

# Black Earth Farming Ltd Financial Report

1 January – 31 December 2015



**BLACK  
EARTH  
FARMING LTD.**



## 2015 net profit of USD 14.3mn (-17.4mn) on higher yields and lower costs

2015 operating profit up USD 23.1mn y-o-y to USD 29.4mn (6.2) despite low price environment. Blended yield (excl root crops) up 36% y-o-y and 90% over 4 years. Production costs per ton down by 37% y-o-y on yield improvement, operational efficiencies and weaker RUB. The devaluation of the RUB on closing vs opening rates caused a USD 7.9mn forex loss (16.5). Net profit up USD 31.7mn y-o-y to USD 14.3mn (-17.4).

### 2015 Highlights (vs. 2014)

- Revenue and gains of USD 130.4mn (144.4)
- Sales revenue of USD 81.1mn (112.8) on volume of 474kt (555) at an average price of USD 169 per ton (198)
- USD 44.9mn (22.6) gain on revaluation of biological assets
- Operating profit of USD 29.4mn (6.2)
- Net profit of USD 14.3mn (loss -17.4)
- Net profit per share of USD 0.07 (loss -0.08)
- SEK 33mn (USD 3.9mn) bonds repurchased in 2015 and SEK 29mn (USD 3.4mn) in 2016

### Q4 2015 Highlights (vs. Q4 2014)

- Revenue and gains of USD 75.1mn (80.7)
- Sales revenue of USD 49.5mn (60.4) on sales volume of 293kt (310) at an average price of USD 171 per ton (194)
- USD 21.6mn (11.9) gain on revaluation of biological assets
- Year-end crop inventory of 227k tons (144)
- Operating profit of USD 10.5mn (1.3)
- Net profit of USD 7.4mn (loss -8.5)
- Net profit per share of USD 0.04 (loss -0.04)

### CEO Comment Highlights (p.2)

- 2015 Performance
- 2015 Sales & marketing
- 2015 Results
- 2016 Crop
- 2016 Plan
- Summary & Outlook

### Financial Overview (p.5)

USD million	Q4 '15	Q4 '14	12M '15	12M '14
Crop Volumes Sold (k tons)	292.5	310.4	474.1	555.4
Av. Sales Price	171	194	169	198
Total Revenue & Gains	75.1	80.7	130.4	144.4
Gross Profit	22.3	18.1	50.9	37.8
EBITDA	14.1	6.8	37.2	20.8
EBIT	10.5	1.3	29.4	6.2
FX loss	(1.3)	(9.2)	(7.9)	(16.5)
<b>Net profit</b>	<b>7.4</b>	<b>(8.5)</b>	<b>14.3</b>	<b>(17.4)</b>

# CEO Comment



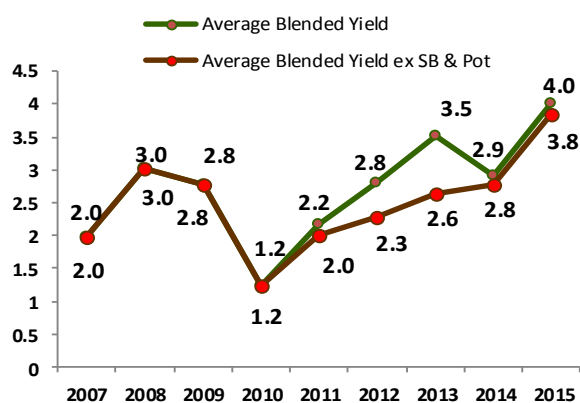
**2015 net profit of USD 14.3mn (-17.4), up USD 31.8mn y-o-y, on higher yields and lower costs, despite lower prices.**

2015 continued and accelerated the trend of operational improvement, coming from both yield increases and reduction in costs. Our key metric of blended yield (excl. beet and potatoes) was up 36% y-o-y and 57% vs the 4Y average. Production costs per ton were down 37% y-o-y. Over 4 years (on 2011), blended yield is estimated to have increased by 90% and production cost per ton to have decreased by 47%. Wheat and corn prices were however weaker, reaching a 5 and 9 year lows in hard currency terms in 2015. The 30% (end of period, y-o-y) devaluation of the Russian

autumn of 2014, which reduced yield potential considerably. At 3.2 t/Ha spring barley was down 11% y-o-y but 22% above the historic 4 year average. Virtually all of the barley crop was of malting quality. Sunflowers yielded 2.2 t/Ha, which is 16% higher y-o-y and the best yield in the Company's history. A lengthy corn harvest process finished in January with a yield of 5.3 t/Ha, which is 51% higher y-o-y and the highest in the Company's history. Potatoes have yielded 35.9 t/Ha, which is 16% higher y-o-y, but quality was lower than in prior years.

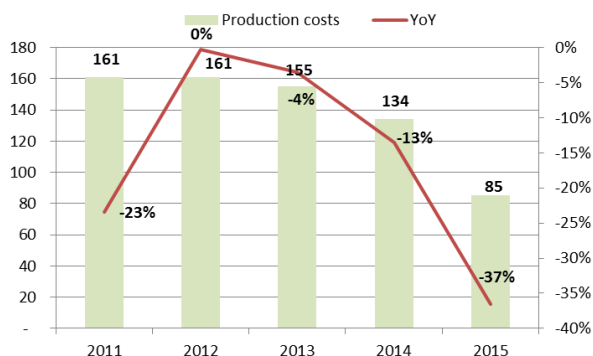
Production costs per ton were reduced across all crops in ruble and dollar terms, Average production costs per ton is estimated to be down 37% y-o-y in dollars and 14% in rubles. Production cost reduction was driven by higher yields, well timed input material purchases and operational efficiencies, notably coming from reduced cultivations, more effective utilisation of the truck fleet and storage facilities, as well as from the RUB devaluation.

## Historic Average yield development (t/Ha)



RUB helped to contain costs, but also resulted in a USD 7.9mn (16.5) FX translation loss on our SEK denominated debt.

## Average production cost per ton (USD/t)



Source: Company data

## 2015 Performance

With the exception of our Kursk farms, 2015 crops benefited from adequate and well timed rainfall with relatively cool temperatures. The winter wheat yield of 3.5 t/Ha, whilst lower than last year, is better than expected considering the very dry

## Net crop yield development (t/Ha)

(tons/ha)	2012	2013	2014	2015	2015 to 2014	Av. 2011-2014	2015 to Av.
W wheat	2.1	3.3	4.0	3.5	-13%	3.0	19%
S wheat	2.6	1.9	3.6	2.3	-36%	2.4	-5%
S barley	2.4	2.6	3.6	3.2	-11%	2.6	22%
Corn	5.1	4.3	3.5	5.3	51%	4.5	19%
Suns	1.9	2.0	1.9	2.2	16%	2.0	13%
Potato	33.2	33.9	31.0	35.9	16%	32.7	10%
Average (Ex. Pot)	2.3	2.6	2.8	3.8	36%	2.4	57%
Average	2.8	3.5	2.9	4.0	38%	2.9	40%

The final transition of the remaining management functions from Moscow to the regions went smoothly and the Kaliningrad seed business is being integrated into the Group.

## 2015 Sales & Marketing

	Price volatility 2015 vs 2014	
	Dec'15 to Dec'14, USD	Dec'15 to Dec'14, RUR
Wheat	-26%	-4%
Corn	-30%	-9%
Sunflower	-1%	29%
<b>Average</b>	<b>-14%</b>	<b>11%</b>

Source: Sovecon

Three successive huge global harvests have inevitably resulted in a depressed price environment and a growth in stocks internationally. In 2015, Russia also had a big grain and oilseed harvest of 115mn (vs 118mn in 2014) tons. Sunflower prices have been stable in dollar terms

due to domestic crush demand exceeding supply. Corn and wheat prices are now at 9 and 5 year lows and domestic prices are down 30% and 26% respectively y-o-y in hard currency terms. Potatoes and carrots yielded well but quality has been lower. Big domestic crops have meant that prices have suffered the full effect of the local currency devaluation, with no offset from RUB price inflation and therefore substantially sharply reduced prices in hard currency terms.

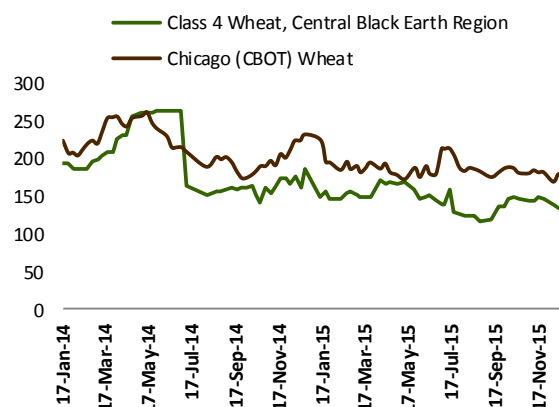
Our hedging activities in futures contracts resulted in a USD 1.5mn (4.4) gain and mitigated some of the weakness in prices. RUB volatility continued in 2015 and has effectively removed domestic forward sales as an option with 'long' positions possible only in hard currency. In this regard, our export capacity is again proving to be a very valuable marketing option. Despite high RUB volatility, the local domestic market has largely continued to correlate with the international markets in USD terms. Historically, this has not always been the case and the Russian domestic market appears structurally stronger with increased competition between more large traders, fewer infrastructural bottlenecks (despite record export volumes) and steadily growing demand for feed grains in the Central regions (from continually increasing pig and poultry numbers).

## **2015 Results**

Black Earth Farming posted a solid result in 2015. Despite a challenging economic environment and continued low prices, the Company's operating profit increased USD 23.1mn y-o-y from USD 6.2mn in 2014 to USD 29.4mn in 2015. Revenue and gains of USD 130mn (144) was down 10% y-o-y as lower revenue (-28%) was partially offset by higher gains on revaluation of biological assets and gains (+56%). Gross profit after distribution was up USD 22.7mn y-o-y, as 36% y-o-y growth in blended yield, operational efficiencies and a weaker RUB coincided to cut production costs per ton by 37% y-o-y. The operating result was also supported by a USD 9.1mn (vs 6.8 on the sale of Voronezh assets in 2014) pre-tax gain on the swap of land and real estate in Lipetsk and Tambov, successfully closed in 2015. These asset transactions point to higher market values of our farmland vs book values on balance sheet. Below operating profit, our effort to employ excess liquidity to reduce our bond position, translated into lower interest expense (USD 5.2mn vs 7.8) and forex translation (USD 7.9mn vs 16.4). As a result, net income grew USD 31.8mn y-o-y from USD -17.4mn to USD 14.3mn, which is the best net income result ever achieved by the Company.

On the back of wider margins, cash flow from operations before working capital increased USD 5.1mn y-o-y to USD 17.6mn (12.5). At the end of 2015, the Company had a greater carry-over working capital position of finished goods of 227kt

## **Price development (USD/t)**



(144kt), valued at USD 32.8mn (23.5). At USD 8.0mn (19.0), capex was cut largely to maintenance levels. We employed our subsidized RUB facility for input materials and freed up sales proceeds to repurchase our bonds to reduce leverage and interest costs. In 2015, we repurchased nominal SEK 33mn or USD 3.9mn. Another nominal SEK 29mn or USD 3.4mn was repurchased after the reporting period. Adjusted, for working capital and bond buybacks, the Company was cash flow positive in 2015.

With USD 32.0mn (32.9) of cash at 31 December 2015, the Company had net debt of USD 31.5mn (28.0) and a net debt/EBITDA of 0.85x.

## **2016 Crop**

38k hectares of winter wheat were seeded by early September. The crop established well and was well developed and in excellent condition as it went under snow cover. Temperatures have fluctuated widely over the winter and snow coverage is currently much reduced. All monitoring shows that the crops remain in excellent condition, but it is impossible to be certain until spring and there is a further six weeks when crops are at risk. Current plans are for a 2016 crop footprint of 151k hectares with crop proportions similar to 2015. The main exception is for a higher area of spring barley and a corresponding reduction in corn. 2015 autumn cultivations progressed well and we are again well prepared for spring with excellent soil structure.

## **2016 Plans**

We are working on the assumption of another challenging year with regard to soft commodity

prices. As long as Russian grain and oil seed prices stay aligned with international markets, the RUB devaluation means that the company is significantly more competitive in relative global terms. The cropping program which we have been following appears to be delivering the expected benefits, with better winter wheat crops from early entry after fallow as well as improved soil structure and weed control. The land transactions that have been completed since 2013 have reduced operational sites from 9 to 5. The benefits from consolidation onto fewer, larger and more productive sites are becoming evident. We have continued to be active in our plans to optimize the land bank and expect further activity in 2016. Whilst we have made a lot of progress in 2015, we firmly believe that considerable scope for improvements in productivity and cost reduction still remains.

The vegetable enterprise is expected to increase in area by about 30% in 2016. This is admittedly slower than we first envisaged. The next phase requires a step change in investment to open up a new water source. We will consider this investment again in the latter part of 2016 and in time for the 2017 crops.

Given the current uncertain geopolitical and investment environment in Russia, we aim to maintain a strong balance sheet and manage our FX exposure as a priority.

## **Risks**

While the Company's business is not directly impacted by current geopolitical tensions, the Group is indirectly exposed to changes in its operating and financial environment. Sanctions on Russia could negatively impact the Russian economy and affect the Company's financial and operating environment. The ban on imports of certain foreign products is generally positive for the Company but the risks of a potential imposition of export levies increase uncertainty in the Company's operating environment.

## **Summary and Outlook**

This is the fourth successive year of operational improvement against a background of declining soft commodity prices and it is pleasing to finally get to a position where we are profitable at very low prices. We believe that we can continue the trend and continue to deliver substantial and durable improvements in the operational performance of the business. The Russian business environment has been, and could remain, volatile and challenging. Whilst we may have taken a more cautious approach to some investments, the weaker RUB has helped with making the company more operationally competitive. From here, we need to sustain and

build on these results by continuing the improvements on the core business while carefully pacing the future expansion of the vegetable crop project.

On behalf of the Board - 26 February 2016  
Richard Warburton CEO and President

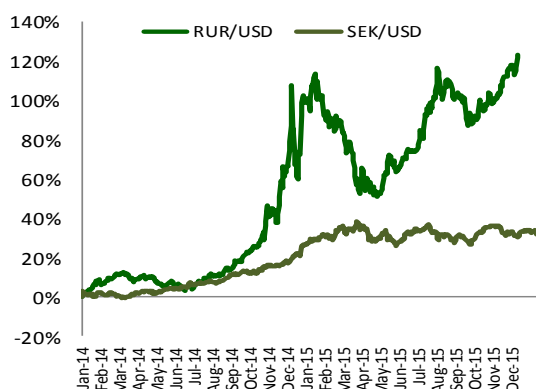
# Financial Review



## 2015 financial results translation

Due to significant exchange rate volatility in 2015, the Company has applied the respective quarterly average RUB/USD rates to convert the 1Q15 (63.19), 2Q15 (52.77), 3Q (63.00) and 4Q (65.94) results from its RUB functional currency to the USD presentation currency. Opening (56.26) and closing rates (72.88) have been used to translate the balance sheet in the 2015 reporting period. The Company uses the official rate of the Central Bank of Russia as reference.

## Exchange rate volatility

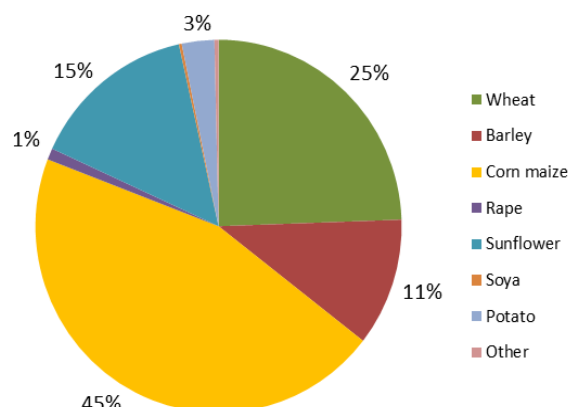


## Revenue & Gains

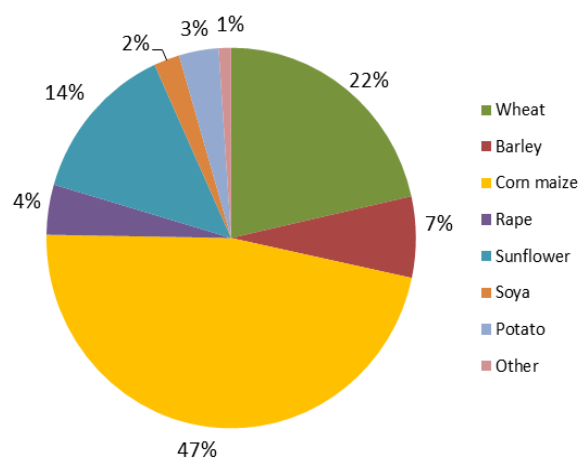
Revenue and gains were USD 130.4mn (144.4) in 2015. A USD 31.7mn y-o-y decline in sales was partially offset by a total USD 17.7mn gain on revaluation of biological assets and finished goods. Revenue from goods sold in 2015 declined 28% y-o-y to USD 81.1mn (112.8) as sales volumes dropped 15% to 474kt and the average sales price declined 15% y-o-y in USD terms to 169. Volume sales were down despite a bigger net harvest (+7% y-o-y) as a result of a smaller carry-in (-34kt) and greater carry-out (+83kt) of grain inventory in 2015. A bigger inventory position was built with an aim to capitalize on higher prices in 2016. The decline in price was mainly driven by global price pressure. The Company's main crops are corn, wheat, sunflower and barley. In 2015, wheat, sunflower and corn represented 25%, 15% and 45% of volume sales respectively, vs 22%, 7%, and 47% in 2014.

In 4Q15, revenue and gains were USD 75.1mn (80.7). A USD 10.9mn decline in sales was partly balanced by a total USD 5.3mn gain on revaluation of biological assets and inventory. In 4Q15, sales revenue declined 18% y-o-y to USD 49.5mn (60.4) as sales volume was down 6% and average prices moved -12% y-o-y.

## 2015 sales mix structure (by volume)



## 2014 sales mix structure (by volume)



## Inventory & Gain/Loss of Revaluation

In 2015, as a result of a higher yields, lower production costs per ton and resilient RUB prices, the Company posted a USD 44.9mn (22.6) gain on its biological asset (its harvest). At the end of 2015, the Company still had 4,660 Ha of unharvested corn in the field and 38,410 Ha of winter wheat, carried at estimated market value of USD 2.3mn and at a cost of USD 6.0mn respectively, with the market valuation of the corn contributing to the overall gain on the 2015 harvest.

On December 31, the Company had 227kt (144) of finished goods inventory (crop in storage) at an estimated value of USD 32.8mn (23.5). Change in net realizable value of inventory resulted in USD 4.4mn (9.0) gain.

Please refer to pages 9 and 10 for more detail on the accounting treatment of biological assets and crop inventory respectively.

## Costs

Harvest year production cost per ton decreased by 37% y-o-y in USD terms and 14% in RUB terms.

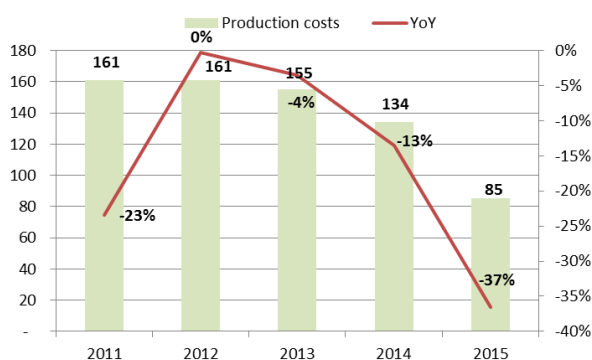
# Financial Review



The reduction in production cost was driven by yield increase (+36% y-o-y), improved operational control, efficiency in procurement, as well as by the devaluation of the Russian ruble.

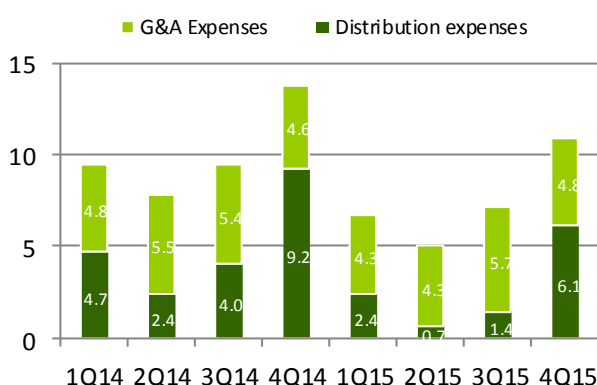
2015 cost of sales reflects the accumulated underlying production costs of the crop sold over the period as well as the prior period mark-to-market of crop in field (biological assets) and crop in storage or transit (inventory). Cost of sales thus reflects the volume and crop mix sold as well as crop prices at the previous closing date. In 2015, the underlying cost of goods was down 49% y-o-y to USD 41.6mn (81.6) on 15% lower volume sales, crop mix and harvest year production cost reduction.

## Average production cost per ton (USD/t)



Distribution expenses declined 48% y-o-y to USD 10.6mn (20.3), as export volumes were down 34% to 82kt (124) on lower volume sales and higher domestic sales mix. G&A costs were down 6% y-o-y to USD 19.1mn, also reflecting one-off costs related to the Moscow office restructuring.

## G&A and distribution expenses (MUSD)



In other income and expenses, the Company posted a USD 9.1mn pre-tax gain on swap of land and real estate in Lipetsk and Tambov. This compares to an USD 6.8mn gain on the sale of land and real estate in Voronezh in 2014. Other income also includes a USD 1.5mn (4.4) gain on the Company's grain hedging program.

Interest expense was down both as a result of the Company's repurchases of bonds (SEK 33mn nominal settled in 2015) and due to the weakening of the SEK against the USD (8% y-o-y). The 30% and 20% devaluation of the Company's RUB functional currency against the USD and SEK respectively, resulted in a USD 7.9mn (16.5) FX translation loss.

## Result

Despite a challenging economic environment and continued low prices, the Company's operating profit increased USD 23.1mn y-o-y to USD 29.4mn (6.2) in 2015. EBITDA was up USD 16.3mn y-o-y to USD 37.2mn (20.8) in 2015. Strong yields, significant unit cost improvements and finance cost optimization contributed to the USD 31.8mn y-o-y increase in net income to USD 14.3mn (-17.4).

## Cash Flow

On the back of stronger EBITDA, cash flow from operations before working capital increased USD 5.1mn y-o-y to USD 17.6mn (12.5). With a greater share of the operating result driven by non-cash gains and a bigger closing inventory position (227kt vs 144kt), net cash generated after working capital changes, interest and taxes however stood at USD -0.6mn (0.9). At USD 8mn (19), capex was down USD 11mn y-o-y, as the Company did not make large scale discrete investments in the period. The draw on the Company's subsidized working capital facility (USD 10.5mn) allowed the Company to optimize sales, while bond repurchases (USD 3.5mn cash settled in 2015) and a weaker SEK facilitated lower interest payments of USD 6.2mn (7.9). Adjusted for crop inventory build-up, working capital facility draw and bond repurchases only, the Company posted USD 1.7mn positive cash flows in 2015.

## Financial position

The y-o-y movement in the Company's financial position was significantly affected by the movement in the RUB/USD from 56.26 on 31 December 2014 to 72.88 on 31 December 2015. As of December 31 2015, the Company carried total assets of USD 181.2mn (194.3). The Company's fixed assets of USD 78.1mn (95.1) comprise mainly of buildings (storage facilities and infrastructure at USD 25.3mn), land (227k Ha of owned and co-owned land well as 4k Ha in ownership registration process at USD 29.5mn), and equipment used in crop production (at USD 23.3mn). Inventories include crops harvested 2015 at USD 32.8mn (23.5) and input materials to be used for the 2016 crop of USD 9.6mn (9.9). Biological assets of USD 8.3mn (6.1) mostly consists of winter crops to be harvested in 2016

# Financial Review



carried at cost, but also of 4 660 Ha unharvested corn at market value.

## Statement of Financial Position

E-rate	RUR million		USD million	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
			72.88	56.26
<i>Land</i>	2,150	1,641	29.5	29.2
<i>Buildings</i>	1,840	1,891	25.3	33.6
<i>Equipment</i>	1,707	1,827	23.3	32.4
<i>Investment property</i>	157	157	2.2	2.8
<i>Other</i>	63	80	0.8	1.5
<b>Total Non-current assets</b>	<b>5,917</b>	<b>5,596</b>	<b>81.1</b>	<b>99.5</b>
<i>Cash</i>	2,329	1,850	32.0	32.9
<i>Finished goods</i>	2,388	1,322	32.8	23.5
<i>Raw materials</i>	697	555	9.6	9.9
<i>Bio assets &amp; field works</i>	1,089	728	15.0	13.0
<i>Receivables</i>	783	878	10.7	15.6
<b>Total Current Assets</b>	<b>7,286</b>	<b>5,333</b>	<b>100.1</b>	<b>94.9</b>
<b>Total Assets</b>	<b>13,203</b>	<b>10,929</b>	<b>181.2</b>	<b>194.4</b>
<i>Total Debt</i>	4,626	3,427	63.5	60.9
<i>Trade and other payables</i>	682	508	9.4	9.0
<i>Other Liabilities</i>	18	21	0.2	0.6
<i>Equity</i>	7,877	6,973	108.1	123.9
<b>Total Equity &amp; Liabilities</b>	<b>13,203</b>	<b>10,929</b>	<b>181.2</b>	<b>194.4</b>

As of 31 December 2015, the Company had total debt outstanding of USD 63.5mn (60.9mn), of which USD 53mn were bonds (SEK 428mn net of SEK 322mn held as treasury bonds at December 31, 2015) and USD 10.5mn (RUB 764mn) was a RUB working capital facility. Total debt to total equity stood at 49% excluding the working capital, and 59% including the RUB facility. With USD 32.0mn (32.9) of cash on balance, net debt stood at USD 31.5mn (28.0).

The depreciation of the RUB over 2014 and 2015 (from 32.73 to 72.88) has had a significant adverse effect on the Company's balance sheet in USD terms. As the Company believes that this nominal devaluation of the balance sheet potentially understates the underlying value of its real assets, the Company may review its approach to treating its land assets with a possible move to fair value in our accounts in the 2016 accounting year.

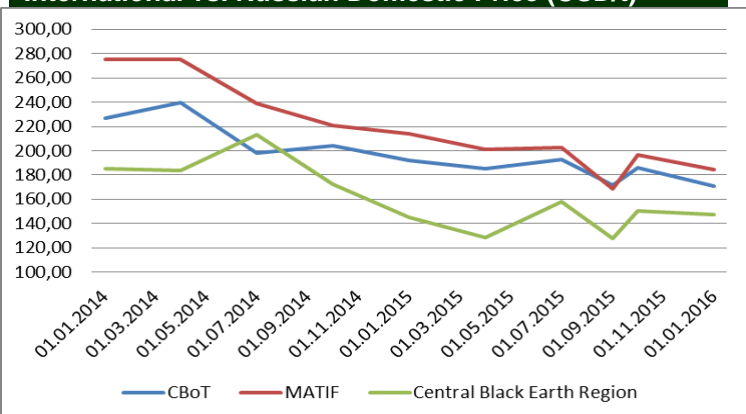
### Significant and subsequent events

- The corn harvest was completed on January 15 2016, with an average yield of 5.3 t/Ha, which is the best corn result in the Company's history
- Lipetsk-Tambov land and storage swap: The swap announced on 17 March has closed successfully in 2015 and the Company booked a USD 9.1mn pre-tax profit. In 2014, the sale of assets in Voronezh generated a USD 6.8mn pre-tax gain.
- RUB credit facility: In August 2015, the Group agreed a RUB 800mn working capital credit facility with a leading Russian state bank.
- Bond buybacks: During 2015, the Group repurchased and settled a nominal SEK 33mn (USD 3.9mn) of its own bond. After the reporting period but by February 26, the Group had repurchased an additional SEK 29mn (USD 3.4mn).
- Moscow office: In 2015 the Group closed its Moscow office and transferred functions to Voronezh.
- Kaliningrad seed business: In 2015, the Company acquired a potato seed producer in Kaliningrad

## International

At 1,995mn ton, the February forecast of world 2015-16 total grain production is 3mn ton higher than previously predicted in January, and remains second only to last season's record production. The USDA increased global corn production forecast by 2mn to 970mn ton, as increases in the South American crop estimates more than compensated for the decline in South Africa due to dry conditions. Ending stocks were

### International vs. Russian Domestic Price (USD/t)



Source: IKAR, CBOT

however unchanged at 209mn ton after small downward adjustments in usage. World wheat production was revised higher to 736mn on the back of a modest increase in the Argentinian wheat crop estimate to 11mn ton. Higher global consumption of 5mn ton however implied ending stocks increasing by only 6mn to 239mn ton, a record high level. Following increased Argentinian production, world soya production increased to 320mn, with ending stocks up 1mn to 80mn ton. Total 2015-16 grain supply is now higher than last year's record due to the large stocks carried in from the previous season. At 527mn ton, combined wheat, corn and soya ending stocks are projected to be 30mn tons higher

than last year's record of 497mn ton. The South American corn and soya harvests are proving strong as predicted. Brazil is expected to have produced in excess of 100mn soya and 84mn ton corn, while Argentina is expected to have produced 58mn and 27mtn ton respectively. Argentinian exports have been liberalised following the November elections. The duty for wheat, at 23%, and corn, at 20%, were completely cancelled, while the soya duty was reduced to 30%. Despite big crops in both the US and EU, exports from these regions, normally major global suppliers, are lower than forecasted and continue to struggle to compete with low South American and Black Sea prices. Internationally, prices are at a 5-year low. Ample world supply has so far negated any potential price increase in reaction to the 7% drop in 2016-17 US winter wheat plantings and potential big winter crops from the FSU. High 2015-16 production is now evident, stocks continue to build and prices trend lower with a potential for an unprecedented third consecutive year of unimpaired crop production. While early to draw such conclusions, this is what the current forward market reflects. In terms of oilseeds, demand for rape and sunflower seeds are showing signs of growth, and prospects are more encouraging for these crops in the coming year. Lower carry-in stocks from this season should also support prices in 2016-17.

## Russia

The total grain production estimate for Russia in 2015-16 is 103mn ton, which is only 2mn ton below the post-Soviet 2014-15 record crop of 105mn ton. Wheat accounts for 61mn, barley 18mn and corn a record 13mn tons. At 11mn ton, other crops include rye at 4mn ton. As at the end December, total grain exports stood at 22.2mn ton, with 16,5mn ton wheat, 3,2mn ton barley, 1,8mn ton corn and 0.75mn ton of other crops. That puts barley and corn exports at record levels, while wheat lags slightly behind previous years. Total exports for the year are projected to be 32mn ton, with the 10mn ton balance yet to be sold and shipped. Mainly unsold wheat and corn will have to compete against lower dollar priced competition and slowing demand. In dollar terms, domestic grain prices have declined in line with international markets. Wheat and corn prices are down -26% and -30% respectively y-o-y in USD, while currency weakness has supported RUB prices. Oilseed prices are, unlike grains, unchanged y-o-y in USD terms, as rapeseed supply is down 30% while sunflower and soya output is up only 3%. While supply is lower, crushing and processing demand is higher, as sanctions restrict the import of many competing vegetable oils. In recent weeks, the wheat export levy has been under Government review. Various options are reportedly discussed, including lowering or completely abandoning the wheat levy while possibly introducing a levy for barley and corn exports. The 2016-17 winter crop forecast show a small 0.2mn hectares decrease y-o-y to 16.3mn hectares, which is still higher than the 2011-14 average. Crop conditions are considered normal, although winter is far from over. The wheat crop potential next year is in the region of 55-60mn ton vs 61mn in the previous season.



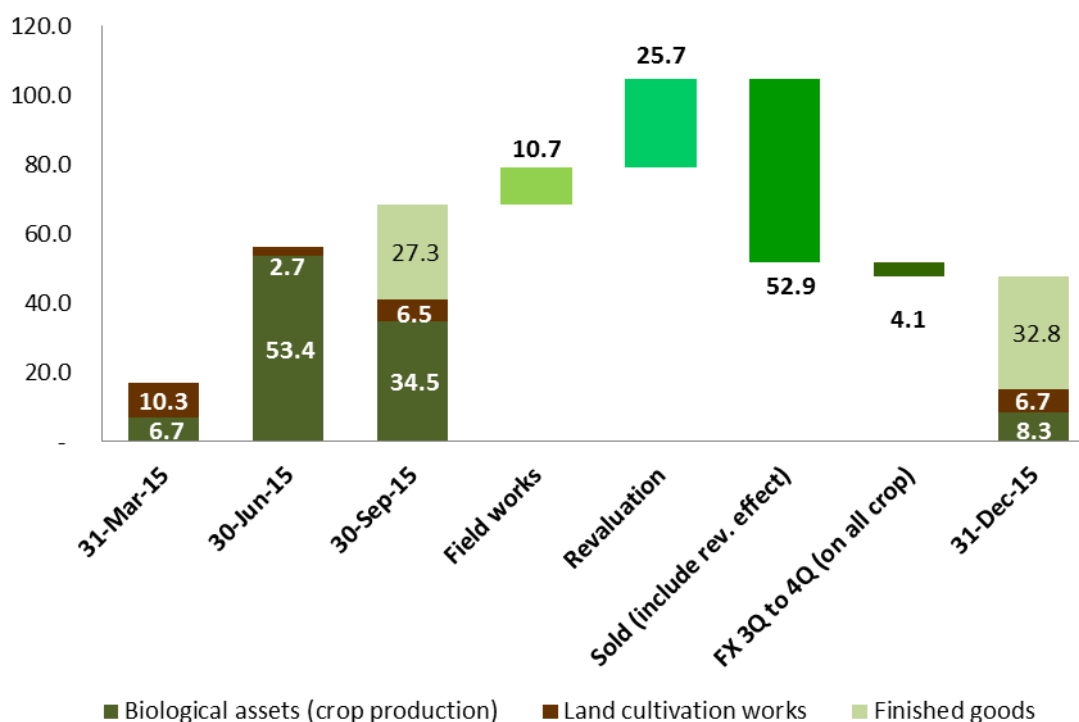
# Sales Development & Crop Inventory



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Biological assets are recorded in the statement of financial position as an estimated value of crops standing in fields. A way to look at biological assets is as a work in process (WIP) inventory. Depending on 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.

**Crop Value in Statement of Financial Position 2015 (MUSD)**



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. Market prices less point-of-sale costs and yield are used 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. At 30 September, average completion typically moves towards 70-90%. 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.

As at 31 December 2015, the Company's biological assets included 4,660 Ha of unharvested corn in the field, valued at an estimated USD 2.3mn on average harvested yields and market prices. The biological assets also included 38,410 Ha of winter wheat, carried at cost at USD 6.0mn.

# 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 2015 as well as the development of crop sales during 2015. Note that all recorded prices exclude 10% VAT.

2015 Quarterly Sales Volume & Crop Inventory							
	Quarterly Sales					Crop in Inventory	
	4Q '15	3Q '15	2Q '15	1Q '15	4Q '14	31 Dec '15	31 Dec '14
<b>Volume, k tons</b>							
<i>Wheat</i>	51,044	31,526	11,106	22,152	60,180	38,691	33,655
<i>Barley</i>	12,447	-	30,767	9,374	13,411	18,094	43,058
<i>Corn</i>	170,784	1,996	2,609	39,427	149,635	129,186	40,250
<i>Rape</i>	-	-	4,645	49	6,225	-	4,779
<i>Sunflower</i>	49,745	5,526	1,632	12,723	56,550	28,284	13,841
<i>Soya</i>	-	97	-	510	9,659	4	124
<i>Potato</i>	6,510	1,714	4,914	460	12,210	12,261	8,174
<i>Other</i>	1,350	283	-	84	2,509	890	-
<b>Total Tons</b>	<b>292,465</b>	<b>41,142</b>	<b>55,673</b>	<b>84,779</b>	<b>310,379</b>	<b>227,411</b>	<b>143,881</b>
<b>Price, USD/ton</b>							
<i>Wheat</i>	147	133	166	172	193	117	163
<i>Barley</i>	155	-	155	124	158	132	134
<i>Corn</i>	141	122	227	140	151	114	135
<i>Rape</i>	-	-	326	384	516	-	301
<i>Sunflower</i>	324	344	466	242	265	340	299
<i>Soya</i>	-	381	-	125	320	298	335
<i>Potato</i>	29	103	118	157	135	94	143
<i>Other</i>	159	92	-	71	345	88	-
<b>Average Price</b>	<b>171</b>	<b>160</b>	<b>181</b>	<b>162</b>	<b>194</b>	<b>143</b>	<b>164</b>

As of 31 December 2015, the Company recorded inventories at a total value of USD 42.3mn. Total inventories include finished goods, i.e. crops harvested in 2015 held for sale, as well as raw materials to be used in production. Total crop inventory of finished goods included 227 thousand tons of crops harvested during 2015 and valued at an average price of USD 143 per ton, resulting in total fair value estimate of USD 32.8mn. By comparison, in 2014, total crop inventory of finished goods included 144 thousand tons of crops harvested during 2014 and valued at an average price of USD 164 per ton, resulting in total fair value estimate of USD 23.5mn. The change in balance sheet date exchange rate had a significant impact on the valuation of the Company's inventory.

# Production Overview



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<b>Crop Area Breakdown</b>						
<b>(Ha)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Winter wheat	72,677	93,627	73,912	73,702	30,235	34,071
Spring wheat	10,157	13,093	4,368	3,412	6,140	3,812
Spring barley	13,793	26,535	22,718	21,850	16,076	9,499
Corn maize	8,592	6,149	26,003	36,814	55,317	61,110 <sup>1</sup>
Winter triticale	302	n/a	n/a	n/a	n/a	n/a
<b>Total Grains</b>	<b>105,521</b>	<b>139,404</b>	<b>127,001</b>	<b>135,778</b>	<b>107,768</b>	<b>108,492</b>
Winter rape	536	n/a	n/a	n/a	111	n/a
Spring rape	29,051	33,494	36,597	31,436	18,083	n/a
Sunflower	36,761	46,518	33,218	28,997	37,479	39,962
Soya	7,899	7,863	18,187	18,682	16,932	166
<b>Total Oilseeds</b>	<b>74,247</b>	<b>87,875</b>	<b>88,002</b>	<b>79,115</b>	<b>72,605</b>	<b>40,128</b>
Sugar Beet	n/a	1,621	5,085	8,822	n/a	n/a
Potatoes	n/a	n/a	31	196	884	592
<b>Total Commercial Area</b>	<b>179,768</b>	<b>228,900</b>	<b>220,119</b>	<b>223,911</b>	<b>181,257</b>	<b>149,212</b>
<i>Other / Forage crops</i>	<i>1,013</i>	<i>1,951</i>	<i>1,675</i>	<i>1,992</i>	<i>2,934</i>	<i>66</i>
<b>Total harvest area</b>	<b>180,781</b>	<b>230,851</b>	<b>221,794</b>	<b>225,903</b>	<b>184,191</b>	<b>149,278</b>

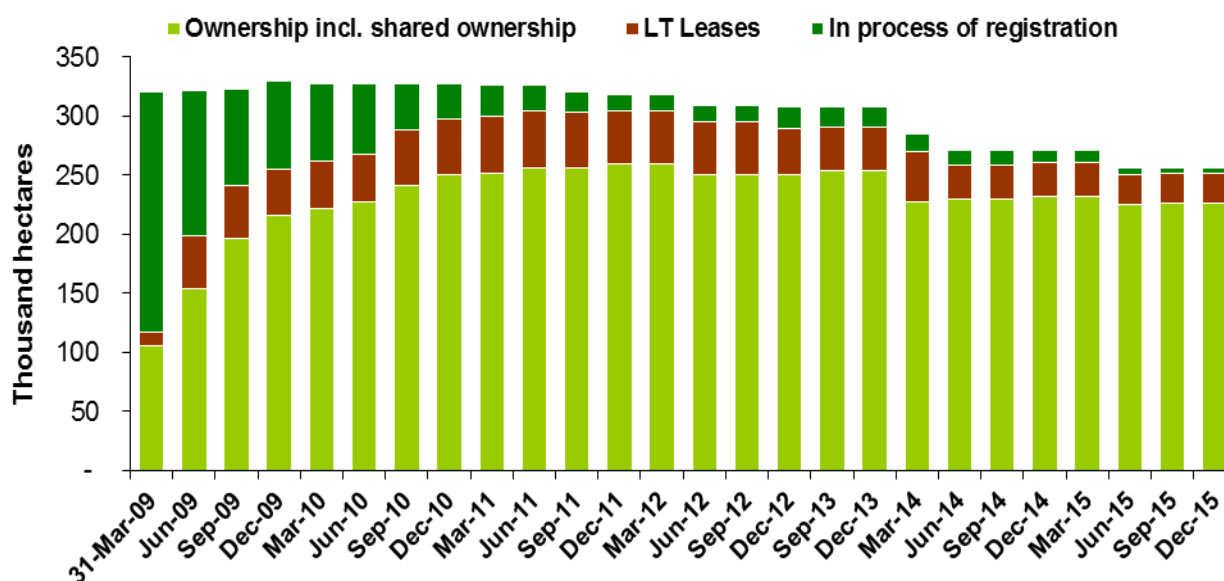
<b>Average Net Crop Yields</b>						
<b>(tons/ha)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Winter wheat	1.9	2.4	2.1	3.3	4.0	3.5
Spring wheat	1.4	1.6	2.6	1.9	3.6	2.3
Spring barley	1.4	1.9	2.4	2.6	3.6	3.2
Corn maize	0.7	4.9	5.1	4.3	3.5	5.3
Winter triticale	0.8	n/a	n/a	n/a	n/a	n/a
Winter rape	0.5	n/a	n/a	n/a	0.7	n/a
Spring rape	0.6	1.1	1.3	0.9	1.4	n/a
Sunflower	0.8	2.0	1.9	2.0	1.9	2.2
Soya	0.3	0.9	1.2	0.9	0.5	0.6
Sugar beet	n/a	25.6	25.3	24.3	n/a	n/a
Potatoes	n/a	n/a	33.2	33.9	31.0	35.9

<b>Net Harvest Volumes</b>						
<b>(tons)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Winter wheat	137,703	220,608	157,571	243,217	121,185	119,086
Spring wheat	13,791	21,187	11,495	6,585	22,379	8,587
Spring barley	19,595	49,166	55,074	56,592	57,492	30,282
Corn	5,152	29,989	132,829	158,986	195,747	321,896
Winter triticale	211	n/a	n/a	n/a	n/a	n/a
<b>Total Cereal Grains</b>	<b>176,452</b>	<b>320,950</b>	<b>356,969</b>	<b>465,380</b>	<b>396,803</b>	<b>479,851</b>
Winter rape	246	n/a	n/a	n/a	75	n/a
Spring rape	15,497	36,887	46,052	28,292	26,064	n/a
Sunflower	28,904	92,805	62,759	57,994	70,927	83,161
Soya	1,818	7,114	22,364	16,006	9,098	97
<b>Total Oilseeds</b>	<b>46,465</b>	<b>136,806</b>	<b>131,175</b>	<b>102,292</b>	<b>106,164</b>	<b>83,258</b>
Sugar beet	n/a	41,531	128,405	214,720	n/a	n/a
Potatoes	n/a	n/a	1,029	6,644	27,404	21,265
<b>Total Commercial Crops</b>	<b>222,917</b>	<b>499,287</b>	<b>617,578</b>	<b>789,036</b>	<b>530,371</b>	<b>584,374</b>
<i>Other/Forage crops</i>	<i>3,686</i>	<i>14,597</i>	<i>13,213</i>	<i>13,243</i>	<i>19,575</i>	<i>3,376</i>
<b>Total Output</b>	<b>226,603</b>	<b>513,884</b>	<b>630,791</b>	<b>802,279</b>	<b>549,946</b>	<b>587,750</b>

<sup>1</sup> 4 660ha not harvested as of December 31, 2015; Harvested till January 15, 2016

As of 31 December 2015, Black Earth Farming held 227k Ha of owned and co-owned land, corresponding to 89% of the total controlled land bank of 256k Ha. 25k Ha were leased and 4k Ha were in the process of registration. 13k Ha in Samara, where operations have ceased, are partly leased to third parties and are classified as investment property in the balance sheet and held at a fair value of USD 2.2mn (2.8). Consolidation and further improvement of the operational efficiencies in and around the most efficient and profitable farm clusters remains a key objective to the Company in terms of its land holdings.

## 228 Thousand Hectares in Ownership (89% 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 197k Ha of land that is not leased at acquisition cost of USD 22.3mn (less Samara and certain Tambov land after swap), as recorded in the statement of financial position as property, plant and equipment, which translates into a per hectare value of USD 113. 13k Ha in Samara are held at a fair value of USD 2.2mn, which translates into a per hectare fair value of USD 166. Following a land swap announced in March 2015 (see details below), 22k Ha in Lipetsk-Tambov were taken on to the balance sheet at a fair value of USD 7.1mn, which translates into a per hectare value of USD 325.

On 17 March 2015, the Group announced its intention to swap land and related real estate assets from its Stanovoye (Lipetsk), Shatsk (Ryazan) and Pervomaisky (Tambov) farms in return for land and an elevator in proximity to Black Earth Farming's existing operations at Morshansk in Tambov. As a result of the swap, the Group disposed of a total of 36.6k Ha of controlled land, including 4.5k Ha of grassland, 5.6k Ha of forested fallow, 7.2k Ha of leased land as well as of 20k tons of grain storage. The assets received in the swap amounts to a total of 24.9k Ha of controlled land, including 20.9k Ha of crop land, 4.0k Ha of grassland, 3.3k Ha of leased land, and a 30k tons elevator facility with rail access. The Group recognized a USD 9.1mn pre-tax profit on the transaction and strengthened its balance sheet in the process.

The depreciation in the Russian RUB has resulted in a decline, in hard currency terms, in the value of the Group's assets, which are carried at historical cost in RUB (the Group's functional currency) on its balance sheet. As the Group believes that this nominal devaluation of the balance sheet potentially understates the underlying value of its real assets, the Group continues to review its approach to treating its land assets on its balance sheet with a potential move to fair value treatment in 2016.

# The Black Earth Farming Share



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## Risks and Uncertainties

Risks and uncertainties are described in the annual report for 2014. 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 2014 also exist on 31 December 2015.

## Outstanding shares

As of 31 December 2015 the amount of outstanding shares was 210,426,241.

In June 2015, 2,756,796 new shares were issued as a result of the Company's management incentive program. The share-based incentive program remains open and outstanding as described in note 26 (d) in the 2014 Annual Report. The market capitalisation as of 31 December 2015 was approximately SEK 848 million or USD 101 million.

## Shareholders

The total number of shareholders, as of 31 December 2015, amounted to 13,131.

## 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

## Trading data for 1 Jan 2015 – 31 December 2015

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
<b>838,747</b>	<b>230,865</b>	<b>95</b>

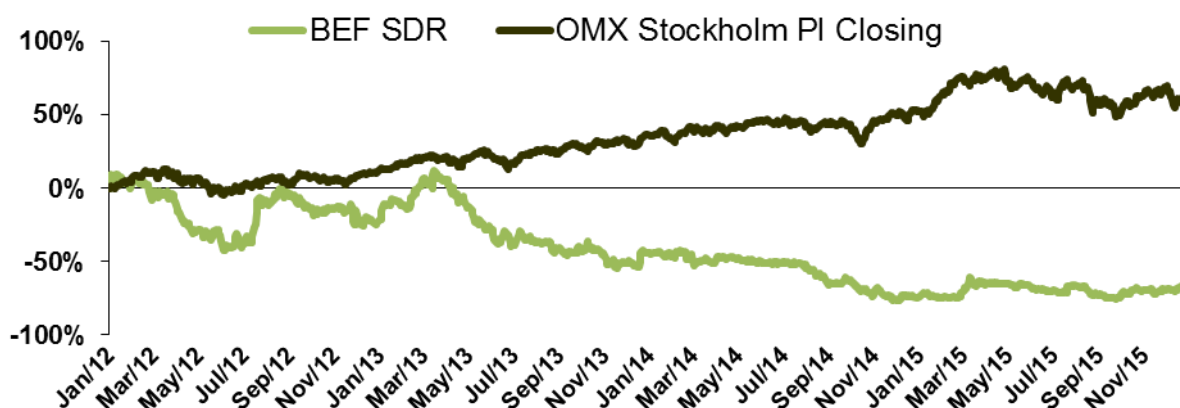
Source: NASDAQ OMX

## Top 5 shareholders as of 31 December 2015

Owner	% of votes & capital
<b>INVESTMENT AB KINNEVIK</b>	<b>24.62%</b>
<b>GOMOBILE NU AB</b>	<b>12.13%</b>
<b>ALECTA PENSION FUNDS</b>	<b>9.68%</b>
<b>AVANZA PENSION</b>	<b>4.49%</b>
<b>DANSKE INVEST FUNDS</b>	<b>3.31%</b>

Source: Euroclear Sweden share registry & shareholders' reference

## Share Performance vs. OMX Stockholm index



## Black Earth Farming SDR

Price SEK/SDR 30 Dec 2015	Change 1 Month	Change 3 Months	52 Week High
<b>4.03</b>	12.57%	36.61%	4.99
	Change 6 Months	Change 1 Year	52 Week Low
	16.81%	38.01%	2.95

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

*In thousands of US Dollars*

	Notes	Year ended		Three months ended	
		31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Revenue	5	81,102	112,776	49,458	60,371
Gain on revaluation of biological assets	4	44,918	22,624	21,620	11,891
Change in net realisable value of agricultural produce after harvest		4,375	9,017	4,040	8,427
<b>Total revenue and gains</b>	<b>5</b>	<b>130,395</b>	<b>144,417</b>	<b>75,118</b>	<b>80,689</b>
Cost of sales	6	(41,608)	(81,584)	(25,120)	(43,045)
Effect of revaluations (revaluation of biological assets to agricultural produce and change in net realizable value of agricultural produce after harvest)		(37,923)	(25,022)	(27,748)	(19,575)
<b>Gross profit</b>		<b>50,864</b>	<b>37,811</b>	<b>22,250</b>	<b>18,069</b>
Distribution expenses		(10,620)	(20,270)	(6,106)	(9,200)
General and administrative expenses		(19,139)	(20,353)	(4,788)	(4,613)
Taxes other than income		(1,336)	(1,339)	(179)	(305)
State grants and subsidies		1,232	2,376	157	315
Crop insurance net of insurance grants		(1,336)	(865)	(239)	(541)
Other income and expenses, net	7	9,687	8,853	(627)	(2,451)
<b>Operating profit</b>		<b>29,352</b>	<b>6,213</b>	<b>10,468</b>	<b>1,274</b>
Financial income		273	1,662	36	470
Financial expenses		(5,168)	(7,792)	(1,832)	(1,348)
Foreign exchange loss		(7,936)	(16,452)	(1,312)	(9,177)
<b>Profit/(loss) before income tax</b>		<b>16,521</b>	<b>(16,369)</b>	<b>7,360</b>	<b>(8,781)</b>
Income tax (expense)/benefit		(2,207)	(1,068)	37	330
<b>Profit/(loss) for the period</b>		<b>14,314</b>	<b>(17,437)</b>	<b>7,397</b>	<b>(8,451)</b>
Earnings/(loss) per share, basic and diluted, in USD	11	0.07	(0.08)	0.04	(0.04)

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

<i>In thousands of US Dollars</i>	Notes	Year ended		Three months ended	
		31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
<b>Profit/(loss) for the period</b>		<b>14,314</b>	<b>(17,437)</b>	<b>7,397</b>	<b>(8,451)</b>
<b>Other comprehensive loss</b>					
Translation difference		(31,012)	(86,668)	(11,473)	(49,926)
<b>Other comprehensive loss for the period</b>		<b>(31,012)</b>	<b>(86,668)</b>	<b>(11,473)</b>	<b>(49,926)</b>
<b>Total comprehensive loss for the period attributable to owners of the parent</b>		<b>(16,698)</b>	<b>(104,105)</b>	<b>(4,076)</b>	<b>(58,377)</b>

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015**

<i>In thousands of US Dollars</i>	Notes	<u>31-Dec-15</u>	<u>31-Dec-14</u>
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment		78,146	95,141
Intangible assets		105	24
Biological assets (livestock)	4	327	431
Other non-current assets		115	670
Deferred tax assets		322	415
Investment property		2,164	2,792
<b>Total non-current assets</b>		<u><b>81,179</b></u>	<u><b>99,473</b></u>
<i>Current assets</i>			
Finished goods		32,765	23,495
Raw materials and consumables		9,562	9,859
Biological assets (crop production)	4	8,277	6,066
Land cultivation works		6,677	6,887
Trade and other receivables	8	10,737	15,604
Cash and cash equivalents		31,959	32,888
<b>Total current assets</b>		<u><b>99,977</b></u>	<u><b>94,799</b></u>
<b>Total assets</b>		<u><b>181,156</b></u>	<u><b>194,272</b></u>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity attributable to owners of the parent</i>			
Share capital		2,105	2,077
Share premium		525,904	524,771
Share-based payments reserve		4,249	4,868
Accumulated deficit		(218,516)	(232,853)
Translation reserve		(205,662)	(174,914)
<b>Total equity</b>		<u><b>108,080</b></u>	<u><b>123,949</b></u>
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Long-term loans and borrowings	9	51,058	58,819
Lease payables	9	111	461
Deferred tax liabilities		253	372
<b>Total non-current liabilities</b>		<u><b>51,422</b></u>	<u><b>59,652</b></u>
<i>Current liabilities</i>			
Short-term loans and borrowings	9	12,064	1,380
Trade and other payables		9,356	9,021
Lease payables	9	234	270
<b>Total current liabilities</b>		<u><b>21,654</b></u>	<u><b>10,671</b></u>
<b>Total liabilities</b>		<u><b>73,076</b></u>	<u><b>70,323</b></u>
<b>Total equity and liabilities</b>		<u><b>181,156</b></u>	<u><b>194,272</b></u>



**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

<i>In thousands of US Dollars</i>	Share capital	Share premium	Share- based payments reserve	Accumu- lated deficit	Trans- lation reserve	Total equity attributable to owners of the parent
<b>Balance as at 1 January 2014</b>	<b>2,077</b>	<b>524,771</b>	<b>6,103</b>	<b>(215,962)</b>	<b>(88,246)</b>	<b>228,743</b>
Loss for the year	-	-	-	(17,437)	-	(17,437)
<b>Other comprehensive loss</b>						
Translation differences	-	-	(3,405)	-	(86,668)	(90,073)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(3,405)</b>	<b>(17,437)</b>	<b>(86,668)</b>	<b>(107,510)</b>
Reclassification from Share-based payments reserve to Accumulated deficit	-	-	(546)	546	-	-
Recognition of share-based payments	-	-	2,716	-	-	2,716
<b>Balance as at 31 December 2014</b>	<b>2,077</b>	<b>524,771</b>	<b>4,868</b>	<b>(232,853)</b>	<b>(174,914)</b>	<b>123,949</b>
<b>Balance as at 1 January 2015</b>	<b>2,077</b>	<b>524,771</b>	<b>4,868</b>	<b>(232,853)</b>	<b>(174,914)</b>	<b>123,949</b>
Profit for the year	-	-	-	14,314	-	14,314
<b>Other comprehensive income</b>						
Translation differences	-	-	(264)	-	(30,748)	(31,012)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(264)</b>	<b>14,134</b>	<b>(30,748)</b>	<b>(16,698)</b>
Reclassification from Share-based payments reserve to Accumulated deficit	-	-	(23)	23	-	-
Recognition of share-based payments	-	-	726	-	-	726
Shares issued	28	1,133	(1,058)	-	-	103
<b>Balance as at 31 December 2015</b>	<b>2,105</b>	<b>525,904</b>	<b>4,249</b>	<b>(218,516)</b>	<b>(205,662)</b>	<b>108,080</b>

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	Year ended	
		31-Dec-15	31-Dec-14
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) for the year		14,314	(17,437)
<i>Adjustments for:</i>			
Income tax expense		2,207	1,068
Depreciation, amortisation and impairment		7,700	14,553
Change in allowance for doubtful debts		(275)	1,460
Change in provision for inventory		667	-
Foreign exchange loss		7,936	16,452
Interest income		(273)	(871)
Interest expense		5,168	7,792
Gain on disposal of property, plant and equipment		(246)	(6,237)
Non-cash gain on the land swap deal	7	(9,080)	-
Loss on revaluation of investment property		(10)	(498)
Long-term employee benefits		829	1,035
Loss on disposal of subsidiary		-	262
Loss on fire in the warehouse		-	1,537
Change in value of biological assets and agricultural produce		(49,293)	(31,641)
Effect of revaluations on cost of goods sold		37,923	25,022
		<b>17,567</b>	<b>12,497</b>
<b>Movements in working capital:</b>			
(Increase)/decrease in inventories		(10,813)	8,371
Increase in biological assets		(3,603)	(4,095)
Decrease/(increase) in trade and other receivables		972	(6,364)
Increase in trade payables and other short-term liabilities		3,214	2,755
<b>Cash generated from operations</b>		<b>6,878</b>	<b>10,376</b>
Interest paid		(6,194)	(7,907)
Income tax paid		(1,304)	(1,600)
<b>Net cash generated from operating activities</b>		<b>(620)</b>	<b>869</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		272	912
Acquisition of land plots		(638)	(591)
Acquisition of property, plant and equipment		(7,363)	(18,402)
Proceeds from disposal of property, plant and equipment		1,298	20,683
Acquisition of intangible assets		(297)	(54)
Proceeds from disposal of investments		-	2,763
Acquisitions of subsidiaries, net of cash acquired		(173)	-
<b>Net cash generated (used in)/from investing activities</b>		<b>(6,901)</b>	<b>5,311</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		11,662	-
Repurchase of bonds		(3,487)	(26,656)
Settlement of obligations under finance lease agreements		(255)	(608)
<b>Net cash generated from/(used in) financing activities</b>		<b>7,920</b>	<b>(27,264)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>399</b>	<b>(21,084)</b>
Cash and cash equivalents at the beginning of the period		32,888	64,925
Effect of exchange rate fluctuations on cash and cash equivalents		4,485	12,734
Effect of foreign currency exchange differences		(5,813)	(23,687)
<b>Cash and cash equivalents at the end of the period</b>		<b>31,959</b>	<b>32,888</b>

**Non-cash transactions**

During the year ended 31 December 2015, the Group entered into the land swap deal realizing a gain in the amount of USD 9,080 thousand (Note 7).

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**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 displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2015 the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country’s economic recession characterized by a decline in gross domestic product. The financial markets continue to be volatile and are characterized by frequent significant price movements and increased trading spreads. Russia’s credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability and growth of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

**Seasonality**

The agricultural sector exhibits obvious seasonal behavior. During the period from December to March, the organic growth of the crops is minimal and no major inputs are made in the production. During the summer period the finished goods in stock are at the same level as prior year harvested grain is sold and no current year grain is yet harvested. Accounts payable are significantly higher in comparison with December because of significant purchases not yet paid for agricultural inputs such as seeds, fertilizers, fuel and other.

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**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 in accordance with 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 2014.

**Change in accounting policy.** During the year, the exchange rate used for translation of share-based payments reserves from Russian Ruble to US Dollars was changed from the rate at the reporting date to the historic rate. The Group believes that the change provides reliable and more relevant information. This change in accounting policy has no material impact on the Group’s consolidated financial statements for the years ended 31 December 2015 and 2014.

**Functional and presentation currency**

Functional currency of the Group entities is considered to be Russian Ruble (“RUB”), the currency of the primary economic environment in which the Group operates.

The Group’s presentation currency is US Dollar (“USD”). All the financial information in these condensed consolidated financial statements, including comparative information, has been translated from RUB 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, 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.

	<u>2015</u>	<u>2014</u>
RUB/USD average for the year ended 31 December	60.9579	38.6025
RUB/USD as at 31 December	72.8827	56.2584
RUB/SEK average for the year ended 31 December	6.8837	7.2021
RUB/SEK as at 31 December	6.6748	5.5950

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**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 and does not meet the criteria for 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.

**Segment revenues and results**

<i>In thousands of US Dollars</i>	Year ended 31 December 2015			
	Revenue from external sales	Inter-segment revenue	Depreciation and amortization	Net result
Agricultural companies				
– Voronezh region	11,212	1,072	711	-
– Kursk region	29,720	1,053	2,301	-
– Lipetsk region	18,110	1,397	1,925	-
– Tambov region	21,896	591	1,257	-
Elevators	164	3,705	1,419	-
<b>Total</b>	<b>81,102</b>	<b>7,818</b>	<b>7,613</b>	<b>35,992</b>
Central administrative costs and director's salaries				(16,327)
Other income and expenses				9,687
Financial expenses, net				(12,831)
<b>Profit before income tax</b>				<b>16,521</b>

<i>In thousands of US Dollars</i>	Year ended 31 December 2014			
	Revenue from external sales	Inter-segment revenue	Depreciation and amortization	Net result
Agricultural companies				
– Voronezh region	16,826	3,243	2,369	-
– Kursk region	35,126	1,872	3,516	-
– Lipetsk region	37,128	1,610	3,218	-
– Tambov region	23,338	837	2,673	-
Elevators	359	5,233	2,501	-
<b>Total</b>	<b>112,777</b>	<b>12,795</b>	<b>14,277</b>	<b>12,501</b>
Central administrative costs, including directors' salaries				(15,141)
Other income and expenses				8,853
Financial expenses, net				(22,582)
<b>Loss before income tax</b>				<b>(16,369)</b>

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**Segment information (continued)**

**Segment revenues and results (continued)**

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**

<i>In thousands of US Dollars</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Agricultural companies		
– Voronezh region	15,401	19,380
– Kursk region	37,089	43,042
– Lipetsk region	43,758	45,238
– Tambov region	32,455	27,723
Elevators	16,986	22,857
<b>Total segment assets</b>	<b>145,689</b>	<b>158,240</b>
Corporate assets	35,467	36,032
<b>Consolidated total assets</b>	<b>181,156</b>	<b>194,272</b>

**Revenues from major products**

<i>In thousands of USD Dollars</i>	<b>Year ended</b>	
	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Corn	30,735	42,215
Sunflowers	22,055	20,914
Wheat	17,079	21,871
Barley	7,480	6,840
Spring rape seed	1,421	8,898
Potatoes	966	3,212
Milk and meat	612	974
Soya	70	4,278
Peas	-	1,627
Other and Waste grains	252	228
Other goods and services	432	1,719
	<b>81,102</b>	<b>112,776</b>

**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 generates only financial income and expenses and incurs administration costs and director salaries expenses.

**4. Valuation of biological assets**

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 2015 amount to USD 6,677 thousand (31 December 2014: USD 6,887 thousand).

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**Valuation of biological assets (continued)**

*In thousands of US Dollars*

	<b>Crop production (current)</b>	<b>Livestock (non-current)</b>	<b>Total</b>
Balance at 1 January 2014	7,468	674	8,142
Increase due to accrued expenses for current year harvest	65,654	241	65,895
Increase due to accrued expenses for winter wheat	2,124	-	2,124
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	(3,526)	(291)	(3,817)
<b>Balance at 31 December 2014</b>	<b>6,066</b>	<b>431</b>	<b>6,497</b>
Increase due to accrued expenses for current year harvest	51,460	177	51,637
Increase due to accrued expenses for winter wheat	1,460	-	1,460
Decrease due to sales	-	(129)	(129)
Change in fair value less estimated point-of-sale costs	44,970	(52)	44,918
Harvested crops transferred to inventories	(94,558)	-	(94,558)
Effect of foreign currency exchange differences	(1,121)	(100)	(1,221)
<b>Balance at 31 December 2015</b>	<b>8,277</b>	<b>327</b>	<b>8,604</b>

**5. Revenue and gains**

*In thousands of US Dollars*

	Year ended	
	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Revenue from sales of crop production	80,055	110,083
Revenue from sales of milk and meat	612	974
Revenue from sales of other goods and services	435	1,719
Gain on revaluation of biological assets	44,918	22,624
Change in net realizable value of agricultural produce after harvest	4,375	9,017
	<b>130,395</b>	<b>144,417</b>

**6. Cost of sales**

*In thousands of US Dollars*

	Year ended	
	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Materials	27,564	54,442
Depreciation and amortization charge	6,421	11,836
Salary and social taxes	4,413	7,903
Third party crop handling services	918	3,131
Loss of crops	500	317
Rent	417	845
Taxes	402	999
Repair expenses	300	713
Other expenses	673	1,398
	<b>41,608</b>	<b>81,584</b>

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. Other income and expenses, net**

*In thousands of US Dollars*

	Year ended	
	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Gain related to swap deal	9,080	-
Income on grain hedge	1,523	4,363
Change in allowance for doubtful debts	275	(1,460)
Result on disposal of plant, property and equipment	246	86
Write-off accounts receivable or payable	132	91
Gain on revaluation of investment property	12	498
Fines and penalties received	4	491
Donations	(98)	(67)
Losses and gains related to disposal of other assets	(318)	184
Other income and expenses	(1,169)	(546)
Loss on fire warehouse	-	(1,537)
Gain on assets sale in Voronezh region	-	6,750
	<u><b>9,687</b></u>	<u><b>8,853</b></u>

**Land swap deal**

At 17 March 2015 the Group announced that it had agreed to swap the land and related real estate assets from its Stanovoye (Lipetsk region), Shatsk (Ryazan region) and Pervomaisky (Tambov region) farms with three counterparties, in return for land and an elevator in proximity to Black Earth Farming's existing operations at Morshansk (Tambov region). The deal closed in June 2015.

Assets received are measured at fair value on the basis of a valuation carried out by an independent appraiser, who has appropriate qualifications and recent experience in the valuation of properties in the relevant location.

*In thousands of US Dollars*

Fair value of property, plant and equipment and other assets received	11,971
Cash received	1,899
Carrying value of property, plant and equipment disposed	(4,790)
<b>Result before tax</b>	<u><b>9,080</b></u>

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 1,690 thousand.

**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:



**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
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**Other income and expenses, net (continued)**

**Gain on assets sale in Voronezh region (continued)**

<i>In thousands of US Dollars</i>	<b>17-Jun-2014</b>
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)
<b>Net assets of subsidiary</b>	<b>3,626</b>
Cash consideration received	3,359
<b>Loss on disposal of subsidiary</b>	<b>(267)</b>

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**

<i>In thousands of US Dollars</i>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Advances paid for goods and services	2,678	5,170
VAT receivables	1,612	3,230
Trade receivables	3,844	6,071
Income tax receivable	170	1,009
Other prepayments and receivables	3,023	1,400
Allowance for doubtful debts	(590)	(1,276)
	<b>10,737</b>	<b>15,604</b>

**9. Borrowings**

	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>SEK bonds – at amortised cost</b>		
Non-current	51,058	58,819
Current	1,578	1,380
	<b>52,636</b>	<b>60,199</b>
<b>RUB borrowings – at amortised cost</b>		
Non-current lease	111	461
Current lease	234	270
Bank VTB	10,486	-
	<b>10,831</b>	<b>731</b>
	<b>63,467</b>	<b>60,930</b>

On 30 October 2013, the Group issued senior unsecured bonds, SEK 750 million (USD 118,030 thousand translated at the exchange rate of SEK/USD of 6.3543 at that date) 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 the maturity of 4 years. Interest is payable 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.

As of 31 December 2015, the Group had repurchased a total of SEK 309 million of its bond. As of 31 December 2014, the Company had repurchased SEK 276 million of its bonds.

In August 2015, the Group signed a new credit facility agreement with Bank VTB for up to RUB 800 million with an interest rate of 14.3 %. The credit facility has to be used to finance working capital and is available for a period of up to twelve months. At 31 December 2015, USD 10,375 thousand (RUB 756,163 thousand) had been drawn under this credit facility. The Group has committed to pledge certain assets as collateral under the terms of the agreement.

As at 31 December 2015 and 2014 the Group was in compliance with all covenants stipulated in borrowing agreements.

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
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**10. Dividends**

During the year ended 31 December 2015 the Board of Directors proposed no dividends to be paid or declared.

**11. Earnings/(loss) per share**

*In US Dollars*

	Year ended	
	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Profit/(loss) for the period	14,314,000	(17,437,000)
Weighted average number of ordinary shares	<u>208,652,567</u>	<u>207,669,445</u>
Basic and diluted earnings/(loss) per share	0.07	(0.08)

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

**12. Related party balances and transactions**

	Year ended	
	<u>31-Dec-15</u>	<u>31-Dec-14</u>
<i>In thousands of US Dollars</i>		
<b>Purchase of services from related parties</b>	<b>3,071</b>	<b>2,588</b>
TerraVost Ltd (formerly KinnAgri Ltd)	1,269	1,258
KCM International Ltd	1,802	1,330
<b>Less: sub-contracted to third parties</b>	<b>(204)</b>	<b>-</b>
TerraVost Ltd (formerly KinnAgri Ltd)	(188)	-
KCM International Ltd	(16)	-
<b>Purchase of services from related parties, net of sub-contractors</b>	<b>2,867</b>	<b>-</b>
TerraVost Ltd (formerly KinnAgri Ltd)	1,081	-
KCM International Ltd	<u>1,786</u>	<u>-</u>
	<u><b>31-Dec-15</b></u>	<u><b>31-Dec-14</b></u>
<b>Accounts payable owed to related parties</b>		
TerraVost Ltd (formerly KinnAgri Ltd)	404	209
KCM International Ltd	401	186
	<u>805</u>	<u>395</u>

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

In December 2014, KinnAgri Ltd completed a buyback of the shares of Investment AB Kinnevik in KinnAgri Ltd. As Investment AB 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 the Group, reverted back to being the majority shareholder of TerraVost Ltd.\

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**13. Contingencies and commitments**

**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 and customs 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 successfully challenged by relevant 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 of review. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This 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 has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group. Starting from 1 January 2015 the "de-offshorisation law" came into force introducing broader rules for determining the tax residency of legal entities which may have an impact on the Group's operations. In particular, more specific and detailed rules were put in place establishing when foreign entities can be viewed as managed from Russia and consequently can be deemed Russian tax residents. Russian tax residency means that such legal entity's worldwide income will be taxed in Russia.

The Group comprises companies incorporated outside of Russia. The tax liabilities of the Group were determined on the assumption that these companies were not subject to Russian profits tax, because they did not have a permanent establishment in Russia and were not Russian tax residents by way of application of the new tax residency rules. This interpretation of relevant legislation in regard to the Group companies incorporated outside of Russia may be challenged. The impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position 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 of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

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

**14. Subsequent events**

As of 20 February the Group repurchased additional SEK 29 million (USD 3,415 thousand) of bonds in order to manage interest expense and foreign exchange exposure.

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 256,000 hectares of what perhaps is the world's most fertile soil.



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, 26 February 2016

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Per Åhlgren, Chairman

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Camilla Öberg, Non-executive Director

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Dmitry Zavgorodniy, Non-executive Director

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Franco Danesi, Non-executive Director

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Poul Schroeder, Non-executive Director

This report has not been subject to review by the auditors of the Company

#### Future financial reports:

2015 Annual Report  
1Q 2016 interim report  
Annual General Meeting  
2Q/1H 2016 report  
3Q/9M 2016 report  
4Q/FY 2016 Year-end report

31 March 2016  
19 May 2016  
20 May 2016  
12 August 2016  
11 November 2016  
24 February 2017

#### For further information, please contact:

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Group's website: [www.blackearthfarming.com](http://www.blackearthfarming.com)

## **NOMINATION COMMITTEE FOR THE 2016 ANNUAL GENERAL MEETING**

In accordance with the resolution of the 2015 Annual General Meeting, a Nomination Committee has been convened consisting of members representing the three largest shareholders in Black Earth Farming Ltd.

The Nomination Committee is comprised by Joakim Andersson appointed by Investment AB Kinnevik, Per Ahlgren appointed by GoMobile Nu AB, and Ramsay Brufer appointed by Alecta. At the Committee's first meeting, Joakim Andersson, representing Investment AB Kinnevik, was elected Chairman of the Committee.

Shareholders wishing to submit proposals to the Nomination Committee should do so in writing via email to [nominationcommittee@blackearthfarming.com](mailto:nominationcommittee@blackearthfarming.com) or by mail to Black Earth Farming Ltd, attention Nomination Committee, Nautilus House, La Cour des Casernes, St Helier, Jersey, JE1 3NH, Channel Islands.

Information about the work of the Nomination Committee can be found on Black Earth Farming's corporate website at [www.blackearthfarming.com](http://www.blackearthfarming.com).

For additional information, please contact:

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