Black Earth Farming Ltd Financial Report

1 January – 31 December 2014

BLACK EARTH FARMING LTD.

Operating profit on higher yields and lower costs per ton

2014 operating profit up USD 36.8mn y-o-y from USD -30.6mn to USD 6.2mn despite low price environment. Blended yield (excl sugar beet and potatoes) up 6% y-o-y and 38% over 3 years. Costs per ton estimated down by 16% on cost control, harvesting conditions and weaker ruble. A 72% devaluation of the Russian ruble negatively affects balance sheet and causes USD 16.5mn forex loss. 2014 net loss of USD -17.4mn.

Q4 2014 Highlights (vs. Q4 2013)

- Total revenue and gains of USD 80.7mn (67.1)
- Sales volume of 310kt (370) at an average sales price of USD 194 per ton (164)
- Sales revenue of USD 60.4mn (61.2)
- USD 11.9mn (4.2) gain on revaluation of biological assets
- Operating profit/(loss) of USD 1.3mn (-15.8)
- Net loss of USD -8.5mn (-18.5)
- Net loss per share of USD -0.04 (-0.09)
- USD 5.2mn bonds repurchased in 4Q14

12M 2014 Highlights (vs. 12M 2013)

- Total revenue and gains of USD 144mn (148)
- Operating profit/ (loss) of USD 6.2mn (-30.6)
- Forex loss of -16.5mn (-3.9)
- Net loss of USD -17.4mn (-45.9)
- Net loss per share of USD -0.08 (-0.22)
- Operating cash flows after change in working capital of USD 10.4mn (12.9)
- Net debt of USD 27.3mn (34.5)
- No dividend proposed for 2014

CEO Comment Highlights *(p.2)*

- 2014 Performance
- 2014 Sales & marketing
- FY Results
- 2015 Crop
- 2015 Plan
- Summary & Outlook

Financial Overview *(p.5)*

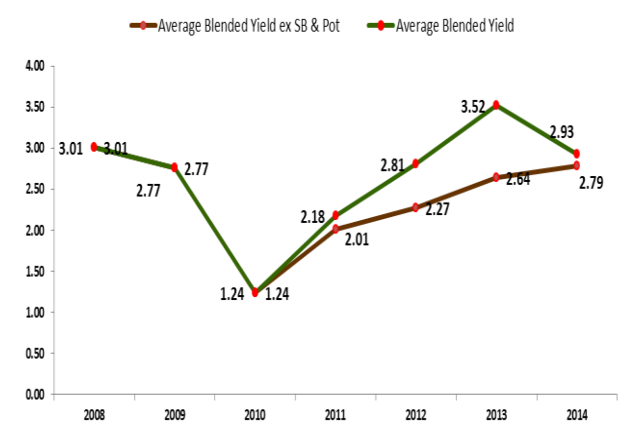
USD million	Q4 '14	Q4 '13	12M '14	12M '13
Crop Volumes Sold (k tons)	*310.4*	*370.4*	*555.4*	*715.4*
Av. Sales Price	194	164	198	186
Total Revenue & Gains	80,689	67,131	144,417	148,289
Gross Profit	18,069	889	37,811	6,129
EBITDA	6,796	(7,119)	20,766	(11,416)
EBIT	1,275	(15,813)	6,213	(30,551)
Net loss	**(8,451)**	**(18,459)**	**(17,437)**	**(45,862)**

CEO Comment

Net Crop Yield Development

(tons/ha)	10	11	12	13	14	5Y	5Y	YoY
W wheat	1.9	2.4	2.1	3.3	4.0	2.7	46%	21%
S wheat	1.4	1.6	2.6	1.9	3.6	2.2	63%	89%
S barley	1.4	1.9	2.4	2.6	3.6	2.4	51%	38%
Corn	0.6	4.9	5.1	4.3	3.5	3.7	-4%	-18%
W rape	0.5	n/a	n/a	n/a	0.7	0.6	19%	
S rape	0.5	1.1	1.3	0.9	1.4	1.0	38%	60%
Suns	0.8	2.0	1.9	2.0	1.9	1.7	11%	-5%
Soya	0.2	0.9	1.2	0.9	0.5	0.8	-29%	-37%
SB	n/a	25.6	25.3	24.3	n/a	25.1		
Potato	n/a	n/a	33.2	33.9	31.0	32.7	-5%	-9%
ex sb/pot	**1.2**	**2.0**	**2.3**	**2.6**	**2.8**	**2.2**	**27%**	**6%**
blended	**1.2**	**2.2**	**2.8**	**3.5**	**2.9**	**2.5**	**15%**	**-17%**

Historic Average yield per ha Development

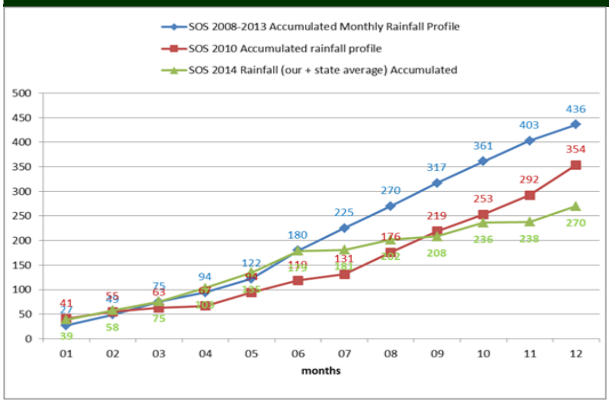


2014 saw a significant improvement in operational performance coming from both yield increases and reduction in costs. Our key metric of blended yield (excl. beet and potatoes) was up 6% y-o-y and 27% vs the 5Y average. Costs per ton were estimated to be down by -16% y-o-y. Over 3 years, blended yield is estimated to be increased by 38% and cost per ton decreased by -37%. Prices were generally lower than 2013 in hard currency terms. The 72% (end of period, y-o-y) devaluation of the Russian ruble however resulted in a USD -16.5mn FX translation loss, without which the company would have been close to net income breakeven.

2014 Performance

Another huge global harvest meant that crop prices remained low through 2014. In Russia, the season started favorably with an early spring and good season rainfall. This helped produce some of the best early season crop yields the company has ever achieved with record yields in winter wheat, barley, spring wheat and spring rape. From late May onwards however, about 70% of our farms had a severe drought and across all our farms the total cumulative rainfall to the year end ranges between 57% and 86% of the seven year averages. This reduced the yield of the late season crops, in particular corn. It also meant that a proportion of autumn sown wheat crops for the 2015 harvest either failed to germinate or went into the winter period stressed and thus more prone to winter kill. On the positive side and in stark contrast to 2013, the dry conditions allowed for an efficient harvest with lower logistics and processing costs. Even with corn constrained by drought, average blended yield (excl. beets and potatoes) was up 6% on the prior year and is now 38% up over the last three years. Yield improvements combined with significant cost reductions arising from specific initiatives, dry harvesting conditions and to some extent the ruble devaluation as a proportion of our costs are ruble denominated. On a cost per hectare basis, management figures indicate reductions in third party contracting, labor, spare parts and fuel. Several factors have contributed to this, including better machinery utilization (for example a 24% increase in hectares per combine meant lower use of external contractors); a 55% reduction in transshipment (handling before final destination) tons and costs; and better control and management around fleet maintenance and engineering. A 16% reduction over 2013 in total cost per ton and 37% reduction over the last three years is significant progress and means we are getting closer to our objective of being a globally competitive cereal and oilseed producer on a cost per ton basis. The dry conditions were excellent for deep soil cultivations and in 2013 we did 47k hectares more than in 2014. Consequently we are in very good shape with regard to spring and general soil conditions. Despite the drought and some irrigation commissioning issues, the scaled up potato enterprise yielded well again.

Cumulative rainfall at Tambov farm



CEO Comment

2014 Sales & Marketing

	2014 Harvest Prices vs 2013 Harvest Prices	2014 Harvest Prices vs Five Year Average Prices
Wheat	80%	100%
Corn	87%	72%
SF	102%	77%
OSR	92%	76%
Soy	82%	76%

The two biggest harvests in global history have inevitably resulted in a depressed price environment and an overhang of replenished stocks internationally. In 2014, Russia also had a big grain and oilseed harvest of 116mn (vs 103mn in 2013) tons. With the exception of sunflowers, prices for all other commodities are between 10 and 20% lower than in 2013 in USD terms. Whilst wheat is 9% above its five year average, corn, sunflowers, oilseed rape and soya are some 25, 20, 22 and 8% lower respectively than their five year averages in the Central Black Earth region in dollar terms. Our hedging activities in futures contracts improved the situation by USD 4.4mn. Ruble volatility reduced domestic forward sales as 'long' positions were possible only in hard currency. In this regard, our export capacity provided a valuable marketing option up until December, when the export levy on wheat and rumors of this extending to other crops made practical execution of export sales challenging due to uncertainty.

It was however encouraging to see the local domestic market keeping relatively close to the international markets in USD terms despite the sharp ruble devaluation in 4Q14. Historically, this has not always been the case and the Russian domestic market appears structurally stronger with increased competition between more large traders, fewer infrastructure problems despite record export tons and steadily increasing demand for feed grains in the Central regions from continually increasing pig and poultry numbers.

Sales Volume & Price per Ton

FY 2014 Results

Despite a challenging operating environment and continued low prices, the Company's operating profit increased from USD -30.6mn in 2013 to USD 6.2mn in 2014. EBITDA stood at USD 20.8mn in 2014 vs USD -11.4mn in 2013. The improvement in operating performance was driven from gross profit, up USD 31.7mn from USD 6.1mn in 2013 to USD 37.8mn in 2014. Total revenue and gains were only down -3% y-o-y to USD 144.4mn despite a -16% reduction in cropped area and sugar beet coming out of the crop mix. The margin expanded on higher ruble prices against accumulated costs, dry harvesting conditions and efforts to control costs. Distribution expenses were down -5% y-o-y to USD 20.3mn on flat export volumes (0% y-o-y) on a weaker ruble. G&A costs were up 5% y-o-y despite the weaker ruble. Cutting overheads in line with our lower cropped area is a key objective in 2015.

Other income and expenses include a USD 6.8mn gain on the sale of our land and real estate in Voronezh, and points to the hidden value in our land bank. In 2014, we again benefitted from our efforts to use market instruments to stabilize our revenues as we posted a USD 4.4mn gain on our hedging activities. The total provision on the potato storage and crop damaged in the fire in 4Q14 is estimated at USD 2.5mn, substantially lower than our initial estimates, as more of the facilities can be restored and more inventory could be sold. Below EBIT, financial expenses were down USD 4.1mn y-o-y as we used proceeds from our asset sale to repurchase USD 26.7mn of our bonds in 2014 and as the SEK depreciated against the USD. The 72% and 42% depreciation of the ruble against the USD and SEK however resulted in a USD 16.5mn FX translation loss, which drove the net loss for 2014 to USD 17.4mn. To manage forex risks and limit the impact of the depreciating ruble, the Company has converted ruble proceeds to hard currency, discontinued ruble forward crop sales and worked to match assets and liabilities.

Operating cash flow before working capital changes increased from USD 7.3mn in 2013 to USD 12.5mn in 2014 but was offset by greater investment in 2015 crop and other working capital. Lower interest payments however supported positive net cash from operating activities (USD 0.9mn in 2014 vs USD -1.2mn in 2013). 2014 capex of USD 19.0mn exceeded the USD 12.8mn spent in 2013 as the Company continued its investment in the root crop project, with a fourfold increase in cropped area. The proceeds from our land sale were employed to repurchase bonds to strengthen our balance sheet, manage currency risk and reduce carry costs. With USD 32.9mn of cash on balance, USD 35.4mn of bonds on balance, and USD 27.3mn net debt at 31 December 2014, our balance sheet remains relatively strong as we enter 2015.

2015 Crop

42k hectares of winter wheat were seeded by the 10th of September. Circa 30% either failed to germinate or germinated after late September rain and some 11% has been written off (4.54k Ha or USD 0.2mn). The remaining crop went into winter less advanced and drought stressed which could make it more prone to winterkill. Moreover, snow cover has not been constant until quite recently. It is hard to accurately judge the outcome of this but a higher percentage of winterkill is expected compared with prior years. Such areas will be seeded with spring crops.

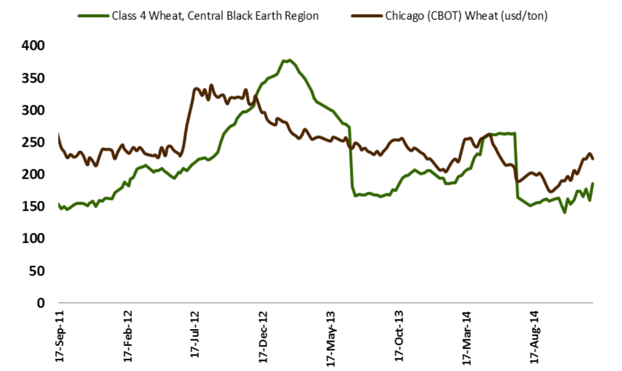
2015 Plans

We are working on the expectation of another challenging year with regard to soft commodity prices. As long as the Russian grain and oil seed prices stay aligned with international markets, the ruble devaluation offers some cost advantages from ruble denominated costs. In addition it looks possible that some hard currency denominated input costs may be lower this year. We remain focused on profitability with a smaller cropped area of more profitable crops, incorporating a higher percentage of rotational fallow. There are as usual a series of initiatives to continue the improvement of crop yields, improve controls and reduce costs and overheads. Despite progress, we believe that there remains considerable scope for improvements in this regard. Whilst there have been no major transactions since the Voronezh divestment in early 2014, we remain active in the land market and continue to execute on our plan to consolidate and improve the productivity of our land bank and infrastructure.

The potato enterprise is expected to increase in area by about 20% in 2015. We view 2015 as a year to consolidate this enterprise, trial additional irrigated crops and put in place all necessary management systems, permissions, planning and subsidy applications in order to facilitate a more rapid expansion in the future.

The sharp depreciation in the Russian ruble has resulted in a decline, in hard currency terms, in the value of our assets, which are carried at historical cost in rubles on our balance sheet. As we believe this meaningfully understates the value of our real assets, we intend to review our approach to treating such land assets in our accounts in 2015. Given the current uncertain geopolitical and investment environment in Russia, we will aim to preserve our cash position and maintain a strong balance sheet in 2015 as a priority.

Price development



Summary & Outlook

2014 was a somewhat eventful year with a drought, a fire at our potato storage, the introduction of an export levy and a 72% RUR/USD devaluation, all set against a background of low commodity prices and very challenging geopolitics. The Russian business environment could possibly remain challenging for some time to come. Despite all these factors, we have managed to deliver a substantial and durable improvement in the operational performance of the business through further improvements in productivity and have started delivering solidly on cost reduction. Looking forward, we hope to be able to capitalize on the improved commercial environment offered by the weaker ruble and continue the improvements on the core business while preparing for future expansion on our irrigated root crop project.

On behalf of the Board - 27 February 2015
Richard Warburton CEO and President

Financial Review

2014 financial results translation

Due to the significant currency volatility in the last 3 months of the year, the Company has applied different rates to convert its functional RUR currency results to its USD presentation currency in 4Q14. The year-end rate was applied to the valuation of inventory, a revenue weighted average to sales and cost of sales, a straight average to other costs and spot rates to significant transactions. While this should provide a more accurate reflection of the underlying results, it is recognized that it also makes translation less transparent and y-o-y comparisons more complex.

Revenue

Revenue from goods sold in 2014 declined -16% y-o-y to USD 113mn as volume sales dropped -22% but average sales prices grew +7% y-o-y. Volume sales were down on a smaller net harvest (-33% y-o-y), only partly offset by a greater crop inventory carry-over from 2013 than carry-out to 2015. The price growth is partly driven by crop mix; wheat and corn represented 22% and 47% of volume sales respectively in 2014, while corn and wheat and beet represented 32% and 30% respectively of volumes in 2013. Price comparisons in USD are complicated due to the application of different currency rates for translation.

In 4Q14, sales revenue was largely flat (-1% y-o-y) at USD 60mn as volume was -16% y-o-y but average prices were +18% in USD. As in the full year, crop mix and forex effects moved prices higher y-o-y, with 49% of volume sales represented by corn in 2014, against 44% sugar beet in 2013. In terms of moisture and quality, which also affect prices y-o-y, the summer drought hurt late crop potential but also reduced moisture levels through harvesting

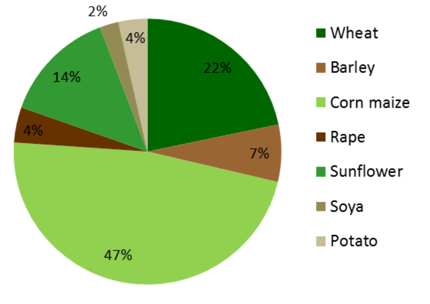
Inventory & Gain/Loss of Revaluation

In 2014, prior year crop were sold close to the 31 December valuation point, with limited impact on net income. By contrast, in 2013 realized prices on 2012 carry-in inventory were down on average -19% from the 31 December 2014 book value, implying a USD 7mn loss. As a result of the sharply depreciating ruble against the backdrop of open export markets, domestic prices rose sharply in 4Q14. With year-end RUR/USD rate applied to the inventory valuation, average USD prices were -17% y-o-y. Contract prices were used to value 68% of the company's 2014 year-end crop. Costs were also lower, allowing the company to post USD 31.6mn total gain on biological assets and inventory at net realizable value. That compares to USD 13.3mn in 2013 and was an important driver of the 2014 net result. 61% of year-end inventories were corn in 2013, which compares to a mix of wheat (23%), corn (28%) and barley (30%) in 2014. All 2014 crop had been harvested by 31 December 2014.

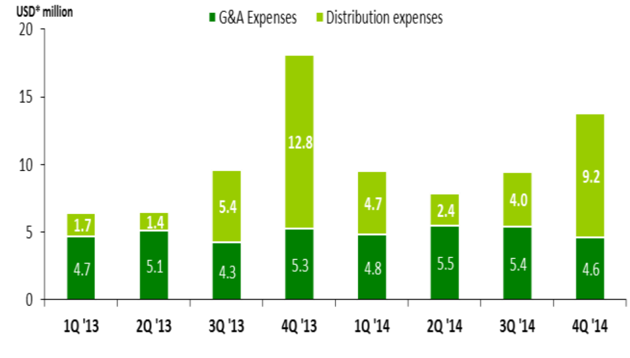
Costs

Cost of goods sold includes the accumulated underlying production costs as well as the mark-to-market of crop in field (biological assets) and crop in storage or transit (inventory). The cost of sales captures of these book values at the prior reporting date. Cost of sales thus reflects the crop mixed sold over the period as well as price fluctuations. As of 2014, the Company splits cost of sales into the underlying costs and the revaluation effect in its accounts. In 2014, the underlying costs of goods sold were -26%, partly driven by forex effects. Distribution expenses were -5% y-o-y USD 20.3mn on flat export volumes (0% y-o-y). The company estimates a positive net-back margin on its export sales, and benefited from the access to hard currency export revenues in 2014. G&A costs were up 5% y-o-y despite the weaker ruble as consulting and labor related expenses grew.

2014 sales mix (by volume)



Quarterly G&A and distribution expenses



Financial Review

BLACK EARTH FARMING LTD.

Summarized Statement of Income				
USD million	**Q4 '14**	**Q4 '13**	**YE '14**	**YE '13**
Crop Volumes Sold	*310.4*	*370.4*	*555.4*	*715.4*
Av. Sales Price	194	164	198	186
Total Revenue & Gains	80,689	67,131	144,417	148,289
Gross Profit	18,069	889	37,811	6,129
EBITDA	6,796	(7,119)	20,766	(11,416)
EBIT	1,275	(15,813)	6,213	(30,551)
Net loss	**(8,451)**	**(18,459)**	**(17,437)**	**(45,862)**

In other income and expenses, the company posted a USD 6.8mn pre-tax gain on the sale of land and real estate in Voronezh, and a USD 4.4mn on its grain hedging program. The total provision on the potato storage and crop damaged in the fire in 4Q14 is estimated at USD 2.5mn, substantially lower than our initial estimates as more of the facilities can be restored and more inventory could be sold. Interest expense was down both as a result of the Company's repurchases of bonds, totaling USD 26.7mn in 2014, in the market and due to the weakening of the SEK against the USD. Total costs per ton declined as a result of higher yields, the weaker ruble, dry harvest conditions as well as initiatives to control costs. The 72% and 42% depreciation of the Company's functional currency against the USD and SEK respectively, resulted in a USD 16.5mn FX translation loss.

Result

Despite a challenging operating environment and continued low prices, the Company's operating profit increased from USD -30.6mn in 2013 to USD 6.2mn in 2014. EBITDA stood at USD 20.8mn in 2014 vs USD -11.4mn in 2013. The improvement in operating performance was driven by gross profit (USD +31.7mn y-o-y) as a weaker ruble supported a stronger margin, and the gain on sale of the Company's land and real estate assets in Voronezh (USD +6.8mn). Gains on futures in the Company's hedging program in 2014 were on par with those in 2013 (USD 4.4mn in 2014 vs USD 4.2mn in 2013). Below EBIT, financial expenses were down USD 4.1mn y-o-y as the Company repurchased USD 26.7mn of its own bonds in 2014 and as the SEK depreciated against the USD. The 72% and 42% depreciation of the Company's functional currency against the USD and SEK respectively, resulted in a USD 16.5mn FX translation loss, which drove the net loss for 2014 USD 17.4mn.

Cash Flow

Despite a stronger gross profit and EBITDA y-o-y, cash flow from operations decreased to USD 10.4mn (-20% y-o-y) as a greater share of the operating result was driven by non-cash gains on biological assets and inventory. Also, in 2013, the Company sold prior year inventory (125.7kt) at a loss vs the year-end 2012 valuation. In 2014, prior year inventory (178.1kt) was sold in line with valuation at no loss, but at lower prices and with less USD cash proceeds than in 2013. The gain (USD 6.8mn) on the sale of the Company's Voronezh assets was not translated into cash as the proceeds were employed to repurchase bonds. Partly as a result of this, net interest payments were lower. Tax payments were however higher off the gain on the sale. At USD 19.0mn, 2014 capex was higher than the USD 12.8mn spent in 2013, as the Company continued to invest in its irrigated root crop project. As mentioned above, the Company employed most of its proceeds from its asset sale to repurchase bonds. In 4Q14, The Company repurchased another USD 5.2mn of bonds, bringing the total 2014 repurchases to USD 26.7mn.

Financial position

The Company's fixed assets of USD 95.1mn comprise of buildings (mainly storage facilities), land (232 thousand hectares of owned and co-owned land as well as 10 thousand hectares in ownership registration process), and equipment used in crop production. Inventories include both crops harvested 2014 at USD 23.5mn (USD 35.6mn) and inputs to be used for 2015 crops of USD 13.0mn (USD 17.6mn). Biological assets of USD 6.1mn (USD 7.5mn) mostly consists of winter crops to be harvested in 2015.

As of 31 December 2014, the Company had total debt outstanding of USD 60.2mn (SEK 474mn). Its total debt to total equity covenant stood at 49%. It held USD 35.4mn (SEK 276mn) of its bonds on its own balance. With USD 32.9mn of cash on balance and USD 27.3mn net debt at 31 December 2014, the Company's balance sheet remains relatively strong. Liquidity conditions in Russia remain tight, as the ruble has devalued and the Central Bank of Russia has raised its key rate to control inflation and support the currency.

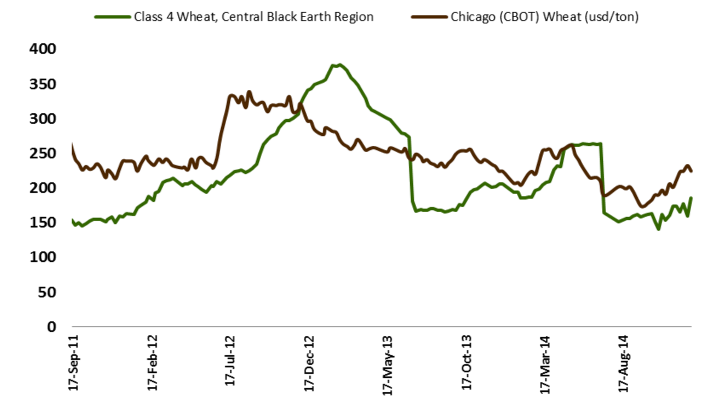
The 72% depreciation of the Russian ruble over 2014 has had a significant adverse effect on the Company's balance sheet in USD terms. While the land and real estate assets sold in Voronezh in 2Q14 made up around 4% of total assets, most of the 44% decline in total assets was driven by the decline in the value of the Company's functional currency. As the Company believes that this nominal devaluation of the balance sheet potentially understates the underlying value of its real assets, the Company intends to review its approach to treating its land assets with a possible move to fair value in our accounts in the 2015 accounting year.

Statement of Financial Position				
	RUR million		*USD million*	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
Land	*1,640.5*	*1,634.1*	*29.2*	*54.7*
Buildings	*1,891.1*	*1,838.6*	*33.6*	*66.0*
Equipment & other	*1,820.9*	*1,743.8*	*32.4*	*56.0*
Investment property	157.1	140.9	2.8	4.3
Other	86.6	684.6	1.5	3.6
Total Non-current assets	5,596.2	6,041.9	99.5	184.6
Cash	1,850.2	2,124.9	32.9	64.9
Inventories	1,876.4	1,836.0	33.4	56.1
Bio assets & cultivation	728.7	577.3	13.0	17.6
Receivables	877.9	728.5	15.6	22.3
Total Current Assets	5,333.2	5,266.7	94.8	160.9
Total Assets	**10,929.4**	**11,308.6**	**194.3**	**345.5**
Total Debt	(3,386.7)	(3,253.7)	(60.2)	(99.4)
Total Liabilities	(569.5)	(568.4)	(10.1)	(17.4)
Equity	(6,973.2)	(7,486.5)	(124.0)	(228.7)
Total Equity & Liabilities	**(10,929.4)**	**(11,308.6)**	**(194.3)**	**(345.5)**

International

Grains: The latest USDA WASDE World Supply & Demand Report highlights substantially higher production in 2014-15 (vs 2013-14) compared to the previous year as the generally excellent growing and harvesting conditions result in above trend yields. As a result, production of most of the main crops is up (in million tons): wheat 725 (716), corn 991 (989) and coarse grains, excluding corn, 298 (285) totaling 2,014 (1,990). Wheat production increases are most pronounced in the EU, China, Russia and Ukraine. Corn is up in the US, EU and China. Demand has increased, but not in pace with the growing supply, resulting in higher stock-to-use ratios, with wheat at 28% (26%) and corn at 19% (18%) despite bigger corn use for feed and US ethanol production. World prices have declined as crop production forecast have been adjusted higher and as higher carry out stocks, especially for corn, could pressure prices further. This effect could also carry over to crop 2015-16 if the prospects for a strong harvest remain optimistic. The spring planting and growing season has however yet to get underway and there are concerns of higher than normal winter losses in Russia and in several US wheat regions, which could support prices until any potential damage can be fully assessed in the spring. Similarly, US planting intentions for crop 2015-16 were estimated by the USDA to be lower overall with no swing from corn to soya, contrary to previous expectations, as relative prices remain low. There are some initial reports suggesting reduced corn planting intentions in Ukraine and Russia.

International vs. Russian Domestic Wheat Price



Source: IKAR, CBOT

Oilseeds: 2014-15 supply increased to 532 (504) million tons, which represents a strong recovery from the very tight supply and demand balance from the previous crop year. Soya production was up 32 million tons to 315 (283) mn tons while other oilseed crops declined slightly. The main increases in soya production were in the US and South America, with record production levels. High prices initially carried forward from the previous season with prices falling only when harvest was well underway. Strong demand growth however supported prices in 2H14 and only in early 2015 did the price pressure from high stocks work through. Stock-to-use ratio for soya is elevated at 31% (25%), as for oilseeds overall at 24% (17%).

Russia

Grains: Total 2014-15 grain production was up 13% to 103mn tons on increased planted area, very low winter losses, good growing conditions and dry harvesting conditions. The 2014-15 harvest is only exceeded by 2008-09 in the post-Soviet period. Among the main crops, wheat production stood at 59.4mn, barley at 19.6mn and corn at 10.2mn. Exports were forecasted at 32mn tons. Early and dry harvest allowed exports to start sooner than usual. As a result, exports exceeded previous record volumes for three consecutive months. Wheat notably benefited from strong demand from traditional Russian wheat buyers, such as Egypt and Turkey. The crisis in Ukraine, sanctions and the resulting steep ruble devaluation saw domestic prices increase 60% from harvest to December. But average dollar prices fell 12% over the same period. Domestic feed grain demand continued to increase, as the drive for meat self-sufficiency accelerated in response to food import bans. With inflation growing towards 20%, informal impediments to exports emerged in the fall. Later, an official export levy on wheat, at a minimum USD 40 a ton, was introduced and effective as of the 1 February 2015, with the objective to keep domestic grain prices low. Prices have since stabilized but not fallen. As continued ruble weakness supports domestic prices, it is possible that further export and domestic market controls could be introduced. Total 2015-16 exports are forecasted to be 28mn tons, down 13% from 32mn tons.

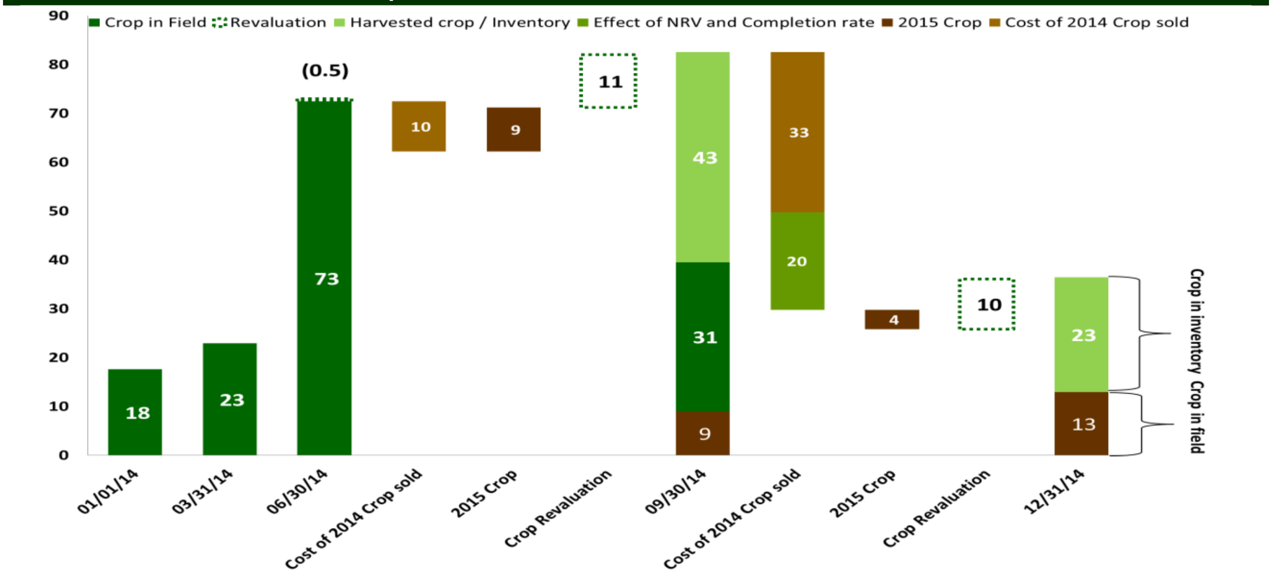
Oilseeds: Production of the main oilseed crop in Russia, sunflowers, failed to reach the forecasted production level but still saw a record crop in excess of 10mn tons. Increased crushing capacity and oil demand, both domestic and international, supported local prices. Local ruble prices grew 60-70% since harvest but were largely unchanged in USD.

Biological Assets and land cultivation works

Biological assets are recorded in the statement of financial position at 31 December 2014 at incurred cost. 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.), if little biological transformation occurred, or an estimate of revenue (harvest volume and price per crop) less production costs and 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.

Starting from 31 December 2014, the company reclassified land cultivation works done for the 2015 harvest from biological assets to land cultivation works. The biological assets are now represented only by winter wheat crop in field.

Crop Value in Statement of Financial Position 2014



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 to enable estimates of crop yields and market prices less point-of-sale costs and to determine an estimate of fair value at the time of harvest. The initial revenue estimate is adjusted with a completion factor, typically in the range of 50-80% as of June 30, depending on crop and incurred vs forecasted expenses, as significant risk to crop yield and price remains. After harvest, the crops are transferred to finished goods inventory, where they are recorded at net realisable value determined by market prices or, where available, contracted prices.

The revaluation of biological assets (crop harvested in 2014) generated a gain of USD 22.7mn in 2014 vs. USD 13.1mn in 2013. The average comparable crop yield ex. sugar beet and potato increased 6% year-on-year for the 2014 harvest and costs per ton were lower in USD resulting in a higher gain on the 2014 crop despite lower USD prices (as converted at the FX rate of the balance sheet date). As of 31 December 2014, biological assets included costs incurred for seeding 2015 winter wheat up until 31 December of USD 6.1mn, compared to USD 7.5mn 2013. Land cultivation works for the 2015 harvest amounted to USD 6.9mn in 2014 compared to USD 10.2mn in 2013. 2014 harvested crop carried into 2015 of 144.0k tons was valued at USD 23.5mn, vs 190.3k tons valued at USD 35.6mn in 2013. This inventory value becomes cost of goods sold when realized in subsequent periods.

Sales Development & Crop Inventory

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 statement of comprehensive income. 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 2014 as well as the development of crop sales during 2014. Note that all recorded prices exclude 10% VAT.

2014 Quarterly Sales Volume & Crop Inventory

	Quarterly Sales				Crop in Inventory	
	4Q '14	3Q '14	2Q '14	1Q '14	31 Dec '14	31 Dec '13
Volume, *k tons*						
Wheat	60.2	41.1	0.8	17.2	33.7	20.6
Barley	13.4	0	12.8	12	43.1	27.8
Corn	149.6	0.6	24.9	85.4	40.3	116.9
Rape	6.2	15.3	0	2.1	4.8	2.0
Sunflower	56.6	0.5	10	8.8	13.8	18.9
Soya	9.7	0	0	2.8	0.1	3.0
Potato	12.2	6.1	0	1	8.2	0
Other	2.5	3.3	0.1	0.1	0	1.4
Total Tons	310.4	**66.9**	**48.6**	**129.4**	**144.0**	**190.3**
Price, *USD/ton*						
Wheat	193	167	241	184	163	201
Barley	158	131	186	196	134	207
Corn	151	128	200	170	135	161
Rape	516	320	0	382	301	426
Sunflower	265	297	310	303	299	339
Soya	320	0	0	417	335	433
Potato	135	220	0	237	143	275
Other	345	298	23.5	67	0	0
Average Price	**194**	**214**	**219**	**193**	**163**	**198**

As of 31 December 2014, the Company recorded inventories at a total value of USD 33.4mn. Total inventories include finished goods, i.e. crops harvested in 2014 held for sale, as well as raw materials to be used in production. Total crop inventory of finished goods included 144 thousand tons of crops harvested during 2014 and valued at an average price of USD 163 per ton resulting in total fair value estimate of USD 23.5mn. By comparison, in 2013, total crop inventory of finished goods included 190 thousand tons of crops harvested during 2013 and valued at an average price of USD 198 per ton resulting in total fair value estimate of USD 35.6mn. The change in balance sheet date exchange rate had a significant impact on the valuation of the Company's inventory.

Production Overview

BLACK EARTH FARMING LTD.

Crop Area Breakdown

(hectares)	2009	2010	2011	2012	2013	2014
Winter wheat	84,698	72,677	93,627	73,912	73,702	30,235
Spring wheat	3,824	10,157	13,093	4,368	3,412	6,140
Spring barley	43,053	13,793	26,535	22,718	21,850	16,076
Corn maize	8,084	8,592	6,149	26,003	36,814	55,317
Winter triticale	2,740	302	n/a	n/a	n/a	n/a
Total Grains	**142,399**	**105,521**	**139,404**	**127,001**	**135,778**	**107,768**
Winter rape	7,045	536	n/a	n/a	n/a	111
Spring rape	7,132	29,051	33,494	36,597	31,436	18,083
Sunflower	26,466	36,761	46,518	*33,218*	*28,997*	37,479
Soya	n/a	7,899	7,863	18,187	18,682	16,932
Total Oilseeds	**40,643**	**74,247**	**87,875**	**88,002**	**79,115**	**72,605**
Sugar Beet	n/a	n/a	1,621	5,085	8,822	n/a
Potatoes	n/a	n/a	n/a	31	196	884
Total Commercial Area	**183,042**	**179,768**	**228,900**	**220,119**	**223,911**	**181,257**
Other / Forage crops	*381*	*1,013*	*1,951*	*1,675*	*1,992*	*2,934*
Total harvest area	**183,423**	**180,781**	**230,851**	**221,794**	**225,903**	**184,191**

Average Net Crop Yields

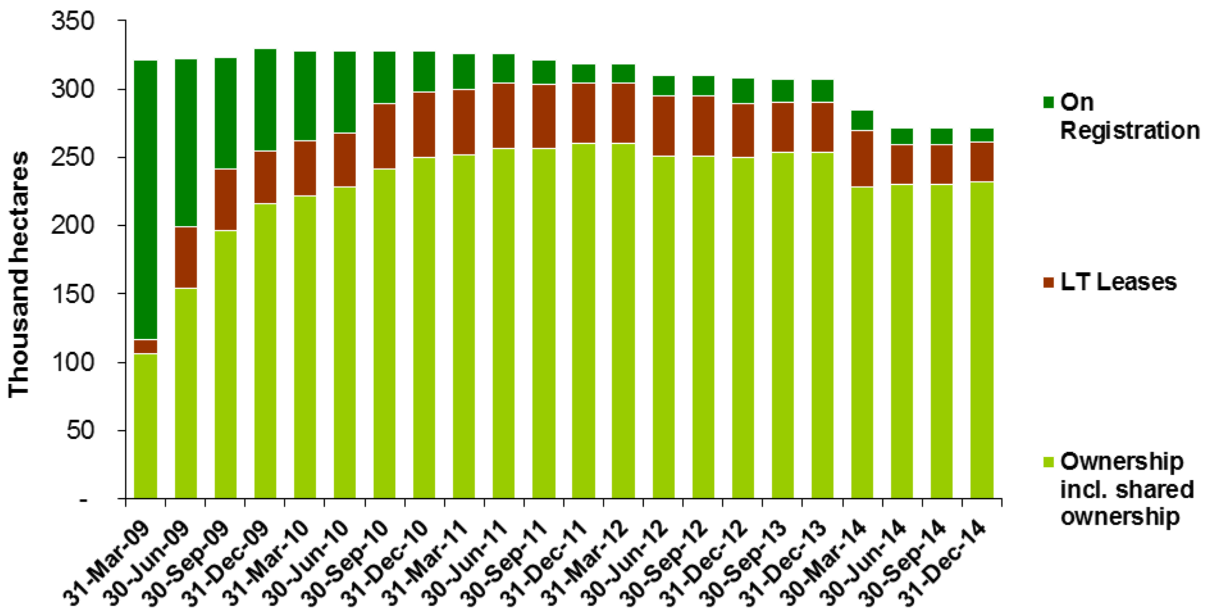
(tons/hectare)	2009	2010	2011	2012	2013	2014
Winter wheat	3.3	1.9	2.4	2.1	3.3	4.0
Spring wheat	2.1	1.4	1.6	2.6	1.9	3.6
Spring barley	2.8	1.4	1.9	2.4	2.6	3.6
Corn maize	3.1	0.7	4.9	5.1	4.3	3.5
Winter triticale	n/a	0.8	n/a	n/a	n/a	n/a
Winter rape	1.4	0.5	n/a	n/a	n/a	0.7
Spring rape	1.2	0.6	1.1	1.3	0.9	1.4
Sunflower	1.7	0.8	2.0	1.9	2.0	1.9
Soya	n/a	0.3	0.9	1.2	0.9	0.5
Sugar beet	n/a	n/a	25.6	25.3	24.3	n/a
Potatoes	n/a	n/a	n/a	33.2	33.9	31.0

Net Harvest Volumes

(tons)	2009	2010	2011	2012	2013	2014
Winter wheat	280,648	137,703	220,608	157,571	243,217	121,185
Spring wheat	7,863	13,791	21,187	11,495	6,585	22,379
Spring barley	122,375	19,595	49,166	55,074	56,592	57,492
Corn	25,251	5,152	29,989	132,829	158,986	195,747
Winter triticale	5,930	211	n/a	n/a	n/a	n/a
Total Cereal Grains	**442,067**	**176,452**	**320,950**	**356,969**	**465,380**	**396,803**
Winter rape	10,014	246	n/a	n/a	n/a	75
Spring rape	8,470	15,497	36,887	46,052	28,292	26,064
Sunflower	45,580	28,904	92,805	62,759	57,994	70,927
Soya	n/a	1,818	7,114	22,364	16,006	9,098
Total Oilseeds	**64,064**	**46,465**	**136,806**	**131,175**	**102,292**	**106,164**
Sugar beet	n/a	n/a	41,531	128,405	214,720	n/a
Potatoes	n/a	n/a	n/a	1,029	6,644	27,404
Total Commercial Crops	**506,131**	**222,917**	**499,287**	**617,578**	**789,036**	**530,371**
Other/Forage crops	*3,381*	*3,686*	*14,597*	*13,213*	*13,243*	*19,575*
Total Output	**509,512**	**226,603**	**513,884**	**630,791**	**802,279**	**549,946**

As of 31 December 2014, Black Earth Farming held 232k Ha of owned and co-owned land, corresponding to 86% of the total controlled land bank of 271k hectares. 29k Ha were leased and 10k hectares were in the process of full registration. 13 thousand hectares in Samara, where operations have ceased, is leased to third parties and held at a fair value of USD 2.8mn classified as investment property in the balance sheet. Consolidation and further improvement of the operational efficiencies in and around the most efficient and profitable farm clusters remains the Company's key target in terms of its land holdings.

232 Thousand Hectares in Ownership (86% of total controlled land)



Russian agricultural land is in the Company's view still undervalued, both in comparison with land of similar quality in other countries and in relation to its inherent production potential, especially in the fertile Black Earth Region. Black Earth Farming holds the 242 thousand hectares of land that is not leased at acquisition cost, as recorded in the statement of financial position at a value of USD 29.2mn as of 31 December 2014, which translates into a per hectare value of USD 121.

The sharp depreciation in the Russian ruble has resulted in a decline, in hard currency terms, in the value of the Company's assets, which are carried at historical cost in rubles (the Company's functional currency) on its balance sheet. As the Company believes that this nominal devaluation of the balance sheet potentially understates the underlying value of its real assets, the Company intends to review its approach to treating its land assets with a possible move to fair value in the 2015 accounting year.

The Black Earth Farming Share

BLACK EARTH FARMING LTD.

Risks and Uncertainties

Risks and uncertainties are described in the annual report for 2013. The risks can be summarised as Risks relating to the Company, Risks relating to the Company's business and Risks relating to Russia. Risks and uncertainty factors that existed on 31 December 2013 also exist on 31 December 2014. In light of the recent events in Eastern Ukraine, risks in the Company's business environment may have intensified.

Outstanding shares

As of 31 December 2014 the amount of outstanding shares was 207,669,445. The Company also has outstanding share-based incentive programs described in note 26 (d) in the 2013 Annual Report. The market capitalisation as of 31 December 2014 was approximately SEK 608 million or USD 78 million.

Shareholders

The total number of shareholders, as of 31 December 2014, amounted to approximately 14,328.

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

Twelve months share data

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
11,086,459	431,266	182

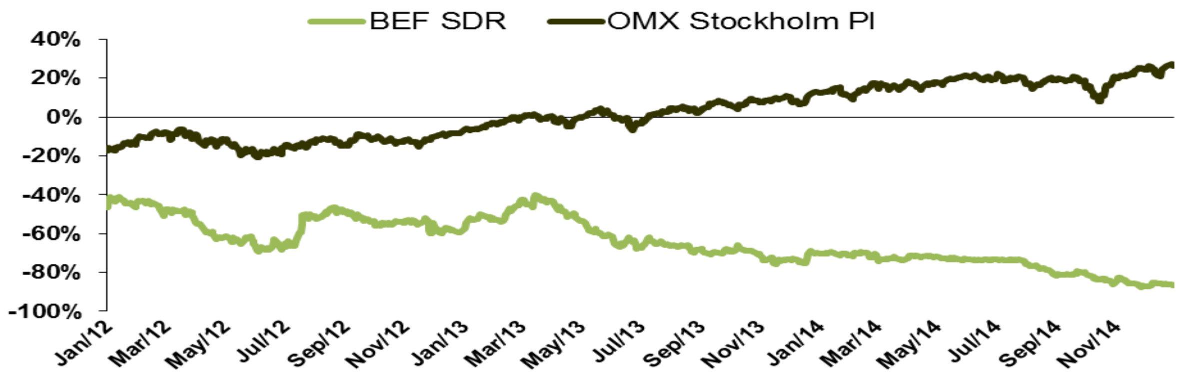
Source: NASDAQ OMX

Top 5 shareholders as of 31 Dec 2014

Owner	% of votes & capital
AB INVESTMENT KINNEVIK	24.95%
GOMOBILE NU AB	11.56%
ALECTA PENSION FUNDS	9.81%
AVANZA PENSION	4.23%
DANSKE INVEST FUNDS	3.64%

Source: Euroclear Sweden share registry & shareholders' reference

Share Performance vs. OMX Stockholm index



Black Earth Farming SDR

Price SEK/SDR 31 Dec 2014	Change 1 Month	Change 3 Months	52 Week High
2.93	2.45%	-33.11%	6.9
	Change 6 Months	Change 1 Year	52 Week Low
	-49.04%	-55.27%	2.65

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

In thousands of US Dollars

		Year ended		Three months ended	
	Notes	**31-Dec-14**	**31-Dec-13**	**31-Dec-14**	**31-Dec-13**
Revenue	3	112,776	134,981	60,371	61,196
Gain on revaluation of biological assets	4	22,624	13,126	11,891	4,187
Change in net realisable value of agricultural produce after harvest		9,017	182	8,427	1,748
Total revenue and gains	5	**144,417**	**148,289**	**80,689**	**67,131**
Cost of sales	6	(81,584)	(110,781)	(43,045)	(60,459)
Effect of revaluations (revaluation of biological assets to agricultural produce and change in net realizable value of agricultural produce after harvest)		(25,022)	(31,379)	(19,575)	(5,783)
Gross profit		**37,811**	**6,129**	**18,069**	**889**
Distribution expenses		(20,270)	(21,242)	(9,200)	(12,792)
General and administrative expenses		(20,353)	(19,350)	(4,613)	(5,297)
Taxes other than income		(1,339)	(1,752)	(305)	(167)
State grants and subsidies		2,376	3,591	315	1,430
Crop insurance net of insurance grants		(865)	(1,434)	(541)	(396)
Other income and expenses, net	7	8,853	3,506	(2,451)	520
Operating profit/(loss)		**6,213**	**(30,552)**	**1,274**	**(15,813)**
Financial income		1,662	1,617	470	260
Financial expenses		(7,792)	(11,921)	(1,348)	(3,588)
Foreign exchange (loss)/income		(16,452)	(3,922)	(9,177)	1,011
Loss before income tax		**(16,369)**	**(44,778)**	**(8,781)**	**(18,130)**
Income tax (expense)/ benefit		(1,068)	(1,084)	330	(329)
Loss for the period		**(17,437)**	**(45,862)**	**(8,451)**	**(18,459)**
Loss per share, basic and diluted, in USD	11	(0.08)	(0.22)	(0.04)	(0.09)

The condensed consolidated statement of income is to be read in conjunction with the notes to and forming part of the condensed consolidated financial statements set out on pages 19 to 27.

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

In thousands of US Dollars

		Year ended		Three months ended	
	Notes	**31-Dec-14**	**31-Dec-13**	**31-Dec-14**	**31-Dec-13**
Loss for the period		**(17,437)**	**(45,862)**	**(8,451)**	**(18,459)**
Other comprehensive loss					
Translation difference		(86,668)	(5,872)	(49,926)	7,488
Other comprehensive loss for the period		**(86,668)**	**(5,872)**	**(49,926)**	**7,488**
Total comprehensive loss for the period attributable to owners of the parent		**(104,105)**	**(51,734)**	**(58,377)**	**(10,971)**

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the condensed consolidated financial statements set out on pages 19 to 27.

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

In thousands of US Dollars

	Notes	31-Dec-14	31-Dec-13
ASSETS			
Non-current assets			
Property, plant and equipment		95,141	176,744
Intangible assets		24	309
Biological assets (livestock)	4	431	674
Other non-current assets		670	2,378
Deferred tax assets		415	195
Investment property		2,792	4,305
Total non-current assets		**99,473**	**184,605**
Current assets			
Inventories		33,354	56,096
Biological assets (crop production)	4	6,066	7,468
Land cultivation works	4	6,887	10,169
Trade and other receivables	8	15,604	22,259
Cash and cash equivalents		32,888	64,925
Total current assets		**94,799**	**160,917**
Total assets		**194,272**	**345,522**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		2,077	2,077
Share premium		524,771	524,771
Reserves		4,868	6,103
Accumulated deficit		(232,853)	(215,962)
Translation reserve		(174,914)	(88,246)
Total equity		**123,949**	**228,743**
LIABILITIES			
Non-current liabilities			
Non-current loans and borrowings	9	58,819	97,359
Non-current finance lease liabilities	9	461	-
Deferred tax liabilities		372	737
Total non-current liabilities		**59,652**	**98,096**
Current liabilities			
Current loans and borrowings	9	1,380	2,053
Trade and other payables		9,021	15,940
Current finance lease liabilities	9	270	-
Other financial liabilities		-	690
Total current liabilities		**10,671**	**18,683**
Total liabilities		**70,323**	**116,779**
Total equity and liabilities		**194,272**	**345,522**

The condensed consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the condensed consolidated financial statements set out on pages 19 to 27.

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

In thousands of US Dollars

	Share capital	Share premium	Reserves	Accumu-lated deficit	Trans-lation reserve	Total equity attributable to owners of the parent
Balance as at 1 January 2013	**2,077**	**524,771**	**6,784**	**(171,705)**	**(82,374)**	**279,553**
Loss for the period	-	-	-	(45,862)	-	(45,862)
Other comprehensive loss						
Translation differences	-	-	(483)	-	(5,872)	(6,355)
Total comprehensive loss	**-**	**-**	**(483)**	**(45,862)**	**(5,872)**	**(52,217)**
Reclassification from reserves to accumulated deficit	-	-	(1,605)	1,605	-	-
Recognition of share-based payments	-	-	1,407	-	-	1,407
Balance as at 31 December 2013	**2,077**	**524,771**	**6,103**	**(215,962)**	**(88,246)**	**228,743**
Balance as at 1 January 2014	**2,077**	**524,771**	**6,103**	**(215,962)**	**(88,246)**	**228,743**
Loss for the period	-	-	-	(17,437)	-	(17,437)
Other comprehensive loss						
Translation differences	-	-	(3,405)	-	(86,668)	(90,073)
Total comprehensive loss	**-**	**-**	**(3,405)**	**(17,437)**	**(86,668)**	**(107,510)**
Reclassification from reserves to accumulated deficit	-	-	(546)	546	-	-
Recognition of share-based payments	-	-	2,716	-	-	2,716
Balance as at 31 December 2014	**2,077**	**524,771**	**4,868**	**(232,853)**	**(174,914)**	**123,949**

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the condensed consolidated financial statements set out on pages 19 to 27.

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

In thousands of US Dollars

	Year ended 31-Dec-14	Year ended 31-Dec-13
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(17,437)	(45,862)
Adjustments for:		
Income tax expense	1,068	1,084
Depreciation and amortisation	14,553	18,779
Change in allowance for doubtful debts	1,460	50
Foreign exchange loss	16,452	3,922
Interest income	(871)	(1,617)
Interest expense	8,329	11,921
Gain on disposal of property, plant and equipment	(6,237)	(440)
Loss on revaluation of investment property	(419)	(55)
Share based payments	419	1,407
Loss on disposal of subsidiary	262	-
Loss on fire in the warehouse	1,537	-
Change in value of biological assets and agricultural produce	(31,641)	(13,308)
Effect of revaluations on cost of goods sold	25,022	31,379
	12,497	**7,260**
Movements in working capital:		
Decrease/(increase) in inventories	8,371	(5,697)
(Increase)/decrease in biological assets	(4,095)	13,543
Increase in trade and other receivables	(6,364)	(1,572)
Increase/(decrease) in trade payables and other short-term liabilities	(33)	(585)
Cash generated from operations	**10,376**	**12,949**
Interest paid	(7,907)	(13,967)
Income tax paid	(1,600)	(213)
Net cash generated from/(used in) operating activities	**869**	**(1,231)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	912	1,617
Acquisition of land plots	(591)	(72)
Acquisition of property, plant and equipment	(18,402)	(12,390)
Proceeds from disposal of property, plant and equipment	20,683	710
Acquisition of intangible assets	(54)	(312)
Proceeds from disposal of subsidiary net of cash disposed of	2,763	-
Net cash generated from/(used in) investing activities	**5,311**	**(10,447)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of bonds	-	60,348
Repurchase of bonds	(26,656)	(68,797)
Settlement of obligations under finance lease agreements	(608)	-
Net cash used in financing activities	**(27,264)**	**(8,449)**
Net decrease in cash and cash equivalents	**(21,084)**	**(20,127)**
Cash and cash equivalents at the beginning of the period	64,925	86,885
Currency translation differences on cash and cash equivalents	12,734	4,019
Effect of foreign currency exchange differences	(23,687)	(5,852)
Cash and cash equivalents at the end of the period	**32,888**	**64,925**

The condensed consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the condensed consolidated financial statements set out on pages 19 to 27.

1. Background

Organization 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, Guernsey (Channel Islands) and the Russian Federation. Hereinafter the Company and its subsidiaries are together referred to as the "Group".

The Company's registered office is Nautilus House, La Cour des Casernes, St. Helier JE1 3NH, Channel Islands.

The Group's activities include farming, production of crops and dairy produce and the distribution of related products in the Russian Federation and exporting to other countries. The Group commenced operations in 2005.

The Company's shares are listed in the form of Swedish Depository Receipts ("SDR") on the Mid Cap segment on NASDAQ OMX Stockholm.

Russian business environment

The Russian Federation's economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that in practice is not freely convertible in most countries outside the Russian Federation, and relatively high inflation. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

Because the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

During 2014, the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result, during 2014:

- the Central Bank of the Russian Federation (CBRF) exchange rate fluctuated between RUR 32.6587 and RUR 67.7851 per USD;
- the CBRF key interest rate increased from 5.5% to 17.0% p.a. including an overnight increase from 10.5% to 17% p.a. on 17 December 2014;
- the RTS stock exchange index declined from 1 443 on 1 January 2014 to 791 on 31 December 2014;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterized by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

- the CBRF exchange rate fluctuated between RUR 56.2376 per USD and RUR 69.6640 per USD;

- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, while Standard & Poor's downgraded it to BB+ and Moody's Investors Service downgraded it to Ba1, putting it below investment grade for the first time in a decade. Fitch Rating still has Russia as investment grade. However, all rating agencies indicated a negative outlook, meaning further downgrades are possible;

- the RTS stock exchange index increased from 791 to 910 on 20 February 2015;

- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased interest and exchange rates;

- the CBRF key refinancing interest rate decreased from 17.0% p.a. to 15% p.a.; and

- starting from 1 February 2015, a customs duty has been introduced on wheat export of 15% plus EUR 7.5 but no less than EUR 35 per ton.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business.

Seasonality

Agricultural sector exhibits obvious seasonal behavior. During the period from December to March, the organic growth of the crops is minimal. Due to this seasonality no major inputs are made in the production.

2. Basis of preparation

Statement of compliance

The condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRSs") as endorsed by the European Union and following the principles of International Accounting Standard (IAS) 34 Interim Financial Reporting.

Significant accounting policies

The condensed consolidated financial statements are prepared on the historical cost basis, except for biological assets measured at fair value less estimated point-of-sale costs, investment property and financial instruments measured at fair value, and agricultural produce measured at net realizable value.

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 2013, except for the change in the presentation currency described below.

Functional and presentation currency

The functional currency of the Group entities is considered to be the Russian ruble ("RUR"), the currency of the primary economic environment in which the Group operates.

Starting from 1 January 2014 the presentation currency was changed from Russian ruble to US Dollar ("USD"). All the financial information in these condensed consolidated financial statements, including comparative information, has been translated from RUR into USD using the exchange rates set by the Central Bank of the Russian Federation, as follows:

- Assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;

- Share capital and other equity components, except for reserves translated at the closing rate at the date of the balance sheet, are translated at historic rates;

- Income and expenses are translated at exchange rates at the dates of the transactions (or at average exchange rates that approximate the translation using the actual transaction date rates);

- All resulting exchange differences are recognized as a separate component of equity.

The period-end exchange rates and the average exchange rates for the respective reporting periods are indicated below.

	2014	**2013**
RUR/USD for the year ended 31 December	38.6025	31.9112
RUR/USD as at 31 December	56.2584	32.7292
RUR/SEK for the year ended 31 December	7.2021	4.8979
RUR/SEK as at 31 December	5.5950	5.0145

3. 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-climatic 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 the Tambov segment, as the entity's result is not material as a single operating segment.

The Elevator segment consists of two legal entities: LLC Agroterminal (with a working elevator containing 60 thousand tons of capacity) and LLC Agro-Invest Nedvizhimost (with new working elevators containing 105 thousand tons of capacity). The elevators are mainly used for storing internally produced crops with small portion of external sales.

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 within corporate assets and central administrative costs, respectively.

3 Segment information (continued)

Starting from May 2014 the Group changed the composition and the presentation of its operating and reportable segments. As a result of a change in the Group's internal reporting, the Group considered the management company registered in Moscow did not qualify for an operating segment. Comparative financial information has been retrospectively adjusted to conform to the presentation of current period amounts.

Segment revenues and results

In thousands of US Dollars	**Year ended 31 December 2014**			
	Revenue from external sales	**Inter-segment revenue**	**Depreciation and amortization**	**Net result**
Agricultural companies				
– Voronezh region	16,831	3,243	2,369	(741)
– Kursk region	35,125	1,872	3,516	9,173
– Lipetsk region	37,124	1,610	3,218	4,403
– Tambov region	23,337	837	2,673	851
Elevators	359	5,233	2,501	(1,185)
Total	**112,776**	**12,795**	**14,277**	**12,501**
Central administrative costs and director's salaries				(15,141)
Other income and expenses				8,853
Financial expenses, net				(22,582)
Loss before income tax				**(16,369)**

In thousands of US Dollars	**Year ended 31 December 2013**			
	Revenue from external sales	**Inter-segment revenue**	**Depreciation and amortization**	**Net result**
Agricultural companies				
– Voronezh region	27,981	3,350	3,492	(5,988)
– Kursk region	43,292	1,265	3,945	(2,786)
– Lipetsk region	42,792	1,164	4,166	(2,279)
– Tambov region	20,850	2,119	3,416	(7,819)
Elevators	66	9,621	3,623	38
Total	**134,981**	**17,519**	**18,642**	**(18,834)**
Central administrative costs, including directors' salaries				(15,224)
Other income and expenses				3,506
Financial expenses, net				(14,226)
Loss before income tax				**(44,778)**

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

Segment assets

In thousands of US Dollars	**31-Dec-14**	**31-Dec-13**
Agricultural companies		
– Voronezh region	19,380	52,146
– Kursk region	43,042	68,505
– Lipetsk region	45,238	71,697
– Tambov region	27,723	48,577
Elevators	22,857	47,065
Total segment assets	**158,240**	**287,990**
Corporate assets	36,032	57,532
Consolidated total assets	**194,272**	**345,522**

3 Segment information (continued)

Revenues from major products

In thousands of US Dollars	12 m. 2014	12 m. 2013
Corn	42,215	16,523
Wheat	21,871	45,006
Sunflowers	20,914	30,266
Spring rape seed	8,898	11,595
Barley	6,840	9,369
Soya	4,278	7,246
Potatoes	3,212	1,245
Sugar-beet	-	10,529
Peas	1,627	839
Other and Waste grains	228	210
Milk and meat	974	1,466
Other goods and services	1,719	687
	112,776	**134,981**

Geographical information

All of the Group's non-current assets are located and all operating activities are performed in the Russian Federation. The Group has the head office in Jersey, Channel Islands; however the head office does not own any non-current assets, generates only financial income and expenses and incurs administration costs and director salaries expenses.

4. Valuation of biological assets

In thousands of US Dollars	Crop production (current)	Livestock (non-current)	Total
Balance at 1 January 2013	33,126	862	33,988
Increase due to incurred expenses	88,722	427	89,149
Decrease due to sales	-	(594)	(594)
Change in fair value less estimated point-of-sale costs	13,187	36	13,223
Harvested crops transferred to inventories	(125,955)	-	(125,955)
Effect of foreign currency exchange differences	(1,950)	(57)	(2,007)
Balance at 31 December 2013	**7,130**	**674**	**7,804**
Balance at 1 January 2014	7,130	674	7,804
Increase due to incurred expenses	67,778	241	68,019
Decrease due to sales	-	(144)	(144)
Change in fair value less estimated point-of-sale costs	22,673	(49)	22,624
Harvested crops transferred to inventories	(88,327)	-	(88,327)
Effect of foreign currency exchange differences	(3,188)	(291)	(3,479)
Balance at 31 December 2014	**6,066**	**431**	**6,497**

In accordance with IAS 41 "Agriculture" biological assets related to agricultural activity are measured at fair value less estimated point-of-sale costs, with any changes in fair value recognized in profit or loss. The fair value is determined based on a methodology that applies quoted or other relevant prices to estimated yields for the respective grain and oilseeds production in the Company's crop portfolio.

Starting from 31 December 2014 the Group reclassified land cultivation works done for the 2015 harvest from biological assets, which are now represented only by winter wheat crop in field. Land cultivation works at 31 December 2014 amount to USD 6,887 thousand (31 December 2013: USD 10,169 thousand). Comparative balance sheet as at 31 December 2013 was adjusted accordingly.

5. Revenue and gains

In thousands of US Dollars	**12 m. 2014**	**12 m. 2013**
Revenue from sales of crop production	110,083	132,828
Revenue from sales of milk and meat	974	1,466
Revenue from sales of other goods and services	1,719	687
Gain on revaluation of biological assets	22,624	13,126
Change in net realizable value of agricultural produce after harvest	9,017	182
	144,417	**148,289**

6. Cost of sales

In thousands of US Dollars	**12 m. 2014**	**12 m. 2013**
Materials	54,442	72,057
Depreciation and amortization charge	11,836	15,584
Salary and social taxes	7,903	10,460
Third party crop handling services	3,131	6,485
Loss of crops	317	1,455
Rent	845	1,168
Taxes	999	1,221
Repair expenses	713	1,001
Other expenses	1,398	1,350
	81,584	**110,781**

7. Other income and expenses, net

In thousands of US Dollars	**12 m. 2014**	**12 m. 2013**
Gain on assets sale in Voronezh region	6,750	-
Income on grain hedge	4,363	4,242
Gain on revaluation of investment property	498	55
Fines and penalties received	491	10
Gains related to disposal of other assets	184	77
Write-off accounts receivable or payable	91	(494)
Result on disposal of property, plant and equipment	86	440
Donations	(67)	(72)
Loss on foreign exchange hedge	(120)	(925)
Change in bad debts provision	(1,460)	(50)
Loss on fire in the warehouse	(1,537)	-
Other income and expenses	(426)	223
	8,853	**3,506**

Gain on assets sale in Voronezh region

In April 2014 the Group finalized the sale of land and related real estate assets in subsidiaries OOO Podgornoe Agro-Invest, OOO Ostrogozhsk Agro-Invest and OOO Nedvizhimost Agro-Invest in the Voronezh region. As a result of this transaction, Black Earth Farming sold land and real estate with a net book value of USD 13,148 thousand for a total cash consideration received of USD 20,165 thousand, realizing a gain of USD 7,017 thousand.

In June 2014 the Group finalized the sale of subsidiary OOO Kalach Agro-Invest in the Voronezh region. The details of the disposed assets and liabilities are as follows:

In thousands of US Dollars	**17-Jun-2014**
Property, plant and equipment	1,555
Other non-current assets	1,300
Biological assets (crop production)	847
Cash and cash equivalents	571
Other current assets	120
Trade and other payables	(767)
Net assets of subsidiary	**3,626**
Cash consideration received	3,359
Loss on disposal of subsidiary	**(267)**

7 Other income and expenses, net (continued)

These transactions were completed as a part of the Group's strategy for optimization of land bank and profitability.

The income tax related to these transactions amounted to USD 1,872 thousand.

8. Trade and other receivables

In thousands of US Dollars	**31-Dec-14**	**31-Dec-13**
Advances paid for goods and services	5,170	6,330
VAT receivables	3,230	6,966
Trade receivables	6,071	5,752
Income tax receivable	1,009	191
Other prepayments and receivables	1,400	3,954
Allowance for doubtful debts	(1,276)	(934)
	15,604	**22,259**

9. Refinancing of debt securities

As of 30 October 2013, to refinance its outstanding bond, the Group issued SEK 750 million (USD 118,030 thousand translated at the exchange rate at that date) senior unsecured bonds, each of a nominal amount of SEK 1,000,000, which is also the minimum round lot. The bonds have a fixed annual coupon of 9.40% and mature after 4 years. Interest will be paid on 30 January, 30 April, 30 July and 30 October each year, with the first interest payment on 30 January 2014 and the last on 30 October 2017. The bonds are listed on the Nasdaq OMX Stockholm exchange.

In thousands of US Dollars	**31-Dec-14**	**31-Dec-13**
Unsecured SEK bonds – at amortized cost, including:	**60,199**	**98,982**
Non-current	58,819	97,359
Current	1,380	1,623
Unsecured borrowings and lease liabilities, including:	**731**	**430**
Non-current finance lease liabilities	461	-
Current finance lease liabilities	270	-
Current borrowings	-	430
Total borrowings	**60,930**	**99,412**

During 2014 the Group repurchased additional SEK 176 million (USD 26,656 thousand translated at the exchange rates as of the date of each transaction) in order to optimize interest expense and foreign exchange difference exposure.

As at 31 December 2014 the Group is in compliance with all covenants stipulated in the bond agreement.

10. Dividends

During the year ended 31 December 2014 the Board of Directors proposed no dividends to be paid or declared.

11. Loss per share

The amounts are indicated in US Dollars	**12 m. 2014**	**12 m. 2013**
Loss for the period	(17,437,000)	(45,862,000)
Weighted average number of ordinary shares	207,669,445	207,669,445
Basic and diluted loss per share (USD/share)	(0.08)	(0.22)

Additional shares under the existing warrant and executives share option plan are antidilutive in accordance with IAS 33 and are not included for the purposes of the calculation of diluted loss per share.

12. Related party balances and transactions

In thousands of US Dollars	**12 m. 2014**	**12 m. 2013**
Purchase of services from related parties		
KinnAgri Ltd	1,258	1,073
KCM international	1,330	1,210
	2,588	**2,282**

	31-Dec-14	**31-Dec-13**
Accounts payable owed to related parties		
KinnAgri Ltd	209	159
KCM international	186	156
	395	**315**

KinnAgri Ltd provided consultancy services related to budgeting and forecasting process, production planning, harvest, storage and logistics. KCM International provided technical crop information and consultancy services. KCM International is a subsidiary of KinnAgri Ltd. All contracts have been scrutinized for arm's length and approved by the members of the Board of Directors independent from AB Investment Kinnevik.

In December 2014, KinnAgri Ltd completed a buyback of the shares of AB Investment Kinnevik in KinnAgri Ltd. As AB Investment Kinnevik fully exited the shareholder structure of KinnAgri Ltd, the Company was subsequently renamed TerraVost Ltd. As a result of the transaction, Richard Warburton, the CEO of Black Earth Farming, reverted back to being majority shareholder of TerraVost Ltd.

13. Contingencies and commitments

in thousands of US Dollars	**31-Dec-14**	**31-Dec-13**
Commitments for acquisition of materials	5,892	2,156
Commitments for acquisition of plant, property and equipment	195	-
Commitments for lease agreements	675	978
	6,762	**3,134**

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these condensed consolidated financial statements.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation was introduced from 1999 and was amended with effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organization for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that its pricing policy used currently and in the past is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation. Given the specifics of transfer pricing rules, the impact of any challenge of the Group's transfer prices cannot be reliably estimated. It could be significant to the financial conditions and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations in such uncertain areas. While management currently estimates that the tax positions and interpretations of the Group are consistent with current legislation and sustainable, there is a possible risk of outflow of financial resources, should tax positions and interpretations be challenged by the tax authorities. While the impact of any such challenge cannot be reliably estimated, it could be significant to the financial position and/or the overall operations of the Group.

As at 31 December 2014, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

Black Earth Farming Ltd. is a leading farming company, publicly listed on Nasdaq OMX Stockholm and operating in Russia. It acquires, develops and farms agricultural land assets primarily in the fertile Black Earth region in southwest Russia. The Company has gained a strong market position in the Kursk, Tambov, Lipetsk and Voronezh regions, controlling some 271,000 hectares of what perhaps is the world's most fertile soil.

In 2015 Black Earth Farming plans to harvest approximately 154,000 hectares, effectively making it one of the world's largest public farming companies by cropped area. The Company's main products are wheat, barley, sunflower, rapeseed and potatoes.

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, 27 February 2015

Vigo Carlund, Chairman

Camilla Öberg, Non-executive Director

Dmitry Zavgorodniy, Non-executive Director

Anders Kronborg, Non-executive Director

Poul Schroeder, Non-executive Director

Future financial reports:

Annual Report 2014	10 April 2015
Annual General Meeting 2014	20 May 2015
Q1 Report	22 May 2015
Q2 Report	14 August 2015
Q3 Report	13 November 2015
Year End Report	19 February 2016

For further information, please contact:

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NOMINATION COMMITTEE FOR THE 2015 ANNUAL GENERAL MEETING

In accordance with the resolution of the 2014 Annual General Meeting, a Nomination Committee has been convened consisting of members representing the three largest shareholders in the Company. The Nomination Committee is comprised of Cristina Stenbeck, on behalf of Investment AB Kinnevik, Ramsay Brufer, on behalf of Alecta, and Per Åhlgren, on behalf of Gomobile Nu AB.

Shareholders wishing to submit proposals to the Nomination Committee should do so in writing via e-mail nominationcommittee@blackearthfarming.com or by mail, Black Earth Farming Ltd, attention Nomination Committee, Nautilus House, La Cour des Casernes, St Helier, Jersey, JE1 3NH, Channel Islands. Proposals should be submitted not later than March 1st, 2015.