Kingdom)	
Agrofirma Berezanska Ptahofabryka	
ULL Beteiligungs und Management GmbH	
Merkaba LLC	
Spector	Company owned by Merkaba LLC

In April 2007, Mr. Yuriy Kosyuk sold his shareholding in Roda. Accordingly, starting from June 2007 Roda and Realizatsiyina Baza ceased to be related parties to the Group.

During the six months ended 30 June 2008 the Group has engaged into transactions with its related parties within the normal course of business. The revenue from sales to related parties has decreased from UAH 36,119 thousand as for the six months ended 30 June 2007 to UAH 31,093 thousand for the six months ended 30 June 2008. The revenue for the six months ended 30 June 2008 related primarily to the sale of mixed fodder and its components to Agrofirma Berezanska Ptahofabryka. During the six months ended 30 June 2007, the Group also sold property, plant and equipment for UAH 17,500 thousand to Agrofirma Berezanska Ptahofabryka.

The balances of trade accounts receivable due from related parties related to the mixed fodder sale primarily and amounted to UAH 30,935 thousand and UAH 6,639 thousand as at 30 June 2008 and 31 December 2007 respectively.

Terms and conditions of sales to related parties are determined based on arrangements, specific to each contract or transaction. Management believes that the accounts receivable due from related parties do not require allowance for irrecoverable amounts and that the amounts payable to related parties will be settled at cost.

Compensation to key management personnel

Total compensation of the Group's key management personnel (including compensation to Mr. Yuriy Kosyuk), which consist of contractual salary, performance bonuses and bonuses in connection with the MHP S.A.' share issue amounted to UAH 28,965 thousand and UAH 7,570 thousand for the six months ended 30 June 2008 and 2007, respectively. The balances outstanding of interest free loans provided to the key management personnel amounted to UAH 6,963 thousand and UAH 5,927 thousand as of 30 June 2008 and 31 December 2007 respectively.

6. CHANGES IN INVENTORIES, BIOLOGICAL ASSETS, AND AGRICULTURAL PRODUCE

One of the main reason of changes in the inventories, biological assets and agricultural produce as of 30 June 2008 as compared to 31 December 2007 is seasonality.

The changes in the Group's inventories during the six months ended 30 June 2008 were in line with the normal course of the Group's operations and resulted from accumulation of

stock by grain growing entities prior to harvest. Apart from the seasonality factor, inventory increase as at 30 June 2008 as compared to 31 December 2007 is largely attributable to the accumulation of sunflower oil stock. This accumulation resulted from increased mixed-fodder production, and consequently that of sunflower oil, and temporary export quotas and licensing introduced by the Ukrainian government in March 2008.

Increase of current biological assets balances during the six months 2008 is primarily attributable to that of the crops balances.

This increase refers to the costs incurred with respect to future harvest, reflecting seasonality element inherent in the grain growing segment. The balances of crops in fields, being represented at the fair value, include significant portion of positive fair value measurement. The significant costs borne during the six months 2008 and fair value measurement will be realised at the harvest starting the third quarter.

An increase in current biological assets is also attributable to the positive fair value measurement effect of broiler poultry closing balances resulting from the increase of chicken meat prices.

At the same time the fair value of a hatchery egg has decreased by 30 June 2008 as compared to 31 December 2007 which resulted from decline of the market price of hatchery eggs and breeders held for hatchery eggs production.

Agricultural produce balances has decreased as a result of seasonal reduction of grain stock and other seasonal produce, such as fruits, vegetables. The stock of chicken meat has also decreased between the two dates due to strengthened market demand.

7. BANK BORROWINGS

The following table summarizes bank loans and credit lines held by the Group as of 30 June 2008 and 31 December 2007:

Bank	Currency	Interest rate	30 June 2008	Interest rate	31 December 2007
Foreign banks	USD	-	-	-	-
Foreign banks	EUR	5.62%	396,119	4.77%	437,315
					437,315
Ukrainian banks	USD	7.17%	382,583	8.71%	54,540
Ukrainian banks	UAH			12.51%	213,800
Ukrainian banks	EUR				-
Total bank borrowings			778,702		705,655
<i>Less:</i>					
Short-term borrowings and current portion of long-term borrowings			(489,633)		(372,969)
Total long-term bank borrowings			289,069		332,686
			<u>(489,633)</u>		<u>(372,969)</u>

The following table summarizes bank loans and credit lines with respect to the type of interests charged held by the Group as of 30 June 2008 and 31 December 2007:

	30 June 2008	31 December 2007
Fixed interest rate	232,716	188,800
Floating interest rate	545,986	516,855

Total	<u>778,702</u>	<u>705,655</u>
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Bank loans and credit lines as of 30 June 2008 were repayable as follows:

	30 June 2008		
	Foreign	Ukrainian	Total
Within one year	107,017	382,616	489,633
In the second year	107,017		107,017
In the third to fifth year inclusive	182,052		182,052
With maturity over five years			
Total	<u>396,086</u>	<u>382,616</u>	<u>778,702</u>

Bank loans and credit lines as of 31 December 2007 were repayable as follows:

	31 December 2007		
	Foreign	Ukrainian	Total
Within one year	104,629	268,340	372,969
In the second year	104,629	-	104,629
In the third to fifth year inclusive	228,057	-	228,057
With maturity over five years	-	-	-
Total	<u>437,315</u>	<u>268,340</u>	<u>705,655</u>

As of 30 June 2008, the secured bank borrowings were represented by facilities drawn with Commerzbank for UAH 83,189 thousand (EUR 10,906 thousand).

Property, plant and equipment with the net book value of UAH 54,200 thousand were pledged by the Group to secure its bank borrowings as of 30 June 2008.

8. BONDS ISSUED

Long-term bonds outstanding as of 30 June 2008 and 31 December 2007 were as follows:

	30 June 2008	31 December 2007
10.25% Senior Notes due in 2011	1,212,225	1,262,500
Unamortized premium on bonds issued	-	-
Unamortized debt issue costs, net	(28,021)	(32,302)
Total	<u>1,184,204</u>	<u>1,230,198</u>

Short-term bonds outstanding as of 30 June 2008 and 31 December 2007 were as follows:

	30 June 2008	31 December 2007
14% Druzhba Nova Bonds due in 2008	200,000	200,000
Unamortized premium on bonds issued	-	-
Unamortized debt issue cost	-	-
Total	<u>200,000</u>	<u>200,000</u>

9. LONG-TERM FINANCE LEASE AND VENDOR FINANCING OBLIGATIONS

Finance lease obligations and other long-term payables as of 30 June 2008 and 31 December 2007 were as follows:

	30 June 2008	31 December
Finance lease obligations, long-term portion	204,951	151,591

Long-term payables for property, plant and equipment under vendor financing arrangements	1,165	2,624
Total	206,116	154,215

The finance lease obligations represent amounts due under agreements for lease of trucks, agricultural machinery and equipment with Ukrainian and foreign companies. The following are the minimum lease payments and present value of minimum lease payments under the finance lease agreements as of 30 June 2008:

	Minimum lease payments	Present value of minimum lease payments
Payable within one year	117,508	87,012
Payable in the second year	96,551	74,591
Payable in the third to fifth year inclusive	153,816	130,360
	<u>396,875</u>	<u>291,963</u>
<i>Less:</i>		
Future finance charges	<u>(75,912)</u>	<u>-</u>
Present value of lease obligations	<u>291,963</u>	<u>291,963</u>
<i>Less:</i>		
Current portion		<u>(87,012)</u>
Finance lease obligations, long-term portion		<u>204,951</u>

10. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Operating environment – The principal business activities of the Group are within Ukraine. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes and the Group's assets and operations could be at risk if there are any adverse changes in the political and business environment.

Taxation – Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukraine laws and regulations can lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

Legal issue – The Group is involved in litigations and other claims that are in the ordinary course of its business activities. Management believes that the resolution of such matters will not have a material impact on its financial position or operating results.

Contractual commitments on purchase of raw materials and biological asset – As of 30 June 2008, sunflower seeds purchase commitments on forward contracts amounted to UAH 127,823 thousand (31 December 2007: UAH 545,875 thousand).

The fair value of the forward contracts obligations was not materially different from the purchase obligations as of 30 June 2008 as compared to 31 December 2007, thus neither assets nor liabilities in respect of the financial instrument were recognized as of 30 June 2008.

As of 30 June 2008, purchase commitments on acquisition of biological assets from foreign suppliers amounted to UAH 25,683 thousand (31 December 2007: UAH 44,108 thousand).

Contractual commitments on purchase of property, plant and equipment – As of 30 June 2008, purchase commitments of the Group on contracts with foreign and Ukrainian suppliers for the purchase of property, plant and equipment for development of agricultural operations amounted to UAH 11,230 thousand (31 December 2007: UAH 19,446 thousand).

Contractual commitments on sales of sunflower oil – As of 30 June 2008, commitments of the Group on sunflower oil sales comprised UAH 14,195 thousand (31 December 2007: UAH 64,990 thousand).

11. FOREIGN CURRENCY EXCHANGE RATE CHANGE

The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, at the same time the management of the Group sets limits on the level of exposure by currencies.

On May 22, 2008 the National Bank of Ukraine established the official exchange rate UAH 4.85 to USD 1. This has the effect of revaluation of Ukrainian hryvnia from UAH 5.05 to USD 1 which has been fixed since April 2005.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as of 30 June 2008 are as follows:

	USD- denominate d	EUR- denominate d
Assets		
Prepayments for property, plant and equipment	-	54,485
Trade accounts receivable	7,882	-
Other current assets	10,790	-
Bank deposits with maturity over three months	247,294	-
Cash and cash equivalents	272,463	362
Total assets	<u>538,429</u>	<u>54,847</u>
Liabilities		
Trade accounts payable	4,382	15,891
Accounts payable for property, plant and equipment	181	26,700
Bank borrowings	382,583	396,119
Bonds issued	1,184,204	-
Finance lease and vendor financing obligations	14,735	158,502
Total liabilities	<u>1,586,085</u>	<u>597,213</u>

Below are details the Group's sensitivity to strengthening of the Ukrainian Hryvnia against US Dollar and EURO by 10%. 10% is the sensitivity rate which represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	USD- denominated	EUR- denominated
Profit or loss *	104,776	54,237

* The effect of foreign currency sensitivity on shareholders' equity is equal to that on profit or loss.

During the six months ended 30 June 2008, the Ukrainian Hryvnia depreciated against EURO by 2.8%. Ukrainian Hryvnia appreciated against U.S. Dollar by 4.0% during the same period.

12. SEGMENT INFORMATION

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

	Revenue		Segment result		Gain / (loss) from recognition at fair value	
	Six months ended		Six months ended		Six months ended	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Poultry and related operations	1,693,160	724,677	589,917	185,139	785	(17)
Other agricultural operations	207,225	109,231	10,368	3,737	(12,182)	(5,590)
Grain growing	<u>12,703</u>	<u>9,817</u>	<u>95,860</u>	<u>70,261</u>	<u>78,503</u>	<u>56,222</u>
Unallocated expenses			(25,411)	(16,382)		
Total of continuing operations	<u>1,913,088</u>	<u>843,725</u>	<u>670,734</u>	<u>242,755</u>	<u>67,106</u>	<u>50,615</u>

13. NET PROFIT FOR THE PERIOD

The significant increase in MHP's net profit for the six months ended 30 June 2008 as compared to the six months ended 30 June 2007 was primarily caused by the increase of gross profit of poultry and related operations segment. The gross profit increase is attributable to the increase of sale volume and chicken meat price. The cost of sales of chicken meat per 1 kg for the six months 2008 approximates respective cost of sales for the fourth quarter 2007.

14. SUBSEQUENT EVENTS

Redemption of bonds

14% Druzhba Nova Bonds with nominal amount UAH 200,000 thousand due in August 2008 have been fully settled on due date. The redemption of bonds was financed at the expense of the two-year credit facility from ING Bank (Ukraine).

Credit facility prolongation

The credit facility of USD 25,000 thousand (UAH 121,250 thousand) from ING Bank (Ukraine) period has been extended for one year till October 2009.

Acquisition of subsidiary

The Group has acquired 80% interest in Private Enterprise "Ukrainian Bacon" for UAH 121,250 thousand. The majority of the purchase price has been paid to settle Ukrainian Bacon's existing liabilities. The acquisition of Ukrainian Bacon has been completed and corporate rights acquired by the Group in July 2008. Ukrainian Bacon produces sausages and cooked meats.