Black Earth Farming Ltd
2011 Year End Report
1 January – 31 December 2011

BLACK EARTH FARMING LTD.

Disappointing 2011 Result - Crop Yield and Quality

Initial 2011 dry spell damaged wheat, barley & rape yields followed by wet autumn conditions affecting crop quality negatively.
Infrastructure bottlenecks hampered export program with knock-on effects due to lack of storage turnover.
High moisture crop quality issues amplified by inefficiencies concerning harvest & storage logistics.

4Q 2011 Highlights (vs. 4Q 2010)

- Sales volumes of 208.7 thousand tons (56.4) but at lower y-o-y average price per ton of USD* 162 (326) due to effects of poor crop quality
- Sales revenue of USD* 34.3 million (18.7)
- Operating loss of USD* -11.8 million (-14.2)
- Net loss of USD* -13.1 million (-15.1)
- Net loss per share of USD* -0.11 (-0.12)

12M 2011 Highlights (vs. 12M 2010)

- Sales revenue of USD* 64.2 million (44.4)
- Operating loss of USD* -25.3 million (-25.7)
- Net loss of USD* -41.7 million (-36.4)
- Net loss per share of USD* -0.33 (-0.29)
- Proposal of no dividend for 2011

Events after the Reporting Period

- **2012 Crop;** 82 thousand hectares of winter wheat well established with decent snow cover so far. Total 2012 crop area planned at approximately 230 thousand hectares.

CEO Comment Highlights *(p.2)*

- Disappointing Results
- 2011 Performance Analysis
- FY 2011 Results
- 2012 Crop
- Strategy Going Forward

Financial Overview *(p.5)*

USD million*	4Q '11	4Q '10	12M '11	12M '10
Crop Volumes Sold	*208,667*	*56,349*	*399,473*	*277,694*
Av. Sales Price	*162*	*326*	*157*	*155*
Total Revenue & Gains	39.8	25.6	77.6	59.9
Gross Result	(3.5)	(0.5)	5.2	8.8
EBITDA	(6.4)	(2.7)	(12.3)	(6.9)
EBIT	(11.8)	(14.2)	(25.3)	(25.7)
Net Income	(13.1)	**(15.1)**	**(41.7)**	**(36.4)**

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CEO Comment

Firstly I am not going to dodge the issue that this is a disappointing result. The difficulties that arose in 3Q with newly commissioned storage facilities, challenging internal and external logistics and difficult harvesting conditions intensified in 4Q and put further pressure on yields and quality. This has resulted in significantly reduced revenues compared to expectations. What I intend to do is detail out the various factors that have contributed to this result, attribute what is down to external factors such as weather and markets and what is down to factors that were within our control. I will then turn to what this means for the business, what we intend to do to correct poor performance and appraise recent plans in the light of this.

<u>2011 Performance Analysis</u>

Low Wheat, Barley & Rape Yields Caused by Dry Spell
The 2011 harvest was, as previously mentioned, hit by an early dry spell that up until mid July was almost identical in rainfall pattern to 2010. This affected wheat, barley and rape volumes negatively. Although harvest volumes were up from the drought stricken 2010 harvest, crop yields were significantly below expectations for these three crops. Wheat and barley yields were 30-35% below the average yields achieved during normal conditions in 2007-09. That corresponds to circa USD* 20 million in lost revenues at the prices realised during 2H 2011.

Wet Autumn Harvesting Conditions
After mid July we then experienced heavy rains for the duration of the main harvest period and wetter than average conditions into late autumn. This resulted in difficult and wet harvesting conditions that, although boosting sunflower and corn yields, caused delays and resulted in crops being harvested at very high moisture levels. This has caused higher than normal costs for drying as well as reducing net sellable volumes further. We still have 1,200 hectares of sunflowers standing which we expect to harvest in spring although at a significantly reduced crop value.

Low Crop Quality Reducing Price
The adverse harvest weather also impacted on crop quality. When the rain came in July the un-harvested crops sprouted in the ears thus losing milling and malting quality, and meaning only 40% of wheat volumes is class 3 milling wheat in 2011 versus 60% in 2010. The late and wet harvest also put additional strains on harvest and storage logistics, where storage turnover was already limited by the non-delivery of rail wagons and construction over runs, causing further deterioration of general crop quality post harvest. The proportion of wheat and barley below feed quality, ranged between 20-35% for wheat and barley respectively. This has led to price discounts of 20-35 USD* per ton for wheat and barley or a further USD* 2 million of foregone revenue. In addition the high moisture levels for corn and sunflower meant that realizable value declined by 50 USD* per ton, over USD* 5 million in total for a large amount of volumes.

Harvest & Storage Logistics
This was the first year of handling and storing 100% of a decent sized harvest internally and significant commissioning problems were encountered. These included external factors such as delays in obtaining permits to unload crops from one elevator and the non-delivery of contracted rail cars limiting storage turnover. A reticence to release sales at lower prices to the domestic market and a decision to temporarily store crop outside proved costly and created internal bottlenecks with drying, handling and storage logistics. The lack of rail cars to access export markets and contracts meant foregone export sales on 130 thousand tons of wheat and rape that would have generated a net 25 USD* per ton margin or USD* 3.5 million. The problems with clearing enough space and drying the high volumes of wet crops to acceptable levels quickly caused deterioration of some crops post harvest which ultimately necessitated discounted sales at prices of USD*35 per ton below market, another USD* 1.1 million negative effect on revenue. We can blame external factors but my personal estimate is that 10-20% of this USD* 30 million in total income foregone, was within management's control and avoidable if all aspects had been planned and executed better. It goes without saying that this is a key focus for our 2012 planning. A full review of elevator build, design and operating efficiency as well as overall harvest logistics is being undertaken to improve operations in this area going forward.

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CEO Comment

FY 2011 Results

The fact that our operating loss for 2011 is of the same magnitude as in 2010 is of course highly disappointing. As highlighted above there are several driving factors, both external and internal, affecting crop yield and price, that have limited 2011 revenue by over USD*30 million in total on our estimates. Although absolute revenues of USD* 77.7 million are up 29% from 2010 due to increased volumes, market prices for realized sales and inventory valuation in 2011 are lower.

The two graphs below provide some detail on a harvest year basis as our calendar year financial reporting mixes the sales and costs of two harvest years. Sales of 2010 crop during calendar year 2011 affected the 2011 P&L negatively by USD* 6.6 million, as market prices peaked in January 2011. Production costs for 2011 crop are also higher as input prices and costs are up. *Our operating result per hectare for the 2011 harvest is, although not satisfactory, better than all previous harvest years.* Revenue per hectare is close to 2008 levels when yields were higher but prices lower. 2011 Operating costs per hectare are up y-o-y but the severe drought that impacted the 2010 harvest makes it an abnormal reference point, as some inputs were scaled back and volume driven costs were lower. Overhead and indirect costs per hectare are trending lower but the key to improving our results going forward will be on the revenue side.

Direct costs will increase going forward due to the initiatives being undertaken to raise crop yields, namely; correcting low soil Ph levels, improving soil structure, improving weed control and seed management and increasing use of certain fertilizers. Lifting crop yield potential is the single biggest challenge that must be overcome in order to turn the business around and achieve profitability. The potential returns on the above expenditures are very high given the sensitivity of revenue and profits to

crop yield. Going forward as the various constraints to yield are removed, the probability of better yields increases and the likelihood of poorer yields decreases, so the business should steadily become better performing. Indirect costs and overheads that are not correlated to crop yield are the focus and under review for future cost reductions.

2012 Crop

The moist autumn conditions allowed our winter crops to be well established. The majority of winter wheat has reasonable snow cover to date although there is one of our regions where the cover is at the lower limits. Although it is too early to identify any potential loss of crops our view is that the winter to date in the central Black Earth Region is not as extreme as elsewhere in Eastern Europe. Efforts to manage price risk are also progressing. We have sold some 60 thousand tons of 2012 crop forward, mainly malting barley as well as some sunflower and rapeseeds. We are also actively working on establishing partnerships with quality counterparties to improve price risk management.

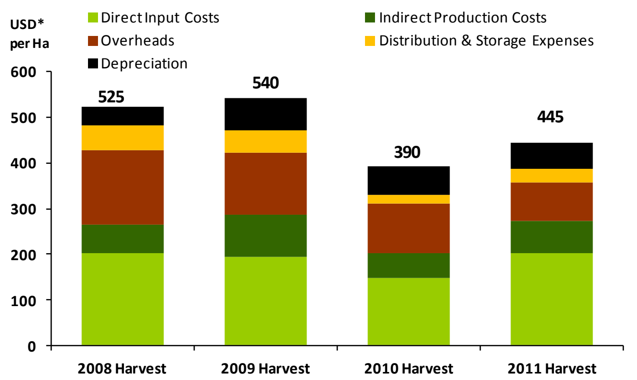
Revenue per Hectare (Harvest Year[+])

	2008	2009	2010	2011[1]
Average Net Crop Yield, tons(sold) /ha	2.88	2.69	1.11	2.12
Average Realised Price, USD/ton*	122	108	229	164
Revenue per Hectare, USD*/ha	**351**	**292**	**254**	**347**

[+] *Harvest year differs from calendar year as crops are seeded in autumn and spring and harvested the following summer and autumn with sales undertaken up until the nex harvest.*

[1] *Mark to market of crop inventory a/o 31 Dec 2011.*

Operating Costs per Hectare (Harvest Year[+])



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CEO Comment

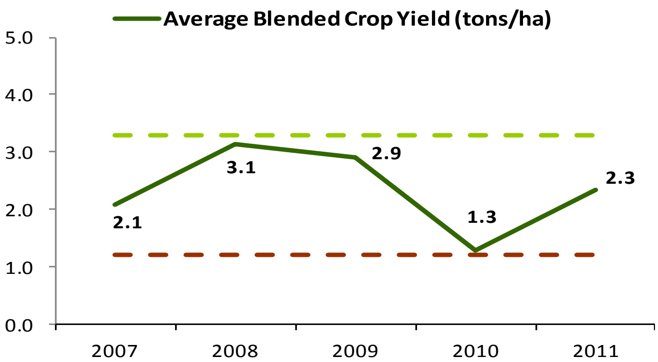
The end target is very simple; lower the cost per ton to increase the potential of being highly profitable in a favorable year whilst staying profitable in a bad year. With an almost completely new management team put in place in the latter part of 2011 the process of improving our performance has begun. There is no getting away from the fact that this sort of business requires experienced management with a deep and detailed understanding of how the business operates and whilst we now have a better platform than ever before to build upon it will take some time to fine tune. I repeat again that this company has a high quality asset base of significant fundamental value and I believe that we now have realistic and viable plans as well as the management team in place to start improving operational performance and unlock that value.

Strategy Going Forward

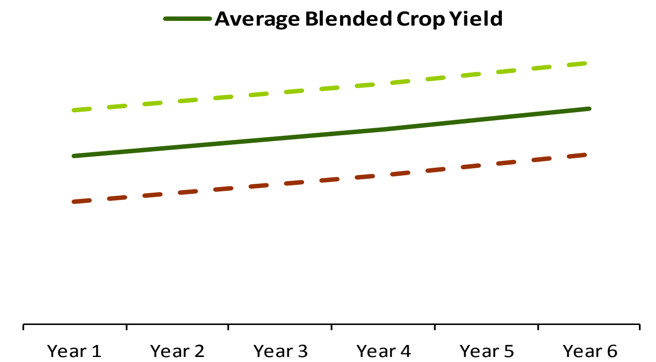
As covered extensively in the 3Q report there are a lot of initiatives underway to lift crop yield performance. This is where we have prioritized our efforts by totally revamping top and mid level management within production and bringing in a new technical partner. These improvements will take some time and come through gradually over two to three years. Our efforts to improve marketing and risk management, whilst frustrated this year by the railcar shortage in Russia, remain a critical part of the turnaround strategy. Nothing in the recent results suggests that these aspects of our strategy are in any way flawed or inconsistent with what we have to do to deliver better results. We do however have to learn tough lessons from this harvest and our management of execution and logistics in particular will become a key focus for improvement.

On behalf of the Board - 23 February 2012
Richard Warburton CEO and President

Historic Gross Crop Yields



Targeted Crop Yield Development



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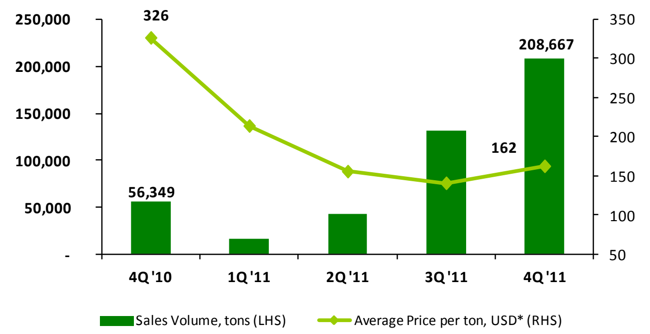
BLACK EARTH FARMING LTD.

Revenue

Revenue from goods sold during 4Q increased by 83% y-o-y to USD* 34.3 million driven by higher volumes. 209 thousand tons of crop was sold of mainly sunflower and wheat with an average price of USD* 162 per ton, which is up 15% q-o-q but down 50% y-o-y. The quarterly realised price is generally affected by the sales mix but during 4Q quality and high moisture levels of crops sold were key factors affecting price. Logistical bottlenecks, such as a Russia wide shortage of railcars delaying export sales and limiting storage turnover, in combination with internal issues with storage logistics also affected the price negatively.

Sales Volumes & Blended Price per Ton

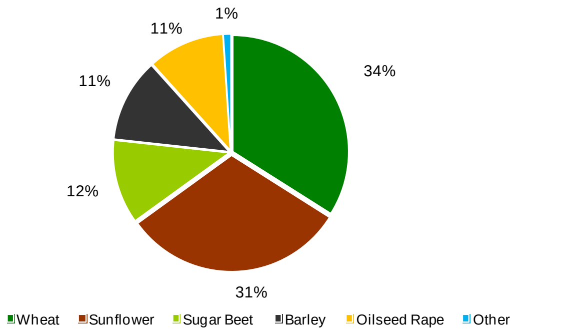


Wheat represented 34% of the sales volumes during 4Q, of which the majority was of feed or substandard quality affected by wet harvesting conditions and poor storage logistics. 31% of volumes sold during 4Q were sunflowers where high moisture levels from a rainy and late harvest period in combination with strains on drying capacity hampered quality and thus realised price. Higher yielding but lower priced sugar beets sold at an average price of 51 USD* per ton also impacted the overall average sales price during the quarter.

Inventory & Gain/Loss of Revaluation

212 thousand tons of crops harvested in 2011 were held in inventory as of 31 December 2011, with 55% of the volumes consisting of wheat, 14% corn and 12% sunflower. Domestic market prices (excluding 10% VAT) detailed on page 7 have been used to determine the net realisable value of USD* 37.9 million. The revaluation of finished goods inventory resulted in a USD* 1.9 million gain during 4Q as a result of favourable market price movements for predominantly wheat and sunflower during the quarter. As of the reporting date biological assets consisted mainly of costs incurred for seeding of winter crops to be harvested 2012 amounting to USD* 16.2 million. 2.5 thousand hectares of sunflowers were not harvested as of 31 December and is recorded in Biological Assets at estimated fair value of USD* 0.3 million. Gain on biological assets for the full year 2011 amounted to USD* 16.0 million. The revaluation gain on biological assets during 4Q is a result of an adjusted final estimate for the 2011 crop year following the completion of 2011 harvest. For more detail regarding the treatment of biological assets please refer to page 6.

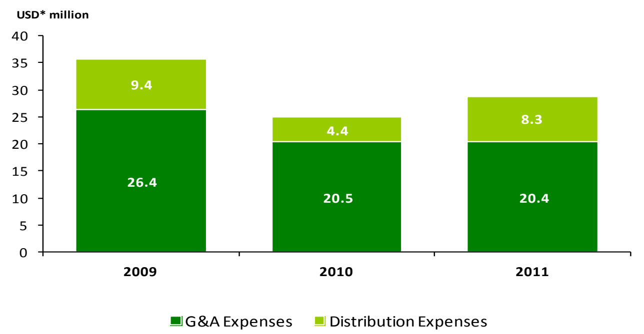
4Q 2011 Sales Mix



Costs

Cost of sales includes the inventory value of both the mark to market value of crop in inventory as well as fair value estimate of 2011 crop in biological assets as of 30 September 2011. Sunflowers sold during 4Q were not harvested as of 30 September and were thus recorded at fair value in biological assets. Wheat sales were however harvested and recorded at market value in inventory as of 30 September. Cost of sales in 4Q consists of these book values at the prior reporting date. G&A expenses in 4Q are higher by USD* 1.2 million as a result of new hires to strengthen the regional production teams as well as services rendered from our technical agronomy partner. Indirect costs that are unrelated to crop yield performance is however being reviewed with a target to reduce overhead costs further. Volume driven distribution costs are up significantly y-o-y in 4Q and FY 2011 compared to 2010 as transport and delivery expenses were incurred for export cargoes of which there were none in 2010. In addition operating expenses and depreciation relating to the newly commissioned elevators are included in distribution expenses as of 3Q 2011.

SG&A Expenses



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4Q & 12M 2011 Financial Review

BLACK EARTH FARMING LTD.

Result

The company´s gross result is very sensitive to crop price movements that affect changes to inventory value (both crops in storage and standing in fields) between reporting dates. This is especially true during the harvest season as changes in inventory value marked to market are not only driven by crop prices, but also by estimates of net harvest volumes at 30 June and 30 September. A negative gross result in 4Q 2011 was recorded as realised prices for wheat and sunflower were lower than the market value held in inventory and estimate recorded in biological assets respectively as of 30 September. Full year 2011 EBITDA amounted to USD* -12.3 million versus USD* -6.9 million in 2010. A USD* 5.2 million loss on FOREX translation (SEK/RUB strengthening) in net financial expenses also affected the 12M 2011 net result negatively.

Financial Position

Fixed assets of USD* 187.0 million predominantly comprise PP&E, namely buildings (mainly storage facilities), land held at acquisition cost as well as 100% owned machinery and equipment used in crop production. Inventories include both crops harvested 2011 and inputs to be used for 2012 crops which, together with winter crops in field to be harvested 2012, amounted to USD* 59.4 million. The Company had USD* 30.6 million in cash as of 31 December and interest bearing debt consisting of a SEK 710 million bond maturing in July 2014. Net interest bearing debt amounted to USD* 76.0 million as of the end of the reporting period.

Cash Flow

Cash flow from operations before changes in working capital amounted to USD* -10.3 million for 12M 2011, mainly due to loss on crop sales. Outflows also included increases in working capital of USD* 17.5 million and net investments into silo storage and machinery of USD* 21.1 million. In addition bond interest payment of USD* 10.3 million as well as USD* 5.6 million in net bond repurchases resulted in a total cash outflow of USD* 64.8 million during 12M 2011. In addition, a negative USD* -1.4 million foreign exchange translation effect, resulted in cash of USD* 30.6 million as of 31 December 2011.

Income Statement

USD million*	4Q '11	4Q '10	12M '11	12M '10
Sales Revenue	*34.3*	*18.7*	*64.2*	*44.4*
Total Revenue & Gains	39.8	25.6	77.6	59.9
Cost of Sales	-43.3	-26.0	-72.4	-51.1
Gross Result	***-3.5***	***-0.4***	***5.2***	***8.8***
G&A Expenses	-5.7	-4.5	-20.4	-20.5
Distribution Exp.	-1.7	-1.1	-8.4	-4.4
Other Net Opex	-0.9	-8.1	-1.6	-9.6
EBIT	**-11.8**	**-14.2**	**-25.3**	**-25.7**
EBITDA	***-6.4***	***-2.7***	***-12.3***	***-6.9***
Net Financial Exp.	-2.1	-2.3	-15.2	-12.6
Taxes	0.8	1.4	-1.2	1.9
Net Income	**-13.1**	**-15.1**	**-41.7**	**-36.4**

Balance Sheet

USD million*	31 Dec 2011	31 Dec 2010
Land	*58.3*	*57.8*
Buildings	*69.2*	*63.2*
Machinery & Equipment	*55.1*	*61.4*
Total Fixed Assets	187.0	183.9
Cash	*30.6*	*92.6*
Inventories	*59.4*	*39.2*
Biological Assets	*16.5*	*12.7*
Total Current Assets	121.2	157.6
Total Assets	**315.4**	**350.4**
Interest Bearing Debt	*106.6*	*107.6*
Total Liabilities	120.0	114.2
Equity	195.3	236.2
Total Equity & Liabilities	**315.4**	**350.4**

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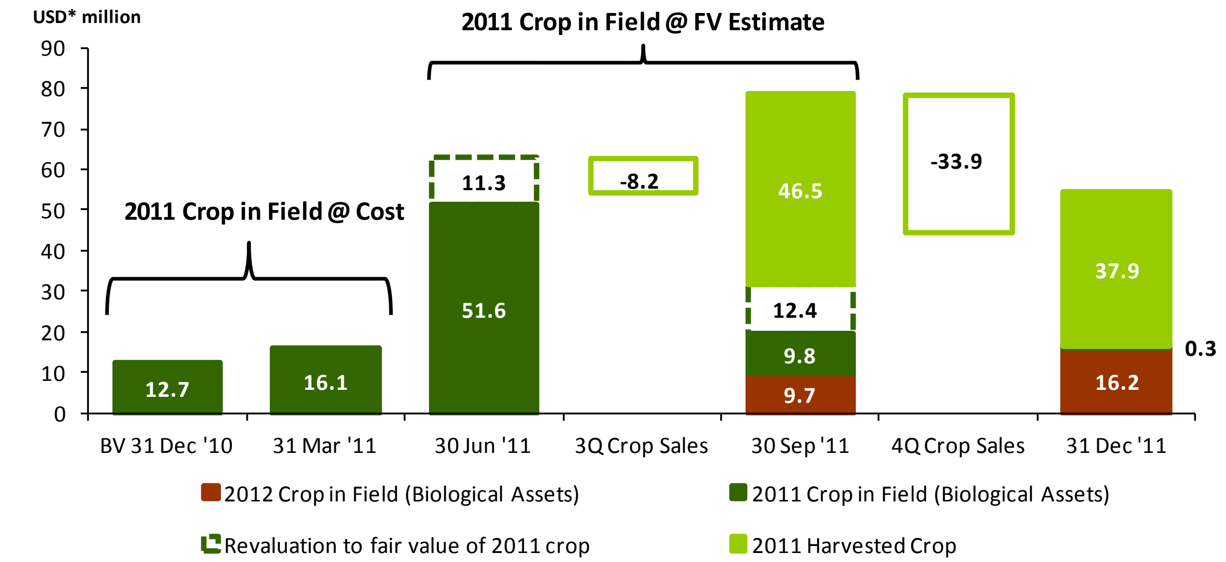
Biological Assets

Biological assets are recorded in the statement of financial position as an estimated value of crops in fields. A way to look at biological assets is as a work in process (WIP) inventory. Depending at what stage of the growth cycle the crop is in, the value is estimated either by incurred costs for field works (cultivations, seeding, fertilizer spreading, herbicide spraying etc.) or an estimate of revenue (harvest volume and price per crop) less selling expenses. The revaluation of biological assets is performed in accordance with the requirements of IAS 41 Agriculture which states that a biological asset shall be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sale costs.

2011 Crop Value in Statement of Financial Position



Black Earth Farming values crops in the fields at incurred costs up until 30 June each year. At that point sufficient germination (biological transformation) has occurred, enabling estimates of crop yields and market prices less point-of-sale costs to determine an estimate of fair value at the time of harvest. The initial revenue estimate is attached a readiness percentage in the range 50-70% a/o 30 June depending on crop and time to harvest as significant risk to crop yield and price remain at the time. After harvest the crops are transferred to finished goods inventory where they are recorded at net realisable value determined by market prices.

As of 31 December 2011 biological assets included costs incurred for seeding 2012 winter wheat up until 31 December of USD* 16.2 million. In addition 2.5 thousand hectares of sunflowers were still to be harvested as of 31 December with an estimated fair value of USD* 0.3 million recorded in Biological Assets, resulting in a total value of USD* 16.5 million compared to USD* 12.7 million 2010.

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Crop Inventory & Sales Development

BLACK EARTH FARMING LTD.

The Company values its inventory of finished goods at net realisable value to reflect the market value as at the end of the reporting period. A change in net realisable value affects Total Revenue and Gains in the income statement. In addition Cost of Goods Sold represents the carrying value of inventory as at the previous reporting date. The table below provides a breakdown of inventories as of 31 December 2011 as well as the development of crop sales during 2011. Note that all recorded prices exclude 10% VAT.

2011 Quarterly Sales Volume & Crop Inventory

	Quarterly Sales				Crop in Inventory	
	4Q '11	**3Q '11**	**2Q '11**	**1Q '11**	**31 Dec '11**	**31 Dec '10**
Volume, *k tons*						
Wheat	70.9	100.4	41.8	12.5	115.5	110.0
Barley	24.2	11.5	0.5	3.1	18.5	10.5
Corn	1.0			0.4	29.0	0.4
Rape	22.2				13.9	
Sunflower	64.9				24.7	
Soya	0.3	0.8	0.4	0.5	6.8	1.7
Sugar beet	24.4	17.2				
Other (seeds/forage)	0.8	1.6		0.1	3.5	6.6
Total Tons	**208.7**	**131.4**	**42.7**	**16.7**	**211.9**	**129.2**
Price, *USD*/ton*						
Wheat	133	155	153	196	156	205
Barley	126	126	165	250	164	245
Corn	71			249	119	245
Rape	271				248	
Sunflower	215				298	
Soya	296	377	422	431	311	402
Sugar beet	51	51			51	
Other						
Average Price	**162**	**141**	**156**	**214**	**163**	**212**

As of 31 December 2011 the Company recorded inventories at a total value of USD* 59.4 million. Total inventories include finished goods, i.e. crops harvested in 2011 held for sale, as well as raw materials to be used in production. Total crop inventory of finished goods included 212 thousand tons of crops harvested during 2011 valued at an average price of USD* 179 per ton resulting in total fair value estimate of USD* 37.9 million. The domestic market prices below are used to value inventory. Revenues and expenses are reported excluding VAT wherefore 10% is deducted from the market prices below to estimate revenue.

Domestic Crop Prices (inc. VAT)	**RUR/ton 31-Dec-2011**	*RUR/ton 30-Sep-2011*	*RUR/ton 30-Jun-2011*	*RUR/ton 31-Mar-2011*	*RUR/ton 31-Dec-2010*
Wheat-3 class	**5,825**	5,700	5,800	6,350	7,335
Wheat-4 class	**5,500**	5,400	5,600	6,050	7,175
Wheat-5 class/feed	**4,975**	4,600	5,300	5,880	7,010
Corn	**4,500**	5,900	8,700	8,510	8,670
Barley-Malting	**6,500**	8,500	9,000	10,500	11,000
Barley-Feed	**4,975**	4,900	5,100	7,900	8,630
Rapeseed	**10,500**	10,000	15,700	16,000	16,000
Sunflower seed	**11,000**	9,900	16,300	18,500	20,980
Soya	**11,000**	11,000			14,250
Sugar beet	**1,900**	1,900			

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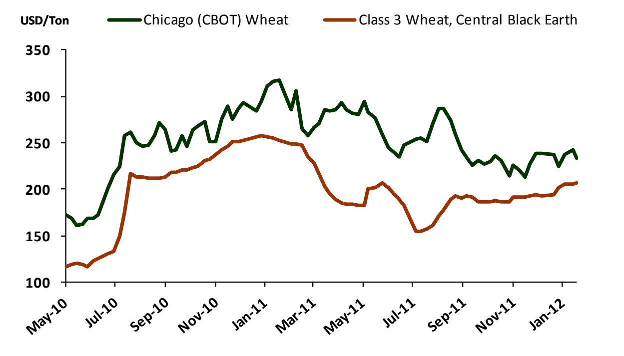
International

International wheat prices fell as the February WASDE report released by the USDA predicted larger world supplies. A global supply response, brought on by the combination of high prices in 2010/11 and normalized weather in the FSU, has shifted the potential global wheat production to a 10 year high stock level. 2011 EU yields were better than expected after early-season drought concerns and ample supplies from Western and Eastern Europe as well as Australia have sent wheat prices lower during the second half of 2011. Since late 2011 prices have however regained ground as the possibility of supply disruptions in the Ukraine (dry planting conditions / poor establishment of the crop) and lack of moisture in both North and South America have become a concern. Cold weather, slowing Black Sea logistics in combination with Russian rumblings of potential export duties in late January also gave support to international prices. Although early in the growing season, the cold weather and limited snow cover in Ukraine presents prospects of poor 2012/13 production and upside impetus to prices. Prices trended higher during the start of 2012 with Russian export policy in focus as easily exportable supplies from southern regions have dwindled. Hot and dry South American weather led the USDA to lower estimates of corn supply from Argentina and has supported corn and soybean prices.

International vs. Russian Domestic Wheat Price

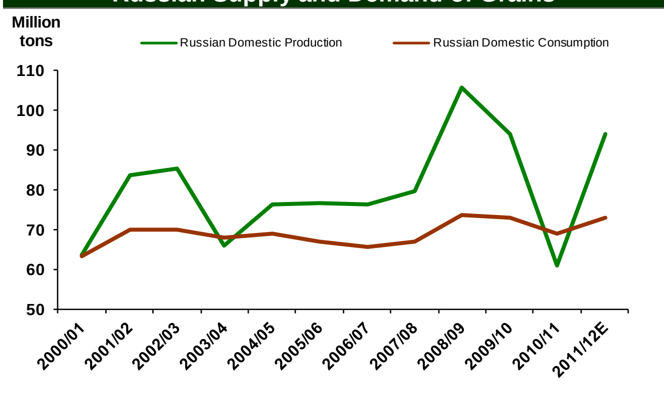


Source: IKAR, CBOT

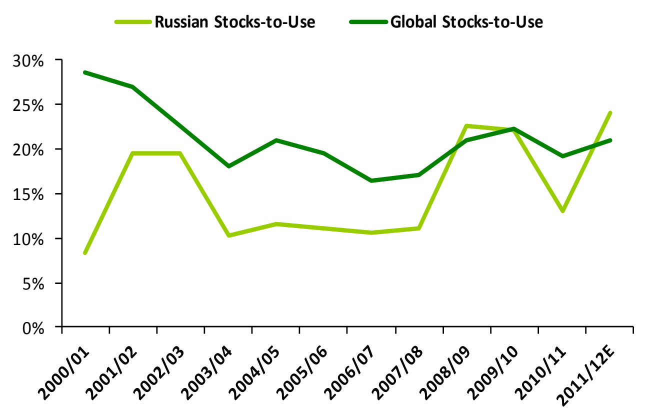
Russia

Russian domestic prices have strengthened gradually since December 2011. After the initial pressure of a large carry-in of 2010 crops as well as the 3rd largest Russian grain harvest in the last 10 years, prices have recovered during late 2011 and early 2012. Domestic prices were also limited due to highly competitive Russian export prices where shipments were sourced from the Black Sea regions, ignoring the higher transport cost of supply from the central inland regions (BEF's locations). The Russian government stated in early February that it sees no need for grain export restrictions in April, which had previously been feared by the market. The grain export limit for 2011/12 was raised to 27 million tonnes compared to the earlier perceived limit of 24-25 million tons that could trigger potential export duties. At the same time monthly export volumes out of Russian black sea ports has slowed considerably to 1.4 million tons in January 2012 compared to over 3 million tons per month during the autumn of 2011. A combination of logistical bottlenecks and weather have slowed transhipments while easily exportable supplies from southern regions have dwindled, giving price support for Russian inland prices. Black Sea wheat exports are expected to continue to wane in the second half of the 2011/12 marketing year as US and the EU prices become more competitive. Freezing temperatures and limited snow coverage in parts of Russia and Ukraine, which accounted for over 20% over world wheat export volumes, are driving growing production concerns for 2012 crop. BEF's regions have however not been as affected as Ukraine appears to be, and exports are expected to be limited for the balance of this crop year (February–June) until the 2012/13 harvest potential supply situation becomes clearer.

Russian Supply and Demand of Grains



Grains Stocks-to-Use Ratio, Russia vs. World



Source: IGC, IKAR, USDA

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2011 Harvest

As illustrated by the bottom two graphs the 2011 harvest suffered from a dry spell starting mid-May when the Company's regions had virtually no rainfall up until late June and in some places early July. This had a negative effect on the wheat and barley yields in particular as they were closer to harvest. Heavy rainfall during July and August helped the situation for sunflower and corn crops which produced better yields, but also delayed the harvest and also reduced quality. The wet weather meant that a lot of volumes required drying and handling. The high moisture levels caused large waste losses from cleaning and drying reducing the net volumes significantly compared to gross which is detailed by the table below. Storage logistics was already under pressure from construction delays as well as the lack of storage turnover caused by a shortage of rail cars for loading to shipments. The wet conditions put further strains on internal handling and drying capacity.

2011 Gross vs. Net Harvest Volumes of Commercial Crops

Crop	**Harvest Area,** *Hectares*	**Gross Yield,** *tons/ha*	**Gross Harvest,** *tons*	**Waste & Losses[+],** *%*	**Net Harvest,** *tons*	**Net Crop Yield,** *tons/ha*	**2012 Seeds,** *tons*	**Crops for Sale,** *tons*
Winter Wheat	93,627	2.44	228,609	3.5%	220,608	**2.36**	8,674	**211,933**
Spring Wheat	13,093	1.74	22,810	7.1%	21,187	**1.62**	2,314	**18,873**
Barley	26,535	1.94	51,536	4.6%	49,166	**1.85**	2,133	**47,033**
Corn	6,149	5.72	35,148	14.7%	29,989	**4.88**	n/a	**29,989**
Spring Rape	33,494	1.29	43,249	14.7%	36,887	**1.10**	n/a	**36,887**
Sunflower	45,269[1]	0.22	97,614	8.2%	92,339	**2.04**	n/a	**92,339**
Soya	7,863	1.09	8,546	16.8%	7,114	**0.90**	n/a	**7,114**
Sugar beet	1,621	28.42	46,065	9.8%	41,531	**25.62**	n/a	**41,531**
Total/Average	**227,651**	**2.34**	**533,576**	**7.0%**	**496,096**	**2.18**	**13,121**	**482,974**
Ex. Sugar beet	*226,030*	*2.16*	*487,511*	*6.8%*	*454,564*	*2.01*	*13,121*	*441,443*

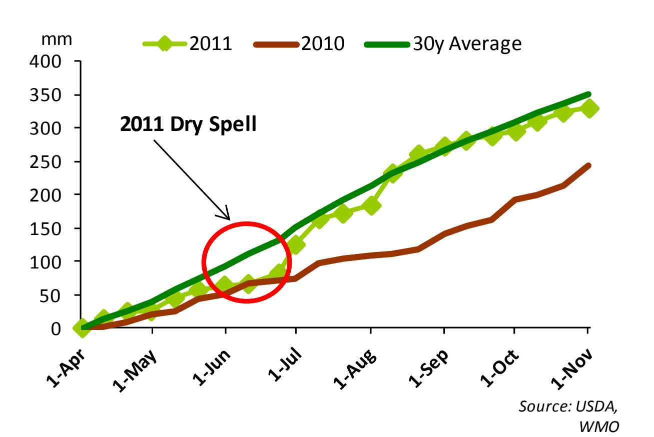
[+] Following sorting, cleaning & drying post harvest

[1] 1,250 ha remained to be harvested a/o 31 Dec 2011

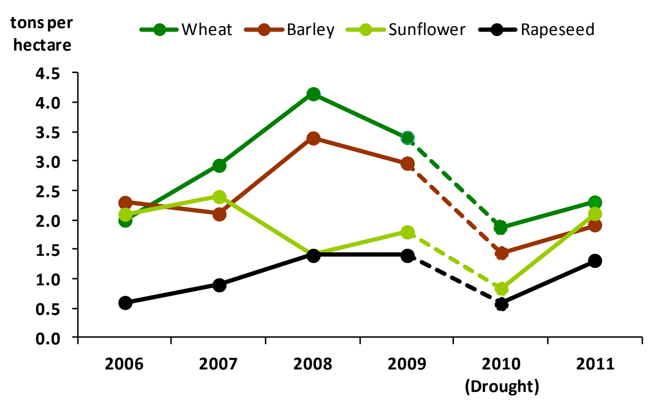
2012 Crop

After good autumn conditions allowing the winter crops to be well established, the majority of winter wheat has been protected by sufficient snow cover to date. There is a risk to some crops where snow protection is at the lower limits. However it is too early to identify any potential loss of crops before the snow melts. Although conditions have been cold in parts of Eastern Europe, the winter to date is not perceived as extreme in the Central Black Earth Region of Russia.

Average Cumulative Rainfall in BEF's Regions



Gross Crop Yield Development



** The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).*

Historical Production Development

Harvest Area Breakdown

(hectares)	2007	2008	2009	2010	2011
Winter wheat	16,805	48,636	84,698	72,677	93,627
Spring wheat	n/a	4,339	3,824	10,157	13,093
Spring barley	20,180	42,638	43,053	13,793	26,535
Corn maize	1,215	9,950	8,084	8,592	*6,149*
Winter triticale	n/a	n/a	2,740	302	n/a
Total Grains	**38,200**	**105,563**	**142,399**	**105,521**	**139,404**
Winter rape	5,005	875	7,045	536	n/a
Spring rape	7,035	13,149	7,132	29,051	33,494
Sunflower	2,541	19,378	26,466	36,761	*45,269*[1]
Soya	n/a	n/a	n/a	7,899	*7,863*
Total Oilseeds	**14,581**	**33,402**	**40,643**	**74,247**	**86,626**
Sugar Beet	n/a	n/a	n/a	n/a	1,621
Total Commercial Area	**52,781**	**138,965**	**183,042**	**179,768**	**227,651**
Other / Forage crops	*670*	*2,968*	*381*	*1,013*	*1,951*
Total harvest area	**53,451**	**141,933**	**183,423**	**180,781**	**229,602**[+]

Average Gross Crop Yields

(tons/hectare)	2007	2008	2009	2010	2011
Winter wheat	3.3	4.3	3.5	1.9	2.44
Spring wheat	n/a	2.9	2.3	1.4	1.74
Spring barley	2	3.4	3.0	1.4	1.94
Corn maize	5.5	2.6	3.4	0.7	5.72
Winter triticale	n/a	n/a	2.3	0.8	n/a
Winter rape	1.3	1.8	1.6	0.5	n/a
Spring rape	0.9	1.4	1.4	0.6	1.29
Sunflower	2.4	1.4	1.8	0.8	2.16[1]
Soya	n/a	n/a	n/a	0.3	1.09
Sugar beet	n/a	n/a	n/a	n/a	28.42

[1] 97% of area harvested *[+] 99% of area harvested*

Gross Harvest Volumes

(tons)	2007	2008	2009	2010	2011
Winter wheat	49,262	206,961	292,657	141,145	228,609
Spring wheat	n/a	12,779	8,764	14,008	22,810
Spring barley	42,477	143,259	127,793	19,937	51,536
Corn	1,311	26,088	27,823	5,797	35,148
Winter triticale	n/a	n/a	6,432	249	n/a
Total Cereal Grains	**93,050**	**389,087**	**463,469**	**181,136**	**338,103**
Winter rape	n/a	1,536	11,527	293	n/a
Spring rape	12,859	18,761	9,708	16,822	43,249
Sunflower	3,815	27,742	46,602	30,849	97,614[1]
Soya	n/a	n/a	n/a	2,306	8,546
Total Oilseeds	**16,674**	**48,039**	**67,837**	**50,270**	**149,408**
Sugar beet	n/a	n/a	n/a	n/a	46,065
Total Commercial Crops	**109,724**	**437,126**	**531,306**	**231,406**	**533,576**
Other/Forage crops	*2,659*	*22,928*	*3,381*	*3,686*	*14,597*
Total Output	**112,383**	**460,054**	**534,687**	**235,092**	**548,173**

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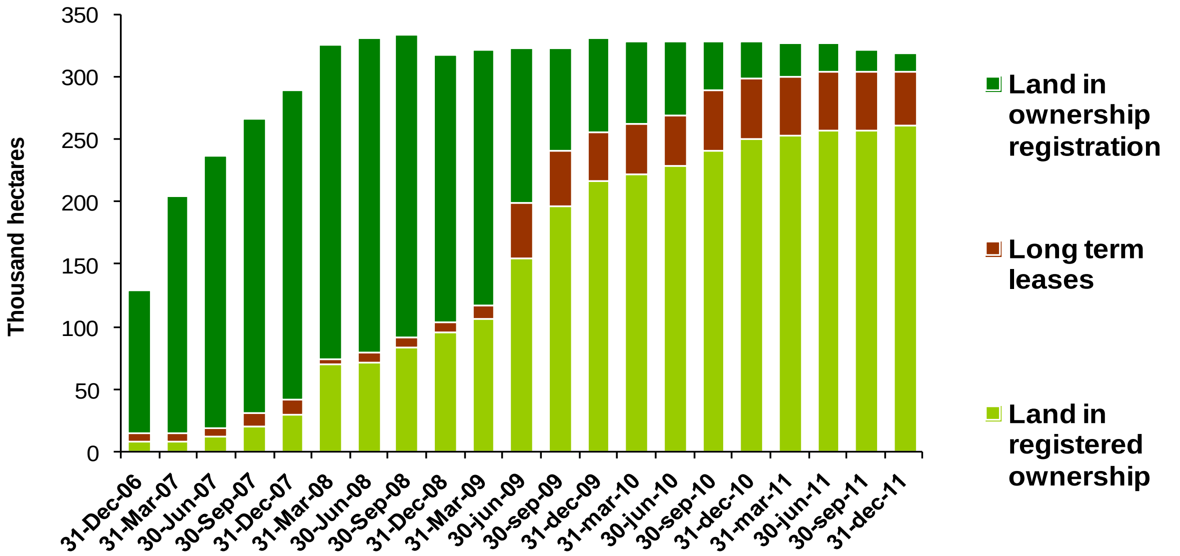
Land

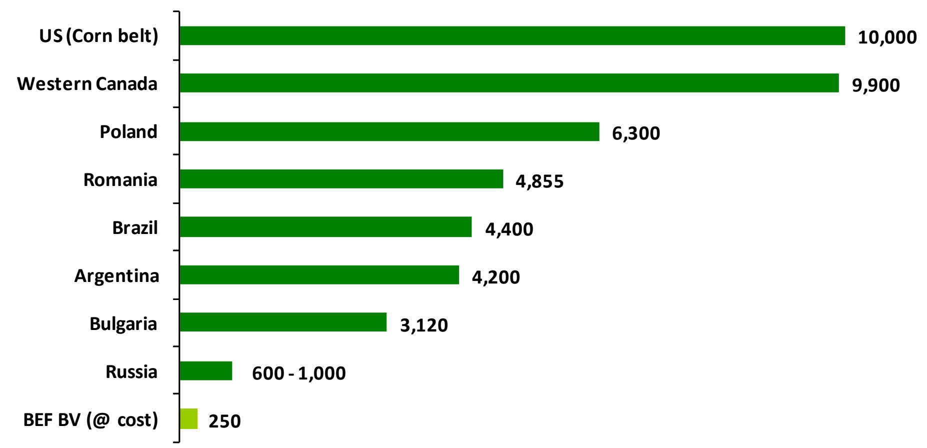
As of 31 December 2011 Black Earth Farming holds 260 thousand hectares of land in full ownership, corresponding to 82% of the total controlled land bank of 318 thousand hectares. 40 thousand hectares are held under long-term lease contracts running up to 49 years with the remainder in the process of ownership registration. Consolidation and further improvement of the operational efficiencies in and around the existing farm blocks remains the Company's key target. Thus non-core land areas have been divested during 2011, e.g. in Samara where no land is being cropped in addition to pasture and low quality areas. The current near term focus is not on significant expansion of the land portfolio, but on finalizing the registration process of controlled land into full ownership. Additional land areas will be evaluated based on the operational fit from a logistical point of view in terms of synergies with the existing land bank.

260 Thousand Hectares in Full Ownership (82% of total controlled land)



Russian agricultural land is in the Company's view still undervalued, both in terms of comparison with land of similar quality in other countries and also in relation to its inherent production potential, especially in the fertile Black Earth Region. Black Earth Farming is fully focused on realizing that production potential and generate cash flows from the assets to unlock the land value. The Company holds all of its land at acquisition cost, recorded in the statement of financial position at a value of USD* 58.3 million as of 31 December 2011.

Farm Land Prices, USD per Hectare



Source: Knight Frank, USDA, Statistics Canada, SLC Agricola, Cresud

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The Black Earth Farming Share

Outstanding shares
As of 31 Dec 2011 the amount of outstanding shares was 124,601,667. The Company's market capitalisation was approximately SEK 1,726 million or USD 246 million.

Shareholders
The total number of shareholders, as of 31 December 2011, amounted to about 8,600.

Compiled SDR information	
Official listing:	Nasdaq OMX Stockholm
Form of listing:	Swedish Depository Receipt ("SDR")
Round lot:	1
Sector:	Agricultural Products
Exchange ISIN code:	SE0001882291
Short name:	BEF SDB
Reuters:	BEFsdb.ST
Bloomberg:	BEFSDB SS

Trade data for the period 3 Jan 2011 - 17 Feb 2012

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
2,777,927	**116,284**	**183**

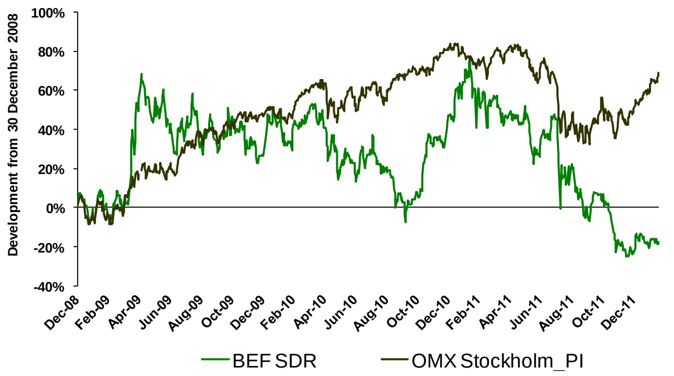
Source: NASDAQ OMX

Top 5 shareholders as of 31 December 2011

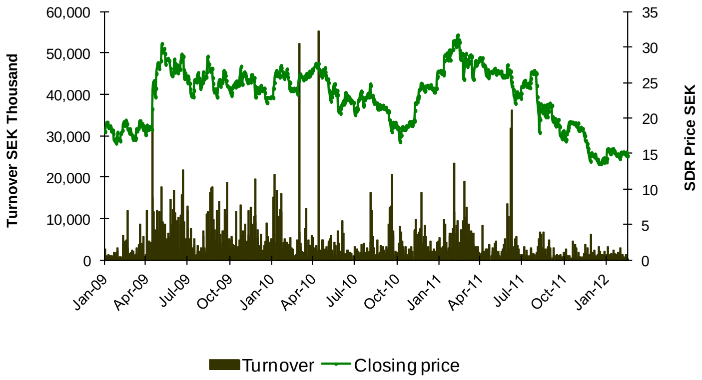
Owner	% of votes & capital
AB INVESTMENT KINNEVIK	**24.9%**
VOSTOK NAFTA INVESTMENT LTD	**24.8%**
ALECTA PENSION FUND	**9.3%**
HOLBERG FUNDS	**2.2%**
VARMA MUTUAL PENSIONFUND	**1.7%**

Source: Euroclear Sweden share registry & shareholders' reference

Share Performance vs. OMX Stockholm index



Share Price and Turnover



Black Earth Farming SDR			
Price SEK/SDR 17 Feb 2011	Change 1 Month	Change 3 Months	52 Week High
14.90	-2.0%	-11.3%	31.40
	Change 6 Months	Change 1 Year	52 Week Low
	-32.3%	-48.6%	13.20

More historic share data and information, including a current list of analysts following Black Earth Farming, can be found on the Company's website – www.blackearthfarming.com.

Risks and Uncertainties are described in the annual report for 2010. The risks can be summarised as Risks relating to the Company, Risks relating to the Company's business and Risks relating to Russia. All significant risks and uncertainty factors that existed on 31 December 2010 also exist on 31 December 2011.

** The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).*

In thousands of		RUR	RUR	RUR	RUR
		Year ended		Three months ended	
			(restated)		**(restated)**
	Notes	**31-Dec-2011**	**31-Dec-2010**	**31-Dec-2011**	**31-Dec-2010**
Revenue		2,067,053	1,430,038	1,103,707	602,854
Gain on revaluation of biological assets		516,066	379,145	116,914	79,302
Change in net realisable value of agricultural produce after harvest		(83,786)	118,835	61,489	141,087
Total revenue and gains	6	**2,499,333**	**1,928,018**	**1,282,110**	**823,243**
Cost of sales		(2,332,213)	(1,644,052)	(1,395,436)	(837,587)
Gross profit/(loss)		**167,120**	**283,966**	**(113,326)**	**(14,344)**
Distribution expenses		(271,485)	(142,157)	(55,121)	(34,934)
General and administrative expenses		(657,211)	(659,425)	(182,607)	(144,915)
Taxes other than on income		(59,525)	(66,934)	(22,857)	(22,307)
Government grants		62,459	72,498	5,182	45,870
Impairment of PPE / (reversal of reserve for land)		1,413	(255,456)	10,909	(261,338)
Other income and expenses		(55,667)	(59,757)	(20,766)	(23,942)
Operating loss		**(812,896)**	**(827,265)**	**(378,586)**	**(455,910)**
Financial income	9	36,634	30,413	9,524	8,850
Financial expenses	9	(526,434)	(434,960)	(77,832)	(83,333)
Loss before income tax		**(1,302,696)**	**(1,231,812)**	**(446,894)**	**(530,393)**
Income tax expense/(benefit)	7	(39,412)	61,250	25,025	44,054
Loss for the period and total comprehensive loss attributable to owners of the parent		**(1,342,108)**	**(1,170,562)**	**(421,869)**	**(486,339)**
Loss per share (amounts are indicated in)	11	RUR	RUR	RUR	RUR
Loss per share, basic and diluted		(10.77)	(9.39)	(3.39)	(3.90)

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 19 to 28.

** The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (d).*

In thousands of	Notes	USD*	USD*	USD*	USD*
		Year ended		Three months ended	
		31-Dec-2011	(restated) 31-Dec-2010	31-Dec-2011	(restated) 31-Dec-2010
Revenue		64,202	44,416	34,281	18,724
Gain on revaluation of biological assets		16,029	11,776	3,631	2,463
Change in net realisable value of agricultural produce after harvest		(2,602)	3,691	1,910	4,382
Total revenue and gains	6	**77,629**	**59,883**	**39,822**	**25,569**
Cost of sales		(72,438)	(51,063)	(43,342)	(26,015)
Gross profit/(loss)		**5,191**	**8,820**	**(3,520)**	**(446)**
Distribution expenses		(8,432)	(4,415)	(1,712)	(1,085)
General and administrative expenses		(20,413)	(20,482)	(5,672)	(4,501)
Taxes other than on income		(1,849)	(2,079)	(710)	(693)
Government grants		1,940	2,252	161	1,425
Impairment of PPE / (reversal of reserve for land)		44	(7,934)	339	(8,117)
Other income and expenses		(1,729)	(1,856)	(645)	(744)
Operating loss		**(25,248)**	**(25,694)**	**(11,759)**	**(14,161)**
Financial income	9	1,138	945	296	275
Financial expenses	9	(16,352)	(13,510)	(2,417)	(2,588)
Loss before income tax		**(40,462)**	**(38,259)**	**(13,880)**	**(16,474)**
Income tax expense/(benefit)	7	(1,224)	1,902	777	1,368
Loss for the period and total comprehensive loss attributable to owners of the parent		**(41,686)**	**(36,357)**	**(13,103)**	**(15,106)**
Loss per share (amounts are indicated in)	11	USD*	USD*	USD*	USD*
Loss per share, basic and diluted		(0.33)	(0.29)	(0.11)	(0.12)

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 19 to 28.

** The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (d).*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

BLACK EARTH FARMING LTD.

In thousands of		RUR	RUR	USD*	USD*
			(restated)		**(restated)**
	Notes	**31-Dec-11**	**31-Dec-10**	**31-Dec-11**	**31-Dec-10**
ASSETS					
Non-current assets					
Property, plant and equipment		6,019,548	5,922,255	186,965	183,943
Intangible assets		6,845	10,336	213	321
Loans issued		-	1,431	-	44
Biological assets (livestock)		23,514	19,740	730	613
Other non-current assets		88,646	125,094	2,753	3,885
Deferred tax assets	7	111,766	128,352	3,471	3,987
Total non-current assets		**6,250,319**	**6,207,208**	**194,132**	**192,793**
Current assets					
Inventories		1,910,709	1,265,484	59,346	39,306
Biological assets (crop production)		532,598	409,969	16,542	12,733
Trade and other receivables		474,074	416,609	14,725	12,940
Cash and cash equivalents		985,452	2,982,817	30,608	92,645
Total current assets		**3,902,833**	**5,074,879**	**121,221**	**157,624**
Total assets		**10,153,152**	**11,282,087**	**315,353**	**350,417**
EQUITY AND LIABILITIES					
Equity					
Share capital		32,921	32,921	1,023	1,023
Share premium		11,275,731	11,275,731	350,220	350,220
Reserves		178,189	152,556	5,534	4,738
Accumulated deficit		(5,197,921)	(3,855,813)	(161,446)	(119,760)
Total equity attributable to owners of the parent		**6,288,920**	**7,605,395**	**195,331**	**236,221**
LIABILITIES					
Non-current liabilities					
Non-current loans and borrowings	8	3,265,713	3,297,387	101,432	102,416
Deferred tax liabilities		42,153	19,618	1,309	609
Total non-current liabilities		**3,307,866**	**3,317,005**	**102,741**	**103,025**
Current liabilities					
Current loans and borrowings	8	165,166	167,422	5,130	5,200
Trade and other payables		391,200	192,265	12,151	5,971
Total current liabilities		**556,366**	**359,687**	**17,281**	**11,171**
Total liabilities		**3,864,232**	**3,676,692**	**120,022**	**114,196**
Total equity and liabilities		**10,153,152**	**11,282,087**	**315,353**	**350,417**

The condensed consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 19 to 28.

** The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (d).*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

BLACK EARTH FARMING LTD.

In thousands of	RUR Share capital	RUR Share premium	RUR Equity-settled employee benefits reserve	RUR Accumulated deficit	RUR Total equity attributable to owners of the parent
Balance as at 1 January 2010	**32,921**	**11,275,731**	**126,930**	**(2,691,651)**	**8,743,931**
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(1,170,562)	(1,170,562)
Recognition of share-based payments	-	-	32,026	-	32,026
Cancellation of warrants	-	-	(6,400)	6,400	-
Balance as at 31 December 2010 (restated)	**32,921**	**11,275,731**	**152,556**	**(3,855,813)**	**7,605,395**
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(1,342,108)	(1,342,108)
Recognition of share-based payments	-	-	25,633	-	25,633
Balance as at 31 December 2011	**32,921**	**11,275,731**	**178,189**	**(5,197,921)**	**6,288,920**

In thousands of	USD* Share capital	USD* Share premium	USD* Equity-settled employee benefits reserve	USD* Accumulated deficit	USD* Total equity attributable to owners of the parent
Balance as at 1 January 2010	**1,023**	**350,220**	**3,942**	**(83,602)**	**271,583**
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(36,357)	(36,357)
Recognition of share-based payments	-	-	995	-	995
Cancellation of warrants	-	-	(199)	199	-
Balance as at 31 December 2010 (restated)	**1,023**	**350,220**	**4,738**	**(119,760)**	**236,221**
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(41,686)	(41,686)
Recognition of share-based payments	-	-	796	-	796
Balance as at 31 December 2011	**1,023**	**350,220**	**5,534**	**(161,446)**	**195,331**

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 19 to 28.

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In thousands of	Notes	RUR 12 m. 2011	RUR 12 m. 2010	USD* 12 m. 2011	USD* 12 m. 2010
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss for the period		(1,342,108)	(1,170,562)	(41,686)	(36,357)
Adjustments for:					
Income tax expense/(benefit)		39,412	(61,250)	1,224	(1,902)
Depreciation and amortisation		425,401	361,964	13,213	11,243
Bad debt expense		17,264	10,822	536	336
Foreign exchange loss		168,210	115,932	5,225	3,601
Interest income		(36,634)	(30,413)	(1,138)	(945)
Interest expense		345,203	286,836	10,723	8,909
Loss on disposal of property, plant and equipment and intangible assets		1,047	18,852	33	586
Warrant expense		25,633	32,026	796	995
Loss on land write-off		9,832	-	305	-
Impairment of PPE / (reversal of land reserve)		(1,413)	255,456	(44)	7,934
Change in value of biological assets and inventory		(432,280)	(497,980)	(13,427)	(15,467)
Effect of revaluations on COGS		448,414	207,987	13,928	6,460
		(332,019)	**(470,330)**	**(10,312)**	**(14,607)**
Movements in working capital:					
Increase in inventories		(588,384)	(103,980)	(18,275)	(3,230)
Decrease/(increase) in biological assets		(139,927)	14,590	(4,345)	453
Decrease/(increase) in trade and other receivables		(41,100)	99,036	(1,277)	3,076
Increase/(decrease) in trade payables and other short-term liabilities		208,156	(60,084)	6,465	(1,866)
Cash used in operations		**(893,274)**	**(520,768)**	**(27,744)**	**(16,174)**
Interest paid	8	(330,202)	(249,795)	(10,256)	(7,759)
Income tax paid		(380)	(2,673)	(11)	(83)
Net cash used in operating activities		**(1,223,856)**	**(773,236)**	**(38,011)**	**(24,016)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		42,648	32,726	1,325	1,016
Acquisition of land plots		(45,906)	(70,049)	(1,426)	(2,176)
Acquisition of property, plant and equipment		(556,605)	(715,063)	(17,288)	(22,210)
Proceeds from disposal of property, plant and equipment		16,445	15,617	511	485
Acquisition of intangible assets		(4,367)	(5,231)	(136)	(162)
Proceeds from disposal of investments		332	1,095	10	34
Net cash used in investing activities		**(547,453)**	**(740,905)**	**(17,004)**	**(23,013)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of bonds/selling bonds	8	87,303	1,905,622	2,712	59,188
Repurchase of bonds	8	(268,330)	(614,285)	(8,334)	(19,079)
Net cash used in/(from) financing activities		**(181,027)**	**1,291,337**	**(5,622)**	**40,109**
Net change in cash and cash equivalents		**(1,952,336)**	**(222,804)**	**(60,637)**	**(6,920)**
Cash and cash equivalents at beginning of period		2,982,817	3,211,219	92,645	99,739
Effect of exchange rate fluctuations on cash and cash equivalents		(45,029)	(5,598)	(1,400)	(174)
Cash and cash equivalents at end of the period		**985,452**	**2,982,817**	**30,608**	**92,645**

The condensed consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 19 to 28.

** The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (d).*

1 Background

(a) Organisation and operations

Black Earth Farming Limited (the "Company") is a limited liability company incorporated in Jersey, Channel Islands, on 20 April 2005. The Company is the holding company for a number of legal entities established under the legislation of Cyprus and the Russian Federation. Those entities are together referred to as the "Group".

The Company's registered office is 8 Church Street, St. Helier, Jersey, JE4 OSG, Channel Islands.

The Group is involved in the acquisition and subsequent management of agricultural companies in Russia. The Group's activities include farming, production of crops and dairy produce and the distribution of related products in the Russian Federation. The Group commenced operations in 2005. The majority of the subsidiaries was established in 2006 and had limited activities.

(b) Russian business environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Russia and Russia's economy in general.

Laws and regulations affecting businesses in Russia continue to change rapidly. Tax, currency and customs legislation within Russia is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of Russia is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Russia's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Because Russia produces and exports large volumes of oil and gas, Russia's economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during 2011 and 2010.

(c) Seasonality

The agricultural production cycle (including selling of harvested crop) encompasses approximately eighteen months from the seeding stage - late August thru beginning of October for winter crops and beginning of April thru mid-May for spring crops - onto germination - October thru June followed by harvesting – early July thru mid-October culminating in storing and ultimately selling the harvested grain during late fall, winter and the first quarter of the following calendar year.

As at 31 December 2011, the Group almost completely harvested all crop seeded in the end of 2010 and spring of 2011. However, half of harvested crops has not been sold during the current year and remains stored in grain elevators and warehouses. These unsold finished goods are recorded at net realisable value.

During the fourth quarter of 2011, the Group began a new agricultural cycle and seeded 2012 winter crops. These biological assets are currently valued on the basis of actual incurred costs due to the fact that little biological transformation has taken place.

Revenue from sales of crop production for the year ended 31 December 2011 included sales of 2010 crop production cycle on a par with 2011 crop production.

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(d) Financial condition and going concern

Over recent years the Group has expanded rapidly by acquiring agricultural land, elevators and equipment throughout the Russian Federation. During the year ended 31 December 2011 the Group's net assets decreased from RUR 7,605 million to RUR 6,289 million and it suffered a loss for the year of RUR 1,342 million (2010: RUR 1,171 million). Depending on the company's future strategy the group may need to raise funds in 2012, and the board and management are currently assessing those strategies and any financing implications each of those strategies may have. The Group is considering several financing alternatives available to them in funding any shortfalls should they occur, and the Board of Directors and senior management are currently engaged in ongoing discussions regarding various financing options for the Group. Management and the board are confident they will be able to successfully finance any of the Group's short term cash needs, restore operations to profitability, generate positive cash flow whilst meeting its obligations as they fall due and accordingly believe it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

2 Basis of preparation

(a) Statement of compliance

The condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRSs") and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

(b) Significant accounting policies

The condensed consolidated financial statements have been prepared under historical cost convention, except for biological assets measured at fair value less estimated point-of-sale costs at date of harvest and except for agricultural produce measured at net realisable value at the end of each reporting period.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2010, except for the measurement of agricultural produce inventory as of the reporting date (details are provided in note 3).

(c) Functional and presentation currency

The currency of the Russian Federation is the Russian Rouble ("RUR") which is the functional currency of the Group's Russian subsidiaries and is the currency in which these consolidated financial statements are presented. The Group's main activities are RUR denominated. All financial information presented in RUR has been rounded to the nearest thousand.

(d) Convenience translation

In addition to presenting the condensed consolidated financial statements in RUR, supplementary information in United States dollars ("USD") has been presented for the convenience of users of the condensed consolidated financial statements.

All amounts in the condensed consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 30 September 2011 of RUR 32.1961 to USD 1. All financial information in USD has been rounded to the nearest thousand.

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** The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (d).*

3 Change in accounting policy

The Group has assessed its accounting policy with regard to the valuation of agricultural produce. The Group previously valued biological assets at fair value less estimated point-of-sale costs at the point of harvest. Subsequent to harvest, agricultural produce was measured at the lower of cost and net realizable value in accordance with IAS 2 *Inventories*. As a consequence, the Group's consolidated statement of financial position did not reflect the current market value of its agriculture produce inventory, but fixed the measurement of agricultural produce at its minimal level – at market prices at the point of harvest.

According to IAS 2, *Inventories* paragraph 3(a) the standard does not apply to the measurement of inventories held by producers of agricultural produce, agricultural produce after harvest to the extent that they are measured at net realisable value in accordance with well-established practices in the industry. IAS 2 paragraph 4 further states that such inventories are measured at net realisable value when an active market exists and there is a negligible risk of failure to sell. Previously, the Group did not measure agricultural produce after harvest at net realisable value as the Group's assessment was that it was not a well-established industry practice. However, in recent years industry practice has developed as an increasing number of agricultural companies began to prepare and publish financial statements in accordance with IFRS. During 2011, the Group determined that it would change its accounting policy to recognise agriculture produce at net realisable value at the end of each reporting period. There is an active market in the produce and there is a negligible risk that the produce will not be sold.

The Group uses local market prices published by independent experts to determine net realisable value of agricultural produce at the end of the reporting period. Changes in net realisable value are recognised in the consolidated statement of comprehensive income in the period in which they arise. Harvested produce is measured at net realizable value on a quarterly basis. When agriculture produce is sold, the carrying amount of the inventory (i.e., the net realizable value at the beginning of the reporting period) is recognised as cost of goods sold. The difference between revenue from the sale and costs of goods sold reflects changes in prices for the produce which were sold during period, while the "Change in net realisable value" line in the statement of comprehensive income shows the change in produce prices included at the end of the period. Management is confident that the change in accounting policy will allow the Group to provide more relevant information for users of the consolidated financial statements.

As a consequence of the change in the accounting policy described above, the volatility of the gross profit in the consolidated statement of comprehensive income is expected to increase consistent with the volatility of market prices.

4 Prior year changes

(a) Restatement

The impact of the change in accounting policy (note 0) was applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of prior year consolidated financial statements. As a result of the accounting policy change, the following adjustments were made to the 2010 consolidated financial statements:

** The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (d).*

In thousands of RUR, except per share data	As originally reported	After restatement	Difference
Condensed Consolidated Statement of Financial Position as at 31 December 2010			
Inventories	1,141,799	1,265,484	123,685
Accumulated deficit	(3,979,498)	(3,855,813)	123,685
Condensed Consolidated Statement of Comprehensive Income for the year ended 31 December 2010			
Gain/(loss) on revaluation of biological assets	166,308	379,145	212,837
Change in net realisable value of agricultural produce	-	118,835	118,835
Cost of sales	(1,470,397)	(1,678,384)	(207,987)
Loss per share, basic and diluted	(10.39)	(9.39)	1.00

In thousands of USD, except per share data*	As originally reported	After restatement	Difference
Condensed Consolidated Statement of Financial Position as at 31 December 2010			
Inventories	35,464	39,306	3,842
Accumulated deficit	(123,602)	(119,760)	3,842
Condensed Consolidated Statement of Comprehensive Income for the year ended 31 December 2010			
Gain/(loss) on revaluation of biological assets	5,165	11,776	6,611
Change in net realisable value of agricultural produce	-	3,691	3,691
Cost of sales	(45,670)	(52,130)	(6,460)
Loss per share, basic and diluted	(0.33)	(0.29)	0.03

(b) Reclassifications

The Group conducted a detailed analysis of its expenditures with a view to improve classification of such expenditures between cost of sales and distribution expenses, taking into account that costs incurred to operate the new elevators produce storage capacity mainly for internal needs. As a result of such analysis, it was concluded that a portion of costs incurred to operate the elevators relating to intergroup revenue should be presented as distribution costs. Therefore certain comparative information, presented in the condensed consolidated financial statements for the year ended 31 December 2010, has been reclassified in order to achieve comparability with the current period presentation.

The details of the reclassifications made are as follows:

In thousands of RUR	Before reclassification	Recast	Difference
Condensed Consolidated Statement of Comprehensive Income for the year ended 31 December 2010			
Cost of sales	(1,678,384)	(1,644,052)	34,332
Distribution expenses	(107,825)	(142,157)	(34,332)

*In thousands of USD**	Before reclassification	Recast	Difference
Condensed Consolidated Statement of Comprehensive Income for the year ended 31 December 2010			
Cost of sales	(52,130)	(51,063)	1,067
Distribution expenses	(3,348)	(4,415)	(1,067)

*In thousands of USD**	Before reclassification	Recast	Difference
Condensed Consolidated Statement of Comprehensive Income for the nine months period ended 30 Sept. 2010			
Cost of sales	(26,097)	(25,301)	796
Distribution expenses	(2,568)	(3,364)	(796)
Condensed Consolidated Statement of Comprehensive Income for the three months period ended 30 Sept. 2010			
Cost of sales	(7,573)	(7,239)	334
Distribution expenses	(680)	(1,014)	(334)

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5 Segment information

The operating segments definitions were developed by senior management in order to enable effective and efficient operating performance based on the geographic and sub-climactic split of the cropped areas in the four Black Earth regions: Voronezh, Kursk, Lipetsk and Tambov. The Group also has one operating entity in Samara region; however, for segment reporting purposes it was included in Tambov, as the entity's result is not material as a single operating segment. The management company is located in Moscow. The management company does not produce anything itself and its revenue is a result of selling crops harvested by the Group's companies. It sets the general policies for all entities, collects the data and controls implementation of all decisions received therefore it bears the majority of general and administrative expenses.

The parent company Black Earth Farming Ltd. is not included in any of the operating segments, as it does not generate revenue, therefore its assets and expenses have been reflected in the corporate segment of the assets and expenses.

In 2010, the Group added a new segment related to elevator's activity. The Elevator segment consists of two legal entities: Agroterminal (with working elevator containing 60 tons of capacity) and Nedvizhimost' (with three new elevators under construction). In 2010 the senior management emphasized "Elevator" as a standalone segment, as the Group had intended to use new elevators for 2010 harvest, therefore expenses and investments related to the elevators were taken under special control.

(a) Segment revenues and results

In thousands of	RUR Revenue from external sales **12 m. 2011**	RUR Inter-segment revenue **12 m. 2011**	RUR Depreciation and amortisation **12 m. 2011**	RUR Net result **12 m. 2011**
Agricultural companies				
- Voronezh region	421,143	76,192	94,950	28,985
- Kursk region	516,822	26,166	81,543	(86,196)
- Lipetsk region	676,716	49,910	81,295	(119,543)
- Tambov region	320,994	10,077	79,328	(171,869)
Elevators	74,003	279,407	77,274	(10,039)
Management company (Moscow)	57,375	47,663	11,011	(260,411)
Total	**2,067,053**	**489,415**	**425,401**	**(619,074)**
Central administrative costs and director's salaries				(188,380)
Other income and expenses				(5,442)
Financial result, net				(489,800)
Loss before income tax				**(1,302,696)**

* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (d).

In thousands of	RUR Revenue from external sales 12 m. 2010	RUR Inter-segment revenue 12 m. 2010	RUR Depreciation and amortisation 12 m. 2010	RUR Net result 12 m. 2010
Agricultural companies				
- Voronezh region	343,591	98,308	105,414	(127,410)
- Kursk region	233,997	298,291	75,399	(2,080)
- Lipetsk region	302,639	193,630	85,078	(250,781)
- Tambov region	205,906	140,564	65,949	(33,534)
Elevators	9,174	46,634	14,989	31,219
Management company (Moscow)	334,731	91,369	15,135	(281,225)
Total	**1,430,038**	**868,796**	**361,964**	**(663,811)**
Central administrative costs and director's salaries				(166,788)
Other income and expenses				3,334
Financial result, net				(404,547)
Loss before income tax				**(1,231,812)**

In thousands of	USD* Revenue from external sales 12 m. 2011	USD* Inter-segment revenue 12 m. 2011	USD* Depreciation and amortisation 12 m. 2011	USD* Net result 12 m. 2011
Agricultural companies				
- Voronezh region	13,080	2,366	2,949	899
- Kursk region	16,052	813	2,533	(2,677)
- Lipetsk region	21,019	1,550	2,525	(3,713)
- Tambov region	9,970	313	2,464	(5,338)
Elevators	2,299	8,678	2,400	(312)
Management company (Moscow)	1,782	1,480	342	(8,088)
Total	**64,202**	**15,200**	**13,213**	**(19,229)**
Central administrative costs and director's salaries				(5,851)
Other income and expenses				(169)
Financial result, net				(15,213)
Loss before income tax				**(40,462)**

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In thousands of	USD* Revenue from external sales 12 m. 2010	USD* Inter-segment revenue 12 m. 2010	USD* Depreciation and amortisation 12 m. 2010	USD* Net result 12 m. 2010
Agricultural companies				
- Voronezh region	10,671	3,053	3,275	(3,957)
- Kursk region	7,268	9,265	2,342	(65)
- Lipetsk region	9,400	6,014	2,642	(7,789)
- Tambov region	6,395	4,366	2,048	(1,042)
Elevators	285	1,448	466	970
Management company (Moscow)	10,397	2,838	470	(8,735)
Total	**44,416**	**26,984**	**11,243**	**(20,618)**
Central administrative costs and director's salaries				(5,180)
Other income and expenses				104
Financial result, net				(12,565)
Loss before income tax				**(38,259)**

The accounting policies of the reportable segments are the same as the Group's accounting policies according to IFRS. Segment profit represents the profit earned by each segment without allocation of central administrative costs and director salaries (Black Earth Farming Ltd.), other income and expenses and net financial results.

(b) Segment assets

In thousands of	RUR 31-Dec-11	RUR 31-Dec-10	USD* 31-Dec-11	USD* 31-Dec-10
Agricultural companies				
- Voronezh region	1,829,728	1,491,000	56,831	46,309
- Kursk region	2,063,411	1,776,475	64,089	55,177
- Lipetsk region	2,209,438	1,921,530	68,624	59,682
- Tambov region	1,316,087	1,200,619	40,877	37,291
Elevators	1,670,976	1,709,453	51,900	53,095
Management company (Moscow)	571,647	244,698	17,755	7,600
Total segment assets	**9,661,286**	**8,343,776**	**300,076**	**259,154**
Corporate assets	491,866	2,938,311	15,277	91,263
Consolidated total assets	**10,153,152**	**11,282,087**	**315,353**	**350,417**

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(c) Revenues from major products

The Group's revenues from its major products were as follows:

In thousands of	RUR 12 m. 2011	RUR 12 m. 2010	USD* 12 m. 2011	USD* 12 m. 2010
Wheat	1,090,218	422,371	33,860	13,118
Sunflowers	448,518	424,865	13,931	13,196
Spring rape seed	202,086	188,506	6,277	5,855
Spring barley	171,848	256,664	5,338	7,972
Sugar-beet	67,889	-	2,109	-
Milk and meat	32,835	23,223	1,020	721
Soya	24,940	-	775	-
Corn	5,937	84,420	184	2,622
Waste grains	3,630	7,694	113	240
Winter rape seed	-	899	-	28
Other goods and services	19,152	21,396	595	664
	2,067,053	**1,430,038**	**64,202**	**44,416**

(d) Geographical information

The Group's business operations are concluded in the Russian Federation. The Group has a head office in Jersey, UK; however the head office owns no non-current assets and generates only financial income and expenses, and incurs administration costs and director salaries expenses. All non-current assets are located in Russia and all of the Group's operating activities are performed in Russia.

6 Revenue and gains

In thousands of	RUR 12 m. 2011	RUR 12 m. 2010	USD* 12 m. 2011	USD* 12 m. 2010
Revenue from sales of crop production	2,015,066	1,385,419	62,587	43,031
Revenue from sales of milk and meat	32,835	23,223	1,020	721
Revenue from sales of other goods and services	19,152	21,396	595	664
Gain on revaluation of biological assets to agricultural produce	516,066	379,145	16,029	11,776
Change in net realisable value of agricultural produce after harvest	(83,786)	118,835	(2,602)	3,691
	2,499,333	**1,928,018**	**77,629**	**59,883**

As described in note 3 above, the Group changed its accounting policy and is accounting for agricultural produce (finished goods) on the basis of net realisable value. Market prices on grain have significantly decreased since the beginning of the year 2011 which resulted in negative revaluation of net realisable value.

7 Deferred tax assets and deferred tax expenses

Due to operating losses incurred during previous years, the Group recognised deferred tax assets related to tax losses that are allowed to be carried forward to offset future operating profits. At the end of 2010 these deferred tax assets amounted to RUR 85,897 thousand (USD* 2,668 thousand).

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Management judgmentally determined to derecognise the full amount of RUR 85,897 thousand (USD* 2,668 thousand) during the current year. The Group maintains the legal right to use such tax losses in the future, up to the date allowed by the tax law. Management determined that deferred tax assets relating to such tax losses would be reconsidered for recognition once the Group reaches profitability.

8 Repurchase and repayment of debt securities

In 2010, the Group issued Bonds with a nominal amount of SEK 750,000,000. The Bonds bear an interest coupon of 10%, payable annually on the anniversary date (1 July). The Bonds are due to be redeemed in 2014 and are listed on the Nasdaq OMX Stockholm exchange. As at 31 December 2011, the Group is in compliance with all covenants stipulated in the bond agreement.

During the period May-June 2011, the Group repurchased a total amount of SEK 58.7 million of its bonds at a weighted average of 102.6% of its nominal value. The repurchase cost totaled RUR 292,658 thousand (USD* 9,181 thousand), which included nominal value of RUR 268,330 thousand (USD* 8,418 thousand) and accrued interest of RUR 24,328 thousand (USD* 763 thousand). As a result of these transactions, the Group realized a net loss of RUR 12,356 thousand (USD* 388 thousand).

On 1 July 2011, the Group paid annual interest payment in the amount of RUR 305,874 thousand (USD* 9,596 thousand).

In December 2011 the Group sold SEK 18.7 million of its bonds that were purchased during the first half of 2011. The Group received a total of RUR 87,303 thousand (USD* 2,712 thousand) from the sale.

9 Financial income and expenses

In thousands of	RUR **12 m. 2011**	RUR **12 m. 2010**	USD* **12 m. 2011**	USD* **12 m. 2010**
Financial income				
Interest income on deposits	36,634	30,413	1,138	945
	36,634	30,413	1,138	945
Financial expenses				
Interest expense	(507)	(526)	(16)	(16)
Bond interest	(344,696)	(286,310)	(10,707)	(8,893)
Loss from repurchase of bonds	(13,021)	(32,192)	(404)	(1,000)
Loss on foreign exchange differences	(168,210)	(115,932)	(5,225)	(3,601)
	(526,434)	(434,960)	(16,352)	(13,510)
Net financial expense	**(489,800)**	**(404,547)**	**(15,214)**	**(12,565)**

10 Dividends

During the year ended 31 December 2011 no dividends were paid or declared.

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11 Loss per share

The amounts are indicated in	RUR **12 m. 2011**	RUR **12 m. 2010**	USD* **12 m. 2011**	USD* **12 m. 2010**
Loss for the period	(1,342,108,000)	(1,170,562,000)	(41,685,422)	(36,357,261)
Weighted average number of ordinary shares	124,601,667	124,601,667	124,601,667	124,601,667
Basic loss per share (RUR/share, USD*/share)	(10.77)	(9.39)	(0.33)	(0.29)

The effect of the Company's potentially dilutive securities is anti-dilutive for the year ended 31 December 2011. Accordingly, the diluted loss per share is the same as the basic loss per share for the year ended 31 December 2011.

12 Contingencies and commitments

The Group continues to register land and build its production as well as real estate portfolio; the latter mainly consists of grain storage and drying capacity. Investment in land includes mainly registration towards ownership of already controlled land plots. In 2012, the Group expects to spend approximately RUR 25,779 thousand (USD* 801 thousand) on land-related expenditures. Investments into production predominantly consist of purchases of agricultural machinery and equipment and vehicles. According to the Group's 2012 capital expenditure program, it plans to invest RUR 1,060,286 thousand (USD* 32,932 thousand) on production. Investment in infrastructure mainly includes grain storage facilities, internal drying capacity and other grain handling infrastructure. In 2012, the Group plans capital expenditures related to infrastructure in the amount of RUR 39,734 thousand (USD* 1,234 thousand).

13 Related party transactions

During the year ended 31 December 2011, the Group entered into the following transactions with related parties that are not members of the Group.

In thousands of	RUR **12 m. 2011**	RUR **12 m. 2010**	USD* **12 m. 2011**	USD* **12 m. 2010**
Purchase of services from related parties				
Vostok Komi (Cyprus) Ltd	-	2,502	-	78
Kinnevik AB Investment	123	-	4	-
Kinnevik Agri Ltd (i)	38,498	-	1,196	-
	38,621	2,502	1,200	78
Accounts payable owed to related parties				
Kinnevik Agri Ltd (i)	13,704	-	426	-

(i) Kinnevik Agri Ltd provided consultancy services and a review of BEF crop production performance. All contracts have been scrutinised for arms length and have been approved by the members of the Board of Directors independent from Kinnevik.

14 Subsequent events

No significant subsequent events have occurred.

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In 2011 Black Earth Farming harvested approximately 230,000 hectares, effectively making it one of the world's largest farming companies by cropped area. The Company's main crops are wheat, barley, sunflower and rape seeds constituting over 90% of total production volumes.

The Board of Directors and the CEO hereby confirm that the interim report gives a true and fair view of the group's operations, financial position and results of operations and describes significant risks and uncertainties the Company is exposed to.

Jersey, 23 February 2012

Per Brilioth, Chairman of the Board

Sture Gustavsson, Executive Director

Alex Gersh, Non-executive Director

Henrik Persson, Non-executive Director

Poul Schroeder, Non-executive Director

Magnus Unger, Non-executive Director

Richard Warburton, Executive Director and CEO

Financial Calendar

Audited 2011 Annual report	13 April 2012
Annual General Meeting 2012	25 May 2012
Interim Report January – March 2012	21 May 2012
Interim Report January – June 2012	24 August 2012
Interim Report January – September 2012	23 November 2012

For further information contact

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Terms & Definitions

1 hectare (ha) = 2.47105 acres
1 hectare (ha) = 10,000 square meters

1 metric ton = 2,204.622 pounds (lb)
1 metric ton = 10 centners
1 metric ton of wheat = 36.74 bushels of wheat
1 metric ton of corn = 39.37 bushels of corn

"AGRO-Invest Group"
The Company's subsidiary OOO Management Company AGRO-Invest and its subsidiaries, including OOO Management Company AGRO-Invest-Regions.

"Black Earth"
A soil type which contains a very high percentage of organic matter in the form of humus, rich in phosphorus.

"Black Earth Farming" or the "Company"
Black Earth Farming Limited, a company incorporated in Jersey, Channel Islands, under the 1991 Law with company registration number 89973, including its subsidiaries, unless otherwise is apparent by the surrounding context.

"Black Earth Region"
A territory located in parts of Russia, Ukraine and Kazakhstan endowed with Black Earth.

"Cadastre"
A Russian state register of real property including details of the area owned, the owners and the value of the land.

"CIS"
Commonwealth of Independent States which consists of the former republics of the Soviet Union, excluding the Baltic States. The following countries are included Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan (associated member), Ukraine and Uzbekistan.

"Crop year"
A crop year in Europe typically begins in late summer with the seeding of winter crops and ends approximately one and a half years later depending on when the crops is being harvested and sold.

"Debt/Equity Ratio"
Total amount of long term borrowings divided by total shareholders' equity.

"EBITDA"
EBITDA represents net income (loss) before interest expense, interest income, income tax expense (benefit), depreciation of property and equipment, amortization of intangible assets, and extraordinary or non-recurring income and expenses.

"Earnings per Share"
Net profit attributable to shareholders holding ordinary shares divided by the number of shares issued.

"Equity/Assets Ratio"
Total shareholders' equity divided by total assets.

"EU-27"
The following EU membership countries: Austria, Belgium, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden the United Kingdom, Bulgaria and Romania.

"Fallow land"
Land which is not being cultivated.

"FOB"
Free On Board - an export pricing term where the seller covers all costs up to and including the loading of goods aboard a vessel, but not following freight/shipping costs.

"Grains"
Generic name for wheat, barley, oats, rye, rye-wheat, durra millet, corn maize and rice

"Grain elevator"
Building or complex of buildings for drying, cleaning, storage and shipment of grain.

"Land in ownership"
Land where the Company has obtained the, in the central Cadastre, registered rights of ownership to the land.

"Land under control"
Refers to all land under the Company's control, including fully registered ownership, long term leased land and acquired cropping rights (Pais) in the process of being registered as ownership rights.

"Oblast"
An administrative region of Russia.

"Oilseeds"
A wide variety of seeds which are grown as a source of oils, e.g. cottonseed, sesame, rape seed, sunflower and soybean. After extraction of the oil the residue is a valuable source of protein, especially for animal feedstuffs.

"OOO"
"Closed joint stock company", the Russian equivalence to a limited liability company.

"Operating Margin"
Operating income divided by net sales.

"Pai"
A share in jointly-owned land received by a farm worker (in the Company's transactions often comprising approximately 2 to 17 hectares of undefined land).

"Russian Export taxes"
There are currently no export taxes for wheat or barley. For Sunflowers and Oil seed rape there is an export tax.

"SDR"
The Swedish depository receipts issued representing the Shares according to the general terms and conditions for depository receipts in Black Earth Farming.

"VPC"
VPC AB, the Swedish central securities depository and clearing house with address Regeringsgatan 65, Box 7822, SE-103 97, Stockholm, Sweden.

"Öhman"
E. Öhman J:or Fondkommission AB, company registration number 556206-8956,
Box 7415, SE-103 91, Stockholm, Sweden.

** The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (d).*