

# **OPERATIONAL UPDATE, December 2015**

29 January, 2016

- After having completed its sowing campaign in November, Mriya Agro Holding is concentrating its efforts on organizational restructuring, equipment repairs and professional training programs.
- The company has significantly advanced in its operational restructuring, having completed 85% of its planned infrastructural optimization. As of 31 December 2015, Mriya already achieved savings of 13% of its monthly payroll budget in comparison with Q32015.
- Mriya has repaid \$15 million from the \$25 million of Working Capital facility that it raised in June 2015. The balance of \$10 million is extended until 31 January 2016, with possible extension for repayment until 28 February 2016, subject to approval by the Working Capital providers.
- Negotiations on restructuring legacy debt portfolio continue and the creditors are in the process of finalizing the Heads of Terms of the debt restructuring, also drafting of the restructuring agreement between the creditors and the company has started.



# Winter crops 2015/16 - Sowing

Crop	In ground as of 31/12/15, kha	Total planned and sown*, kha	Completion, %
Wheat	61,4	60,6	101%
Rapeseed	12,1**	20,6	59%
Total	73,5	81,3	90%

- After December frosts, winter crops are in good condition and the risks of winter losses are low.
- The company's main focus is now on repair and maintenance works for its equipment and buildings. Overall, the technical condition of the equipment is much better than 10 months ago as a result of constant ongoing repairs that have been taking place since the new management took control over the company.
- With the aim of improving professional skills and knowledge of the Mriya's agronomists, the company has introduced professional tests and developed training programs.

<sup>\*</sup> Total planned area reduced from 97,4 kha to 81,3 kha due to the land bank rationalization

<sup>\*\*</sup>Taking into account the loss of 8,5 kha of rapeseed in November due to weather conditions

# **Operational organizational restructuring**

- Mriya Agro Holding has well advanced into implementing its organizational restructuring of operations in a new structure of seven clusters instead of former seventeen blocks.
- All new clusters' organizational charts have been fully developed, all cluster directors and agronomists have been appointed and 85% of the offices location optimization have been implemented.
- The company has undertaken 90% of the planned personnel changes and achieved savings of already 13% of monthly payroll budget in comparison with Q32015.
- The full implementation of operational organizational restructuring is to be completed by the end of March 2016.

# Sales volumes shipped

Сгор	Shipped Nov 2015, kmt	Shipped Dec 2015, kmt
Grains	27,82	33,17
Oilseeds	17,86	13,50
Other	3,34	1,65
Total	49,03	48,32

Сгор	Shipped Nov 2015, kmt	Shipped Dec 2015, kmt
Export	31,55	44,50
Domestic sales	17,48	3,82
Total	49,03	48,32

## **Inventory in elevators**

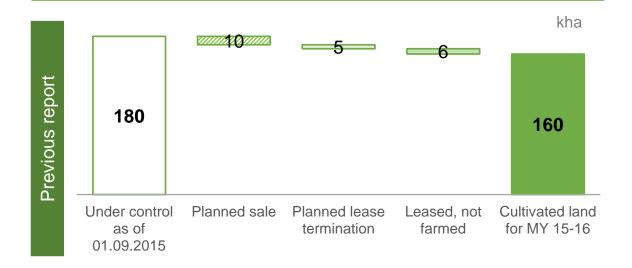
Crop	As of 30 Nov, kmt	As of 31 Dec, kmt	Change in inventory, kmt
Grains	51,31	17,98	-33,33
Oilseeds	16,60	4,30	-12,30
Other	2,01	1,75	-0,26
Total	69,92*	24,03	-45,89

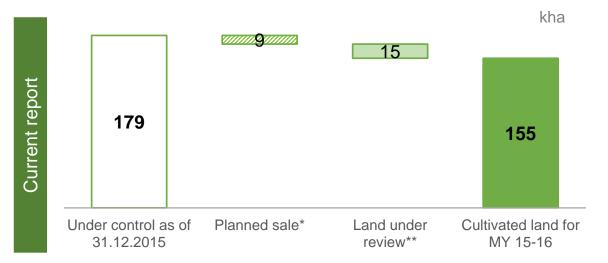
<sup>\*</sup> Factual volume as per physical observation conducted after the date of the report for November 2015. The previously reported 69,72 kmt was an estimate.

- Mriya has completed delivery of almost all of its contracts with the major multinational traders (Louis Dreyfus/ADM/Glencore/BTG/VAIT) for wheat, rape, soya and corn for export of its products.
- Balance inventory belongs to the group's newly created trading companies which have no liabilities to legacy creditors and is pledged to the WC lenders.
- Prices are within forecasted range.



## Land bank: controlled and cultivated





- Land bank under control as of 31 December 2015 consists of 179 kha, which is 1 kha less than as of 31 August 2015 (fully completed transfers of land under the approved rationalization plan).
- The company is planning to pay rent in 2016 for 170 kha of land (cultivated land and land under review).
- As of 31 December 2015, the company paid out 95% of planned rental payments for 2015.
- ❖ Part of land planned for cultivation (4,6 kha) has been redistributed to land under review in result of the ongoing reconciliation of legal documents and physical borders initiated in Q42015.
  - \* Most part of land plots recommended for sale is still under Mriya's control due to the ongoing process of resigning leases before selling to a new leaseholder (expected to be fully divested by the end of 2016)
  - \*\* Land currently in the process of reconciliation into 4 categories: leases of arable land (that Mriya can legally cultivate), leases of non-arable land, losses from expired 2015 leases (unable to resign), suboptimal land to exchange/terminate lease contracts



# Reconciliation of lands under crops and coordinates of rented land plots according to the state cadastral map

Background information: in Ukraine, following the transfer of land plots to private individuals in 2003, there is an issue faced by all agricultural producers related to fragmentation of lands and mismatch between physical and legal coordinates of rented land plots. Mriya has been working on a large-scale project to reconcile lands under crops with cadastral boundaries of land plots as per rental agreements. The aim is to improve the land management and to avoid any potential disputes. The company has mapped 78% of its total land bank in GIS coordinates and created mobile maps, with physical land plots being matched via cadastral numbers with the state cadastral system. At the moment, the company is working on a pilot project in Zbarazhsky district, Ternopil region of reconciling the area of 2,6 kha of its fields with land boundaries as per rental agreements. The pilot is expected to be completed in January 2016 and after that the similar reconciliation will be implemented for all the company's land bank.

#### Re-cultivation of land

According to the results of the land bank audit, the land area of 4,5 kha was found to be covered by overgrowth from non-cultivation and non-treatment by the previous management. The company identified 2,9 kha of land for re-cultivation as a matter of first priority. Currently, the land department is preparing 0,2 kha of land in Lviv region for cultivation, which area will be used for sowing the spring rapeseed this year already.



Item (in mln USD)	1 Jul 2015 - 30 Sept 2015	1 Oct 2015 - 31 Dec 2015	TOTAL 1 Jul - 31 Dec 2015
Cash at the beginning of the period	28,9	11,0	28,9
Cashflow from operating activities	-12,3	21,7	9,3
Cash proceeds from operating activities	22,9	38,3	61,2
Cash proceeds from agricultural produce	18,0	33,6	51,6
Cash proceeds from potato and starch sales	1,1	1,1	2,2
Cash proceeds from silos operations	0,5	0,7	1,2
Other operational proceeds	3,2	3,0	6,2
Operational costs	-35,2	-16,6	-51,9
Cost of goods & other operational	-19,7	-5,5	-25,1
Land and land social payments	-3,3	-3,2	-6,5
Personnel expenses	-3,7	-3,8	-7,5
G&A & Restructuring fees	-8,6	-4,3	-12,8
Cashflow from investment activities	-4,1	-3,7	-7,8
Investment income	0,0	0,0	0,0
CapEx	-3,9	-2,8	-6,7
Land registration and contracts resigning	-0,2	-0,9	-1,1
Cashflow from financing activities	-1,5	-15,4	-16,9
Proceeds from financing activities	0,0	0,0	0,0
Loan repayments	0,0	-15,0	-15,0
Financial expenses	-1,5	-0,3	-1,8
Cash at the end of the period	11,0	13,6	13,6

- ❖ Income in July-December 2015 was generated from sales of winter crops (rapeseed & wheat) and the initial sale of spring crops (soy & sunflower & corn).
- ❖ G&A expenses in Q42015 were reduced to \$0,6 million.
- CapEx for July–December 2015 included investments into agri-machinery & equipment, silos, GPS project, security and IT.
- The company repaid \$15 million of the WC loan in November 2015 and in December 2015 additionally accumulated more than \$10 million on the ring fenced account with the agent bank for 100% repayment.
- Financial expenses were related to the WC facility and to the lease expenses.
- The company didn't make any payments in respect to its legacy debt, whilst the restructuring proposal is being developed and negotiated.