

OPERATIONAL UPDATE, Q1 2017

03 May, 2017

- ❖ During Q1 2017, Mriya was finishing harvesting of its 2016 spring crops and was actively preparing for the new season fieldwork and sowing campaign. The company was repairing its equipment and preparing the warehouses and technical premises for the new season. Mriya has already bought seeds and mineral fertilizers and is currently in the process of buying herbicides and pesticides. The company has also acquired spare parts for all the machinery that will be used for spring sowing work.
- ❖ In March 2017 the company started its spring sowing campaign. Mriya has allocated 86 kha of land for 2017 spring crops. The main crops for spring sowing are sunflower and corn. Also, the sugar beet crop was resumed in the company's crop rotation for the first time since the creditors took control over the company.
- ❖ Mriya has reported its tax and social contributions for the 2016 year. The company's total contribution to budgets of all levels was UAH 356,9 million (USD 14,0 million). In addition, in 2016 Mriya provided social assistance worth UAH 20,3 million (USD 0,8 million) to communities in Ternopil, Khmelnytsky, Chernivtsi, Ivano-Frankiv'sk, Lviv and Rivne regions. These funds were directed towards implementing social projects in the areas of education, medicine, spirituality, public amenities, culture and sport and for the improvement of infrastructure in villages and districts, the provision of assistance to soldiers fighting in the ATO and the population as well as for support of the cooperative movement and the creation of new cooperatives.
- ❖ In January 2017, the COO, Victor Kukharchuk, was replaced by Andriy Hryhorov, previously Deputy COO, and also in Q1 2017 the company hired new Chief Agronomist. Together they have been continuing implementation of the new operational model in Mriya, whereby the company moved from a centralized operational model to a partially decentralized model with delegation of operational authority to the clusters' directors. In this new operational model, the central office focuses on operational planning and control.

Spring crops 2016 - Harvesting

Crop	Harvested as of 31/03/17, kha	Total planned, kha	Completion*, %
Spring rapeseed	8,5	8,7	100%
Spring barley	11,1	11,2	100%
Sunflower	42,6	42,5	100%
Corn	9,2	9,1	100%
Soybean	6,0	6,0	100%
Potato	1,5	2,0	100%
Other	1,8	2,0	100%
Total	80,7	81,5	100%

*Taking into account losses due to weather conditions

Crop	Yield actual, mt/ha	Yield planned, mt/ha	Yield difference, %	Total harvest, thd mt
Spring rapeseed	1,0	1,5	-33%	8,5
Spring barley	4,8	3,8	26%	53,1
Sunflower	1,9	2,1	-8%	81,9
Corn	4,2	7,0	-40%	38,3
Soybean	1,0	2,1	-53%	6,0
Potato	16,2	30,0	-46%	23,7

Comments

- In Q1 2017, Mriya finished harvesting all of its 2016 spring crops.
- The company faced delays in harvesting due to late planting in spring 2016, bad weather conditions during October and early snow in November as well as unforeseen breakdowns of agricultural machinery.
- Another significant factors of delays were late arrival of WC financing and the illegal raid of the company's logistics base in Khorostkiv in July 2016 by associates of previous management.
- These factors had an impact on average yields and they are lower than initially forecasted yields.

Winter crops 2016/17 – Sowing

<i>Crop</i>	<i>In ground as of 31/03/17, kha</i>	<i>Total planned*, kha</i>	<i>Completion**, %</i>
Wheat	35,3	39,1	100%
Rapeseed	13,2	14,0	100%
Rye	0,1	0,1	100%
Barley	0,1	0,1	100%
Total	48,7	53,3	100%

*According to plan, which was approved in March 2017

**Taking into account losses due to weather conditions

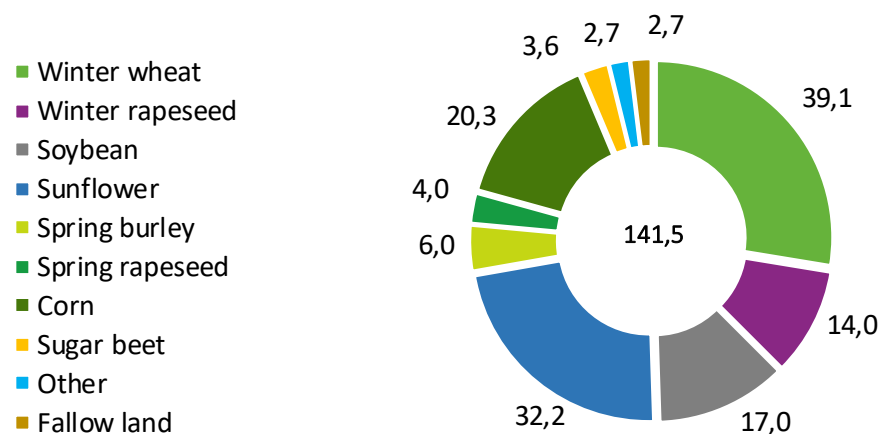
Comments

- The total area under winter crops of 48,7 kha is below the planned area due to adverse weather in the autumn and the delayed harvest.
- The inspection of the condition of winter crops that was conducted in March revealed an additional write off of 3,8 kha of wheat and 0,8 kha of rapeseed to be replanted in the spring.
- 54% of winter wheat and 88% of rapeseed are currently evaluated as being in good condition. The rest of wheat and rapeseed fields are considered in satisfactory condition.
- The winter loss of rapeseed was insured and will be partially covered by the insurance company.
- The company has been experiencing problems with procuring nitrogen fertilizers due to a shortage of supply in the market as a result of temporary shut down of production by the main producer in Ukraine. An alternative solution has been found.
- A more detailed update on winter crops 2017 will be provided as part of the April monthly operations report in the new format.

Spring crops 2017 – Sowing

Crop	In ground as of 31/03/17, kha	Total planned, kha	Completion, %
Spring rapeseed	-	4,0	-
Spring barley	1,4	6,0	23%
Sunflower	-	32,2	-
Corn	-	20,3	-
Soybean	-	17,0	-
Sugar beet	-	3,6	-
Other	0,3	2,5	12%
Total	1,7	85,6	2%

Planned structure of crops 2017, kha



Also, the company has 13,1 kha of sub-leased land.

Comments

- Mriya started field work in March with delay for a week due to low air and ground temperature and unfavorable weather conditions. The company began its sowing campaign with spring barley and wheat.
- The leaders of spring crops rotation this year are sunflower and corn. Also, the sugar beet crop was resumed in the company's crop rotation.
- Field works such as application of fertilizers and tillage were underway as planned in Q1 2017.
- Due to carry-over part of land from winter sowing to spring, the company decided to sub-lease 13 kha to ensure optimal sowing campaign with available equipment.
- The company experienced delays in delivery of ordered equipment: out of 4 ordered tractors, 2 were delivered in early April and 2 are expected in May; out of 12 new sprayers, 8 were received in middle April and 4 are expected at the beginning of May.
- The above changes will not negatively impact planned yields of spring crops.
- A more detailed summary of spring crops status will be provided as part of management's April operations report in the new format.

Sales volumes shipped

Crop	Shipped Oct-Dec 2016, kmt	%	Shipped Jan-Mar 2017, kmt	%
Grains	95,89	56%	57,56	71%
Oilseeds	62,48	37%	21,95	27%
Other	11,86	7%	1,64	2%
Total	170,25	100%	81,16	100%

	Shipped Oct-Dec 2016, kmt	%	Shipped Jan-Mar 2017, kmt	%
Export	94,74	56%	64,45	79%
Domestic sales	75,49	44%	16,70	21%
Total	170,25	100%	81,16	100%

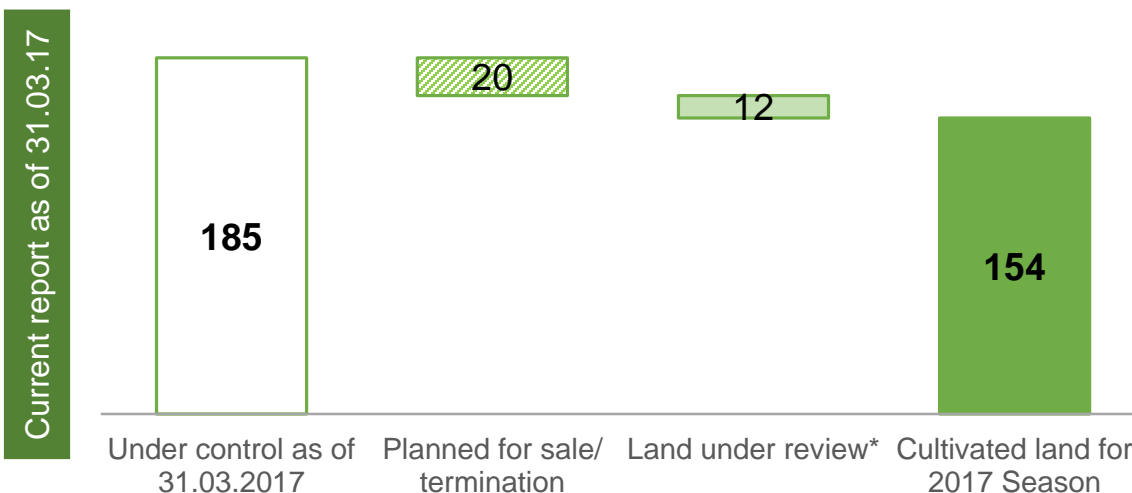
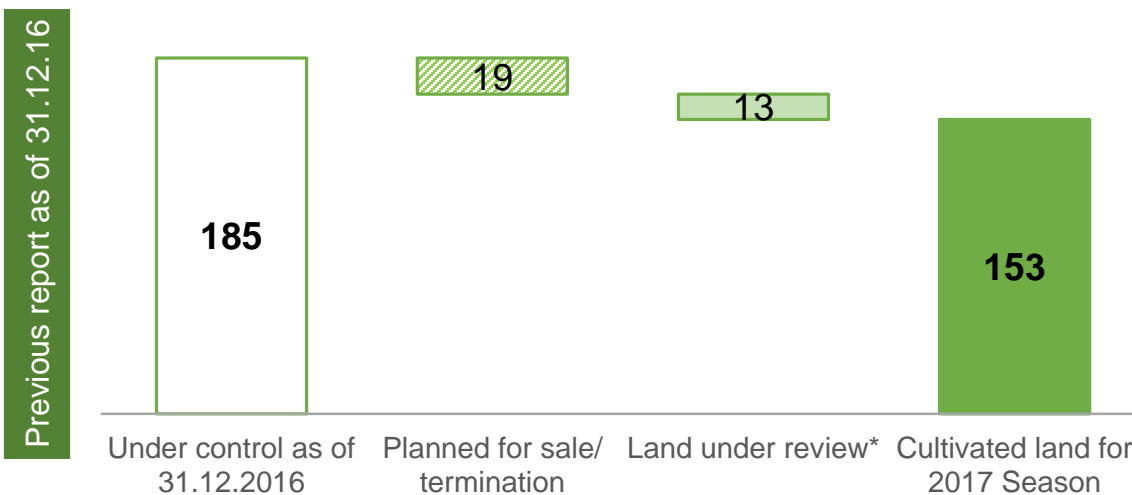
Inventory on elevators

Crop	As of 31 Dec, kmt	As of 31 Mar, kmt	Change in inventory, kmt
Grains	57,18	4,40	-52,78
Oilseeds	18,74	0,89	-17,85
Other	5,89	7,69	1,80
Total	81,81	12,97	-68,83

Comments

- In January - March 2017 Mriya has been continuing deliveries under sale and export contracts for crops 2016.
- Selling prices for most of the crops 2016 were higher or in line with Mriya's forecasts.
- For sale of the company's crops 2016/17, Mriya is working with a number of big multinational traders such as ADM, Cargill, CHS, Engelhart Commodities, as well as with domestic sunflower seed crushing plants.

Land bank: controlled and cultivated, kha



Comments

- Land bank under Mriya's control as of 31 March 2017 consists of 185 kha.
- The company has 20 kha of land planned for sale/termination, of which 12 kha of cultivated land are in the process of divesting in line with agreed strategy of optimization of the land bank and 8 kha of suboptimal land will be sold or terminated.
- The land under cultivation increased by 1 kha - up to 154 kha, as a result of the redistribution of land from the category of land under review. Company's farmed land will be 141 kha, with 13 kha subleased for one season.
- The implementation of the updated land bank optimization program, which was approved in December 2016, is under way including resigning and registration of new land leases according to plan.
- The reconciliation of legal documents and physical borders of leased land plots continues.

* 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 leases (unable to resign), suboptimal land to exchange/ terminate lease contracts

Item (in mln USD)	1 Jan - 31 Dec 2016	1 Jan - 31 Mar 2017
Cash at the beginning of the period	13,6	18,5
Cashflow from operating activities	-15,1	10,5
<i>Cash proceeds from operating activities</i>	72,6	20,5
<i>Cash proceeds from agricultural produce</i>	68,3	19,1
<i>Cash proceeds from potato and starch sales</i>	1,6	0,6
<i>Cash proceeds from silos operations</i>	0,5	0,2
<i>Other operational proceeds</i>	2,2	0,6
<i>Operational costs</i>	-87,7	-10,0
<i>Cost of goods & other operational</i>	-48,1	-6,2
<i>Selling expenses</i>	-3,5	-1,1
<i>Land and land social payments</i>	-11,4	-0,6
<i>Personnel expenses</i>	-10,8	-1,8
<i>G&A & Restructuring fees</i>	-13,9	-0,2
Cashflow from investment activities	-11,8	-3,5
<i>Investment income</i>	1,3	0,2
<i>CapEx</i>	-10,1	-2,8
<i>Land registration and contracts resigning</i>	-3,1	-0,8
Cashflow from financing activities	31,8	-1,4
<i>Proceeds from financing activities</i>	37,0	0,0
<i>Loan repayments</i>	-0,8	0,0
<i>Financial expenses</i>	-4,4	-1,4
Cash at the end of the period	18,5	24,1

The presented figures are unaudited management accounts

Comments

- Income in January – March 2017 was mainly generated from sales of crops from harvest 2016: winter wheat, rapeseed, sunflower seeds, barley and corn.
- In Q1 2017, \$10 million were spent for the spring crops sowing campaign, including costs of fertilizers, plant protection products, fuel material, spare parts and other expenses.
- CapEx in January - March 2017 included \$2,8 million for new farming machinery and leasing payments for equipment acquired in 2015&16.
- The current amount of Working Capital of \$46 million is sufficient within the current company budget.
- The company didn't make any payments with respect to its legacy debt, whilst the restructuring proposal is being developed and negotiated.

Thank You

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