

OPERATIONAL UPDATE, Q4 2016

02 February, 2017

- ❖ In Q4 2016, Mriya continued its harvesting of spring crops. By the end of December, harvesting was for 93% completed and the harvest will continue, to the extent weather permits, in January. The company faced delays in harvesting due to excessive rain during almost whole of October and extreme early snow in November as well as unforeseen breakdowns of agricultural machinery.
- ❖ At the end of November, Mriya finished its Spring sowing campaign. Bad weather conditions and delay in the harvesting have forced the company to reduce the sowing area of winter wheat to 40,1 kha (-43%) and to increase the fields for the sowing campaign for 2017 spring crops.
- ❖ In December, Mriya became a full member of the European Business Association - one of Ukraine's largest and most influential business organizations. The Association gives its member companies the opportunity to join efforts in resolving key issues affecting Ukraine's investment environment and improving it for the good of the industry, society, economy, and the country as a whole.
- ❖ In December, the bondholders initiated a court case against the 68 Ukrainian sureties of the bonds to obtain court recognition of the debts. On the 16th of December 2016, the Ternopil Economic Court ruled in favor of the bondholders. This court decision doesn't change anything in the constructive attitude of the Bondholders Committee towards the overall restructuring, including the equal treatment principle agreed for all unsecured creditors.
- ❖ In January 2017, the COO, Victor Kukharchuk, decided to leave Mriya. He was replaced by Andriy Hryhorov, previously Deputy COO. Mr. Hryhorov will continue implementing 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 will focus on operational planning and control.

Winter crops 2016/17 – Sowing

<i>Crop</i>	<i>In ground as of 31/12/16, kha</i>	<i>Total planned*, kha</i>	<i>Completion, %</i>
Wheat	40,1	40,1	100%
Rapeseed	14,6	14,6	100%
Rye	0,5	0,1	471%
Barley	0,1	0,2	45%
Total	55,3	55,0	101%

Comments

- As a result of delay of harvesting 2016 crops due to bad weather conditions, the total planned area of winter wheat sowing is reduced to 40,1 kha (-43%**). Also, because of loss due to bad weather conditions, the total planned area of winter rapeseed is reduced to 14,6 kha (-30%**).
- Field works such as an application of fertilizers, spraying of plants and tillage were underway in Q4 2016.

*According to plan, which was approved in December 2016

** In comparison to the initial plan, which was published in the Operational Update, September 2016

Spring crops 2016 - Harvesting

Crop	Harvested as of 31/12/16, kha	Total planned, kha	Completion, %
Spring rapeseed	8,5**	8,7	100%**
Spring barley	11,1*	11,2	100%*
Sunflower	39,7	42,5	93%
Corn	6,5	9,1	72%
Soybean	6,0	6,0	100%
Potato	1,5	2,0	73%
Other	1,8	2,0	92%
Total	75,1	81,5	93%

*Damaged by contained fire outbreak

** Loss due to weather conditions

Crop	Yield actual/adjusted*, 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	2,0*	2,1	-5%	77,9
Corn	5,1*	7,0	-27%	28,6
Soybean	1,0	2,1	-52%	6,0
Potato	14,5*	30,0	-52%	23,7

Actual for fully harvested crops

Comments

- In Q4 2016, Mriya continued harvesting of its 2016 spring crops.
- The company faced delays in harvesting due to bad weather conditions during almost whole of October and early snow in November as well as unforeseen breakdowns of agricultural machinery. Late harvesting will have an impact on average yields and therefore forecast for overall harvest yield of the spring crops has been adjusted downwards by the management.
- Interim yields of corn, sunflower, soybeans and potato are lower than forecasted yields. Also, the quality of potato turned out to be worse than expected and most will be sold as the 2nd grade crop.
- The harvesting campaign is continuing and harvesters will work in the fields as long as the weather will allow.

Sales volumes shipped

<i>Crop</i>	<i>Shipped Sept 2016, kmt</i>	<i>Shipped Oct-Dec 2016, kmt</i>
Grains	47,74	95,89
Oilseeds	18,45	62,48
Other	5,61	11,86
Total	71,80	170,25

	<i>Shipped Sept 2016, kmt</i>	<i>Shipped Oct-Dec 2016, kmt</i>
Export	46,33	94,74
Domestic sales	25,47	75,49
Total	71,80	170,25

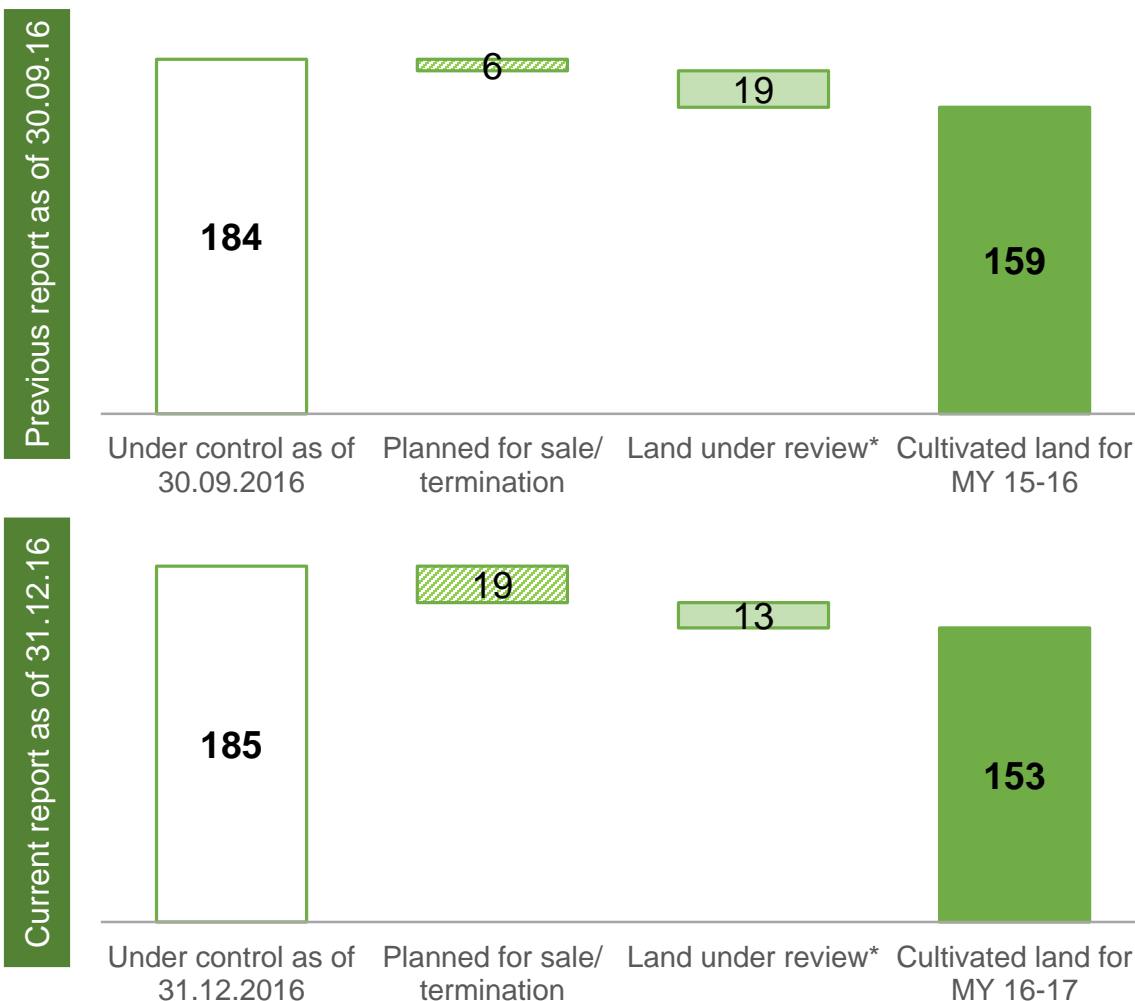
Inventory in elevators

<i>Crop</i>	<i>As of 30 Sept, kmt</i>	<i>As of 31 Dec, kmt</i>	<i>Change in inventory, kmt</i>
Grains	139,41	57,18	-82,24
Oilseeds	22,63	18,74	-3,89
Other	19,12	5,89	-13,24
Total	181,17	81,81	-99,36

Comments

- Mriya has continued the deliveries under the concluded contracts following agreements on extension of the delivery periods with the buyers. The company faced delays in deliveries due to continued limited availability of rail cars and locomotives in Western Ukraine since August and as a result of the delay in harvesting.
- For sale of the company's 2016 crops, Mriya is working with a number of big multinational traders such as ADM, Cargill, Louis Dreyfus, CHS, Engelhart Commodities, as well as with domestic sunflower seed crushing plants.

Land bank: controlled and cultivated, kha



Comments

- In Q4 2016, Mriya`s land bank under control increased by 1 kha through buying the land via an auction of state land. The new land leases are included into the category of land for cultivation.
- As a result of updated land bank optimization program, which was approved in December 2016, the area of land of around 7 kha of cultivated land was determined as suboptimal land and will be divested. Also, the area of 6 kha of land under review was recognized as ineffective and put into the category of land for sale/termination.
- The land under cultivation for MY 2016/2017 consists of 153 kha.
- The reconciliation of legal documents and physical borders of leased land plots that was initiated in Q4 2015 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 2015 leases (unable to resign), suboptimal land to exchange/ terminate lease contracts

Item (in mln USD)	2015	2016		
	1 Jul - 31 Dec	1 Jan -30 Jun	1 Jul -31 Dec	TOTAL 1 Jan - 31 Dec
Cash at the beginning of the period	28,9	13,6	4,4	13,6
Cashflow from operating activities	9,3	-22,4	7,3	-15,1
<i>Cash proceeds from operating activities</i>	61,2	5,4	67,2	72,6
<i>Cash proceeds from agricultural produce</i>	51,6	3,2	65,1	68,3
<i>Cash proceeds from potato and starch sales</i>	2,2	0,8	0,8	1,6
<i>Cash proceeds from silos operations</i>	1,2	0,3	0,2	0,5
<i>Other operational proceeds</i>	6,2	1,1	1,1	2,2
<i>Operational costs</i>	-51,9	-27,8	-59,9	-87,7
<i>Cost of goods & other operational</i>	-22,8	-16,1	-32,0	-48,1
<i>Selling expenses</i>	-2,3	-0,2	-3,3	-3,5
<i>Land and land social payments</i>	-6,5	-1,4	-10,0	-11,4
<i>Personnel expenses</i>	-7,5	-4,0	-6,8	-10,8
<i>G&A & Restructuring fees</i>	-12,8	-6,1	-7,8	-13,9
Cashflow from investment activities	-7,8	-2,9	-8,9	-11,8
<i>Investment income</i>	0,0	1,1	0,2	1,3
<i>CapEx</i>	-6,7	-2,7	-7,4	-10,1
<i>Land registration and contracts resigning</i>	-1,1	-1,3	-1,8	-3,1
Cashflow from financing activities	-16,9	16,1	15,7	31,8
<i>Proceeds from financing activities</i>	0,0	18,0	19,0	37,0
<i>Loan repayments</i>	-15,0	-0,8	0,0	-0,8
<i>Financial expenses</i>	-1,8	-1,1	-3,3	-4,4
Cash at the end of the period	13,6	4,4	18,5	18,5

The presented figures are unaudited management accounts

Comments

- Income in July – December 2016 was generated from sales of crops from harvest 2016: winter wheat, rapeseed, sunflower seeds, barley and corn.
- In January – June 2016, \$16,1 million were spent for the spring crops sowing campaign.
- In July – December 2016, \$32 million were spent for the spring crops harvesting and winter crops sowing campaigns, including costs of fertilizers, plant protection products, fuel material and spare parts.
- In May – October 2016, the company obtained additional \$37 million of Working Capital financing.
- 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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