



Operations update

March-July 2015

Ternopil, Sept 2015

Key events of July-August 2015



- *Winter crop harvest 2015 completed on 146% of planned area thanks to return of control of land and better than expected available cash flow. Sowing of 2015/16 winter crops underway.*
- *An operational organizational restructuring is being planned at the end of the winter planting season, which will focus on the optimal scaling of production units (“clusters”), and on transparent and standardized business processes.*
- *The company’s land bank is under full management control -- problems have been identified and are being resolved systematically through registration and resigning of leases.*
- *The company’s short term WC facility is fully operational and the first drawdowns have been made.*
- *Negotiations on restructuring legacy debt portfolio continue. The company continues to defend itself against litigation initiated by hostile creditors on multiple fronts.*
- *The 2015 harvest is being actively shipped to leading international traders on export markets, commodity prices are in a bear cycle, while somewhat compensated by lower costs due to the Hrivna devaluation in 2014.*



Operations (1/2)

Winter crop 2014-15 - Harvest update

Crop	Harvested as of Aug 26, 2015, kha	Total initially planned, ha	%, Completion
Wheat	41.8	28.8	145.5%
Rape	20.8	12.6	165.5%
Barley	0.2	0.2	100.0%
Mustard	3.7	4.1	90.2%
Total	66.5	45.6	145.9%

Crop	Actual yield, T/ha	Planned yield, T/ha	Yield difference	Total yield, KT
Wheat	4.1	4.2	-2.6%	171.3
Rape	1.4	1.8	-20.0%	30.0
Barley	4.8	3.0	59.0%	0.7
Mustard*	0.5	0.8	-42.0%	1.7

Comments

- Overall the results are satisfactory, considering costs incurred (average fertilizer cost of USD15 per ha). The additional 20 934 ha which were added after initial planning had weak winter crops resulting in the yield lower than forecasted.
- The harvest lasted over 40 days and was complicated by logistical challenges due to delays from excessive machinery breakdowns, and challenges related to lack of transportation equipment.
- Wheat yields slightly below plan due to heat wave in July which reduced grain weight, and poor performance of one of the clusters (2,5T/ha).
- Combine productivity averaged 21ha per day, which is below target of 30, and a reflection of the logistical challenges the company faced.



Operations (2/2)

Winter crop 2015-16 - Sowing

Crop	Planted as of August 31, kha	Total planned*, kha	%, Completion
Wheat	0.1	72.5	0.1%
Rape	18.2	24.8	73.6%
Barley	0	0.2	0.0%
Total	18.3	97.4	19.0%

Spring crop 2015 - Harvest

Crop	Total planned*, kha	Planned yield, T/ha
Sunflower	19.1	2.0
Soya	20.8	2.0
Corn	12.7	6.5
Potato	0.5	24.8
Buckweat	3.8	1.2
Total	56.9	-

Comments

- *The company is planting at the rate of 800Ha per day of rape with 7 drills.*
- *The seed plant has prepared and treated 200T of rape seed and 14 000T of wheat seeds for planting this autumn.*
- *We expect to complete the planting campaign mid October after planting wheat behind sunflower.*

Comments

- *Preparations are underway for the second harvest – sunflower, soya, and corn, scheduled to begin early September. We are currently forecasting budgeted yields for all three crops.*



Land bank securing (Jul 1 – Jul 31)

- *The company is actively registering leases across all the clusters which had not been registered by the previous management. We expect to finish registering the land bank at the end of the calendar year.*
- *We are actively re-signing leases which expire in 2015/16.*
- *We have begun the process of paying land rent in our 300 villages. We are currently handing out wheat where the leases require, and will pay rent in cash subsequently. We expect to complete the rent payment in December in full accordance with the lease terms.*
- *We are working on rationalizing the land bank to exclude pieces that are not profitable/efficient to farm. We have currently identified up to 6,000Ha of land which is suboptimal, and will be pursuing ways to dispose of it.*
- *The company continues to pursuing through the courts the land which was transferred outside of the company's control by previous management prior to the control takeover by the creditors.*
- *47.5 kha of land is cultivated in cooperation with the third parties in 2014-2015 season. All land will be returned to Mriya in the next season.*

Total land bank under control as of July 31, kha	Registered as of March 1 , kha	Registered between 1 March and 1 July 2015, kha	Lease agreements registered during July, kha	% of total land bank registered	Land bank, to be registered, kha
192.2	155.2	9.5	4.3	88%	23.2

Cash statement summary



Comments

Item (in mln USD)	1 Mar – 30 Jun 2015	Jul 2015
Cash at the beginning of the period	6.0	28.9
Cashflow from operating activities	-0.5	-10.6
<i>Cash proceeds from operating activities</i>	14.7	1.7
<i>Cash proceeds from agricultural produce</i>	7.8	0.5
<i>Cash proceeds from potato and starch sales</i>	2.5	0.3
<i>Cash proceeds from silos operations</i>	0.8	0.1
<i>Other operational proceeds</i>	3.6	0.7
Operational costs	-15.2	-12.3
<i>Cost of goods and SG&A</i>	-14.6	-12.4
<i>Taxes</i>	-0.6	0.1
Cashflow from investment activities	-0.9	-2.0
Investment income	0.1	0.0
CapEx	-1.1	-2.0
Cashflow from financing activities	24.3	-0.4
Proceeds from financing activities	25.0	0.0
Financial expenses	-0.7	-0.4
Cash at the end of the period	28.9	15.9

- *Cash position at 30 June mainly reflects the full disbursement of the new Working Capital facility. However, the cash is ring fenced with the agent bank acting on behalf of the WC lenders and the actual use of WC funds is restricted to farming expenses and restructuring costs and inaccessible for servicing legacy debts.*
- *Income for the period Mar – Jun is generated from the inventory of crops of 2014/15 harvest, unsold by the Company when new management took control in February.*
- *The negative cash position of July is caused by the Company having incurred harvesting expenses for winter crops, while sales have only started in August. The company has also paid accounts payable for the period of April-June. Despite of the expenses the company stays within the 2015 cash budget*
- *Financial expenses consist mainly of expenses related to WC facility and small expenses for a new lease transaction.*
- *The Company has not made any payments in respect of legacy debt, whilst a restructuring proposal is being developed*
- *Going forward, the financial and reporting year of the company will begin on July 1. The management has started preparing an opening balance sheet as of July 1, 2015 which requires significant clean-up of irregular transactions accounted for by the previous management. This opening balance sheet is expected to be subject to an audit review and form the basis for future audited financial statements.*



Crop sales

Sales volumes shipped

Crops, KT	Crop 2014	Crop 2015	Total since March 1, 2015	Of which in July 2015
Export sales	45.6	8.6	54.2	11.1
• Grains	42.7	0.0	42.7	2.5
• Oilseeds	2.9	8.6	11.5	8.9
Domestic sales	13.9	0.0	13.9	6.5
Total	59.5	8.6	68.1	17.7

Inventory - Volume in elevators*

As of June 30, KT	As of Jul 31, KT
11.4	165.2

Comments

- *The company's silos are all in full operation.*
- *~37 KT additional volume was shipped in Feb-Mar which was not included in strategic model and was used as working capital pre WC facility.*
- *Inventory belongs to group's newly created trading companies which have no liabilities to legacy creditors and have pledged the crop to the W/C lenders.*
- *Wheat quality this year is mainly feed, due to absence of nitrogen and crop protection.*
- *We are working with all major multinational traders (mainly Dreyfus/ADM/Glencore/BTG) for wheat and rape.*
- *We have presold part of our corn and soya crop to hedge price volatility.*
- *Prices are within budgeted forecasts, except for wheat which is currently approx. 10 USD/T below expected price.*