BLACK
EARTH
FARMING LTD.

ANNUAL REPORT 2015

General Shareholder Information

Annual General Meeting

Black Earth Farming Ltd ("Black Earth Farming") hereby invites shareholders to participate in the Annual General Meeting at 09.00 CET on Friday 20 May 2016 at Näringslivets Hus, Storgatan 19 in Stockholm, Sweden.

Participation

Holders of Swedish Depository Receipts ("SDRs") wishing to attend the Annual General Meeting shall be recorded in the register of shareholders maintained by Euroclear (former VPC AB) on Friday 13 May 2016, and must notify the Company of their intention to attend the Meeting no later than 13.00 CET on Monday 16 May 2016. The holder of the Swedish Depository Receipts shall state his name, personal or company identification number, address as well as telephone number.

Notice of participation

Holders of Swedish Depository Receipts can give their notice of participation:

- by mail at the address:
  Computershare AB
  AGM of Black Earth Farming Ltd
  Box 610
  182 16 Danderyd
  Sweden
- by telephone +46 (0)771 24 64 00
- by fax +46 (0)8 588 04 201
- by e-mail to info@blackearthfarming.com

Nominee-registered shares

Holders of Swedish Depository Receipts which hold their receipts through nominees (Sw. förvaltare) must request a temporary registration of the voting rights in order to be able to participate in the General Meeting. Holders of Swedish Depository Receipts that want to obtain such registration should contact the nominee regarding this well in advance of 13 May 2016. Voting forms (Sw. röstkort) will be distributed to the holders that have complied with the above requirements and the voting form must be brought to the Annual General Meeting.

Proxies, etc.

If a holder of Swedish Depository Receipts intends to be represented by proxy, the name of the proxy holder shall be stated. For holders of Swedish Depository Receipts who will be represented by a proxy at the Meeting, a proxy form is available at the Company's website on www.blackearthfarming.com. The signed proxy form should be sent or mailed to the company at the above stated valid addresses.

Calendar of events in 2016

- 2015 Annual Report Publication: 7 April
- 1Q Interim Report, 1 January–31 March: 19 May
- 2016 Annual General Meeting: 20 May
- 2Q Interim Report, 1 January–30 June: 12 August
- 3Q Interim Report, 1 January–30 September: 11 November

Investor Relations

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Internet website

www.blackearthfarming.com

SDR tickers

- NASDAQ OMX Stockholm: BEF SDB
- Reuters: BEFsdb.ST
- Bloomberg: BEFSDB SS

Disclaimer

Black Earth Farming Ltd
Annual Report 2015

Black Earth Farming at a Glance

- **Business profile: Efficient producer of grain and oil seeds in Russia's Black Earth Region**

– A major land owner and producer of cereals, oilseeds and vegetables in Russia's fertile Central Black Earth region
– 588 thousand tons production from 149,000 cropped hectares in 2015
– Key crops includes corn, wheat, sunflower, barley and potatoes
– Science driven approach to agronomy and farming to increase productivity and cut costs per ton
– In-house sales and trading with export capacity and futures hedging to control value chain and manage risks
– Irrigated vegetable cropping to diversify core business and exploit market opportunity

- **Land: 256, 000 Hectares controlled and 227,000 Hectares of owned high quality agricultural soil**

– Consolidated land bank in Russia's Black Earth region, endowed with some of the most fertile soils in the world
– Total controlled land bank of 256,000 hectares, with 89%, or 227,000 hectares in ownership
– 25,000 hectares leased and 4,000 hectares in process of registration as of 31 December 2015
– 197,000 hectares held on balance sheet at historical cost of USD 22.3mn

- **Storage: 470,000 tons of storage capacity. 230,000 storage capacity at railhead**

– 160,000 tons of bin storage and 70,000 of flat bed storage at railhead
– 40,000 tons of ventilated bin storage and 200,000 tons of flat bed storage on farms
– Investment in drying capacity and storage to reduce transhipment and increase sales flexibility
– Self-sufficient in storage and processing capacity
– 17,000 tons of vegetable crop storage capacity

- **Machinery and equipment: Around 500 units of mostly western agricultural equipment**

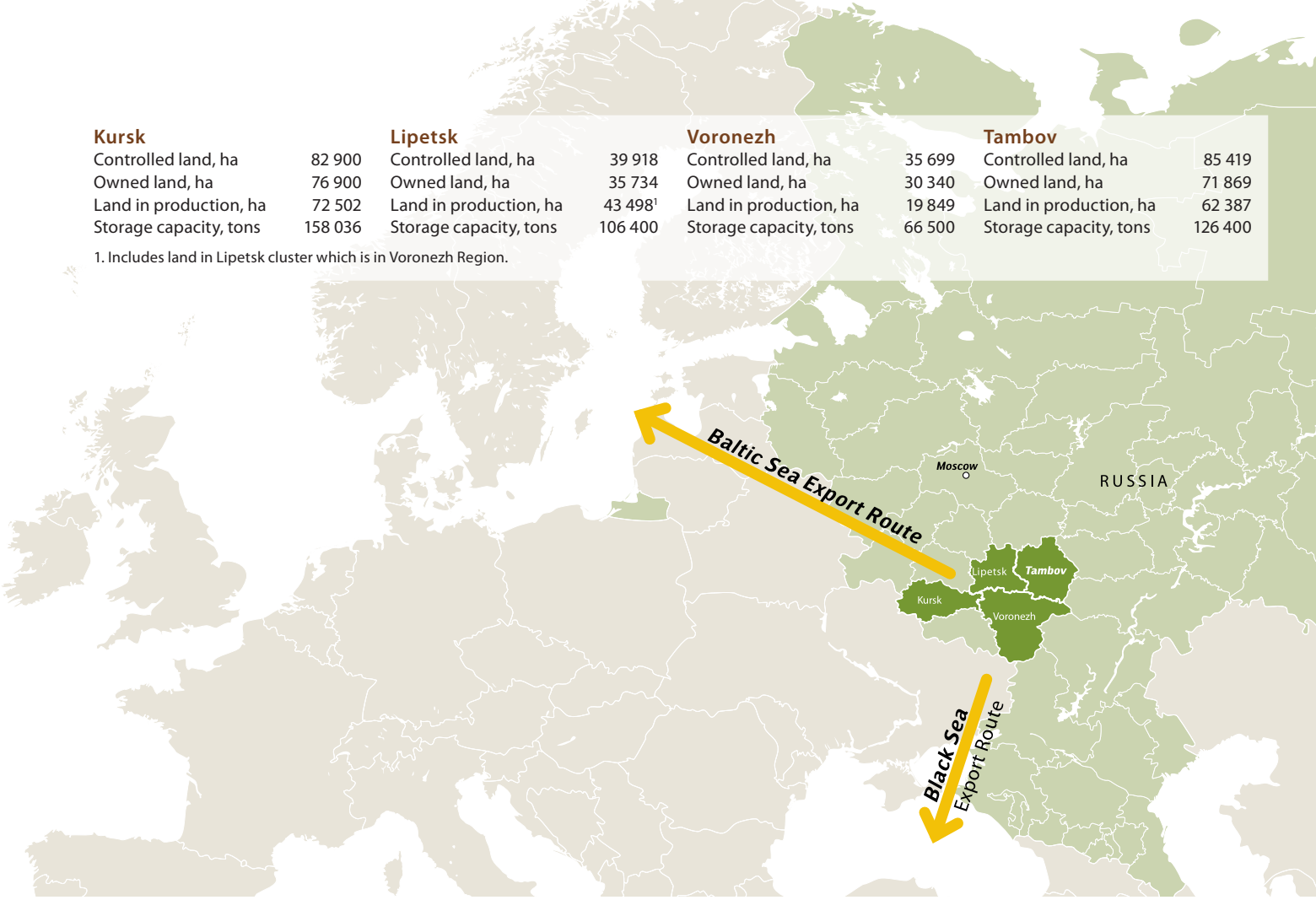
– Modern machinery fleet including John Deere, CLAAS and Caterpillar challenger equipment
– 68 combines, 37 self-propelled sprayers, 109 tractors, 175 trucks
– Self-sufficient to manage seeding and harvesting campaigns with in-house fleet
– Fully equipped workshops and central spare part and maintenance operations

- **2015 results: USD 14.3mn (-17.4mn) net income on higher yields and lower costs**

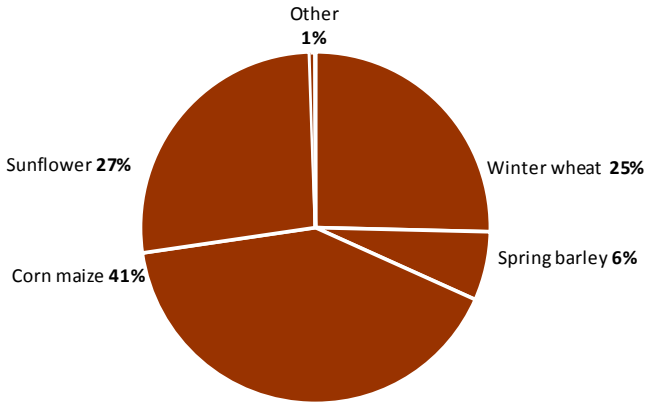
– Average blended yield (excl vegetable crops) up 36% y-o-y and up 90% since 2011
– Production costs per ton down 37% y-o-y and 47% since 2011 on yield improvement, operational efficiencies and ruble weakness
– EBIT up $23.1mn y-o-y from $6.2mn to $29.4mn
– Bond buybacks contributes to lower financing costs and reduced foreign exchange translation losses
– Adjusted for crop inventory movement and financing items, cash flow positive in 2015

Kursk		Lipetsk		Voronezh		Tambov	
Controlled land, ha	82 900	Controlled land, ha	39 918	Controlled land, ha	35 699	Controlled land, ha	85 419
Owned land, ha	76 900	Owned land, ha	35 734	Owned land, ha	30 340	Owned land, ha	71 869
Land in production, ha	72 502	Land in production, ha	43 498[1]	Land in production, ha	19 849	Land in production, ha	62 387
Storage capacity, tons	158 036	Storage capacity, tons	106 400	Storage capacity, tons	66 500	Storage capacity, tons	126 400

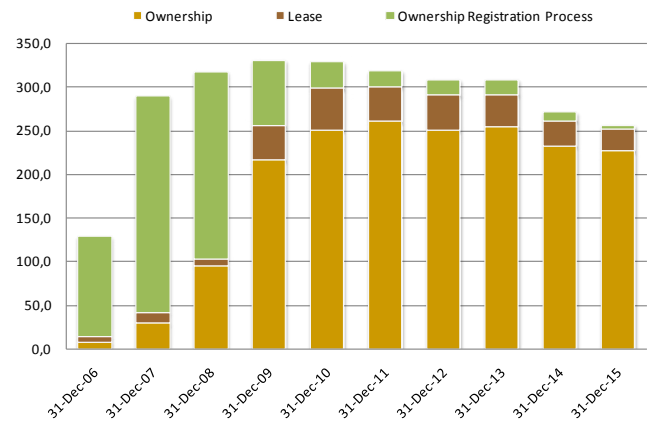
1. Includes land in Lipetsk cluster which is in Voronezh Region.



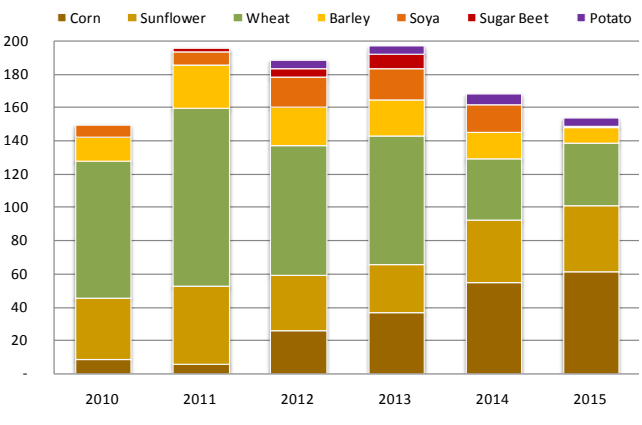
D1: 2015 Revenue by Crop



D2: 2006 - 2015 Land Development, thousand hectares



D3: 2006 - 2015 Land Development, thousand hectares

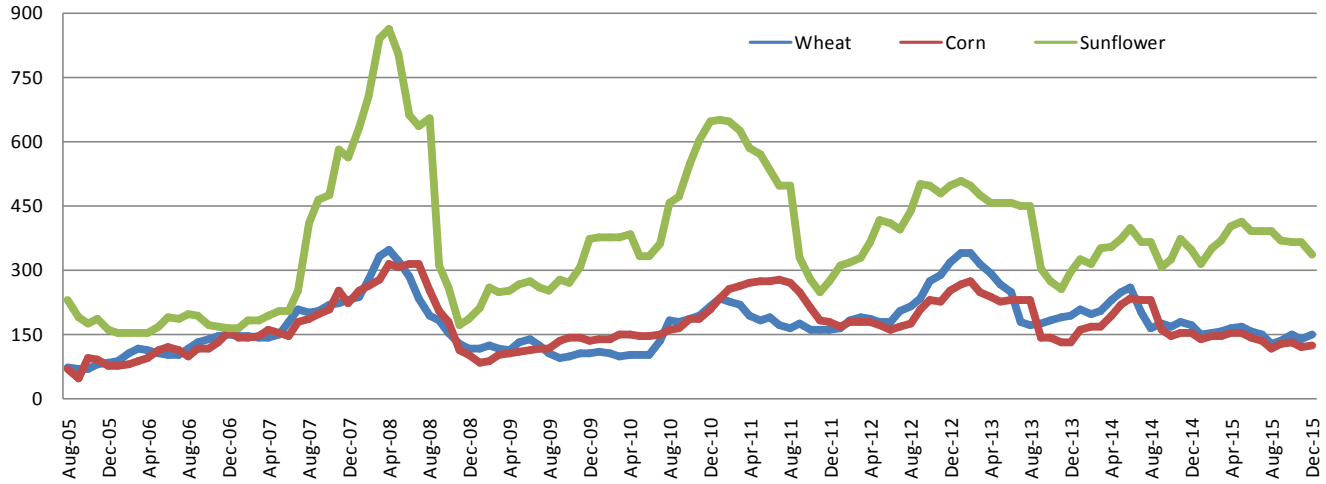


2015 Highlights

- **Prices: 2015 agricultural commodity prices remain at low levels**

– Third consecutive year of record global harvests pressure world grain prices
– Central region corn and wheat prices were down 30% and 26% respectively y-o-y in USD in December 2015
– Domestic hard currency prices continue to correlate with international prices as increased feed demand support local market
– Sunflower prices flat (-1% y-o-y) amidst global weakness as rising local crushing capacity boosts domestic demand

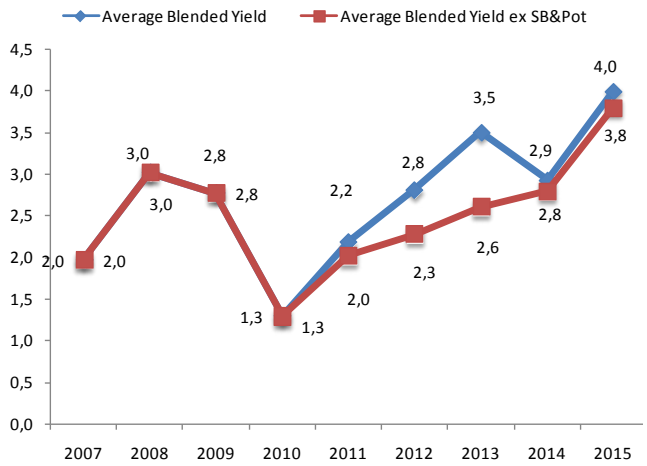
D1: Central Black Earth Region Prices on Key Crops, USD



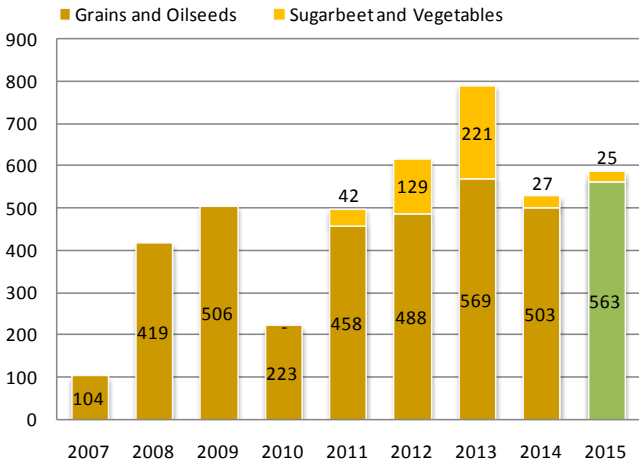
- **Yields: Average blended yield (excl. vegetable crops) up 36% y-o-y and 90% since 2011**

– Blended average crop yield up 36% y-o-y to 3.8 t/Ha and 90% since 2011 of 2.0 t/Ha
– Corn yield up 51% y-o-y to 5.3 t/Ha, which is the highest level in the Company's history
– Sunflower yield up 16% y-o-y to 2.2 t/Ha, also a record result for the Company
– Potato yield up 16% y-o-y to 35.9 t/Ha, albeit with lower quality
– Total production up 7% y-o-y to 588,000 tons despite a 19% reduction in cropped area

D2: Crop Yield Development, tons per hectare



D3: Commercial Harvest, thousand tons



- **Costs: Average production costs per ton down 37% y-o-y**

– Average harvest year production costs per ton declined 37% y-o-y in 2015 and 47% since 2011
– Lower unit production costs driven by higher yield, improved operating efficiency and a weaker ruble
– Procurement and ruble weakness led to lower spend on seeds, sprays and fertilizers
– Higher internal machinery and infrastructure utilization and centralized management lowered costs on fuel, spare parts and external services

- **2015 results: EBIT up USD 23.1mn y-o-y to USD 29.4mn on higher yields and lower costs**

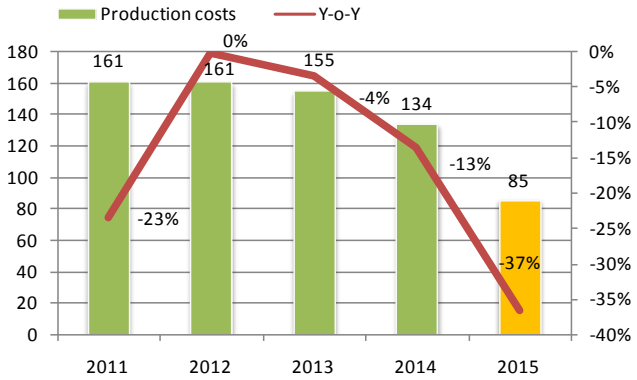
– Bottom line driven by gross margin expansion on higher yields and lower costs per ton more than compensating for lower prices
– Liptesk-Tambov land and real estate swap closed with USD 9.2mn pre-tax profit in 2015
– EBITDA up USD 16.4mn y-o-y from USD 20.8mn to USD 37.2mn
– Bond repurchases and a weaker SEK/USD contributed to reducing interest expense, down USD 2.6mn y-o-y to USD 5.2mn, and reduced foreign exchange translation loss, down USD 8.5mn to USD 7.9mn
– Net income up USD 31.8mn y-o-y to USD 14.3mn 2015, which is the best result ever achieved by the Company

T1: BEF Income Statement in Brief

USD million	2011	2012	2013	2014	2015
Total Revenue&Gains	85,0	224,1	148,3	144,4	130,4
Gross Result	2,9	54,1	6,1	37,8	50,9
EBITDA	-13,5	34,7	-11,4	20,9	37,2
Operating Result	-27,7	19,5	-30,6	6,2	29,4
Net Result	-45,7	7,0	-45,9	-17,4	14,3
Net cash flow	-60,0	-18,2	-13,8	-27,6	-0,9

Ruble values for all periods converted at the average CBR RUR/USD foreign exchange rate for the relevant periods.

D4: Average Production Cost Per Ton Development, USD per ton



- **Cash flows and financial position**

– Cash from operating activities before working capital up USD 5.1mn y-o-y to USD 17.6mn
– Crop inventory of 227kt, valued at USD 32.8mn at year-end 2015, vs 144kt valued at USD 23.5mn at year-end 2014
– Capex down USD 10.8mn y-o-y to USD 7.7mn in 2015 from USD 18.5mn in 2014
– Subsidized credit line of RUB 800mn (USD 11mn) opened with a leading Russian bank
– USD 3.9mn bonds repurchased in 2015, with another USD 3.4mn repurchased after the end of the reporting period
– Adjusted for crop inventory movement and financing items, the Company was cash flow positive in 2015
– Total debt of USD 63.5mn and net debt of USD 31.5mn with a USD 32.0mn cash position as of 31 December 2015
– Covenant ratio at 49% at year-end

- **Proposal of No Dividend for 2015**

CEO Statement

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 vegetable 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 31.7 mn y-o-y to USD 14.3mn (-17.4).

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 has 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 respectively in hard currency terms in 2015. The 30% (end of period, y-o-y) devaluation of the Russian RUB helped to contain costs, but also resulted in a USD 7.9mn (16.5) FX translation loss on our SEK denominated debt.

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 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 cost per ton is estimated to be down 37% y-o-y in dollars and 14% in RUB. 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. 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 and Marketing

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 potato crops have meant that prices have suffered the full effect of the local currency devaluation, with

no offset from RUB price inflation with therefore 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 on inventory (+56%). Gross profit after distribution expenses 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 (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 currency exposure 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, which we believe is a strong balance sheet as we enter into the 2016 production cycle.

2016 Crop

38k hectares (42) 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. All monitoring shows that the crops remain in excellent condition. 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.

T1: Net Crop Yield Development

(tons/ha)	2011	2012	2013	2014	2015	2015 to 2014	Av. 2011-2014	2015 to Av.	2015 to 2011
Winter wheat	2,40	2,10	3,30	4,00	3,50	-13%	3,00	19%	46%
Spring barley	1,90	2,40	2,60	3,60	3,20	-11%	2,60	22%	68%
Corn	4,90	5,10	4,30	3,50	5,30	51%	4,50	19%	8%
Suns	2,00	1,90	2,00	1,90	2,20	16%	2,00	13%	10%
Potato	n/a	33,20	33,90	31,00	35,90	16%	32,70	10%	n/a
Average (Ex. Pot)	2,00	2,30	2,60	2,80	3,80	36%	2,40	57%	90%
Average	2,20	2,80	3,50	2,90	4,00	38%	2,90	40%	82%

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 enterprise.

Richard Warburton
CEO and President
Black Earth Farming Ltd
7 April 2016

Black Earth Farming – Background and profile

Black Earth Farming ("BEF") was established in 2005 and was among the first foreign-financed companies that undertook investments in the Russian agricultural sector. The Company holds ownership of an extensive land bank of first class soil in several Russian regions and is a major producer of grains, oilseeds and potatoes. Black Earth Farming's current focus is on increasing the productivity and profitability from its existing asset base and to become a best-in-class agro industrial company in terms of production costs per ton. The Company aims to continue to expand its diversification into irrigated vegetable crops. As of 31 December 2015, Black Earth Farming had 256,000 hectares under control, of which 89% were owned. In 2015, a total of 149,000 hectares were in cropped. The Company plans to crop a similar area in 2016.

2005-2009: Building the Asset Platform

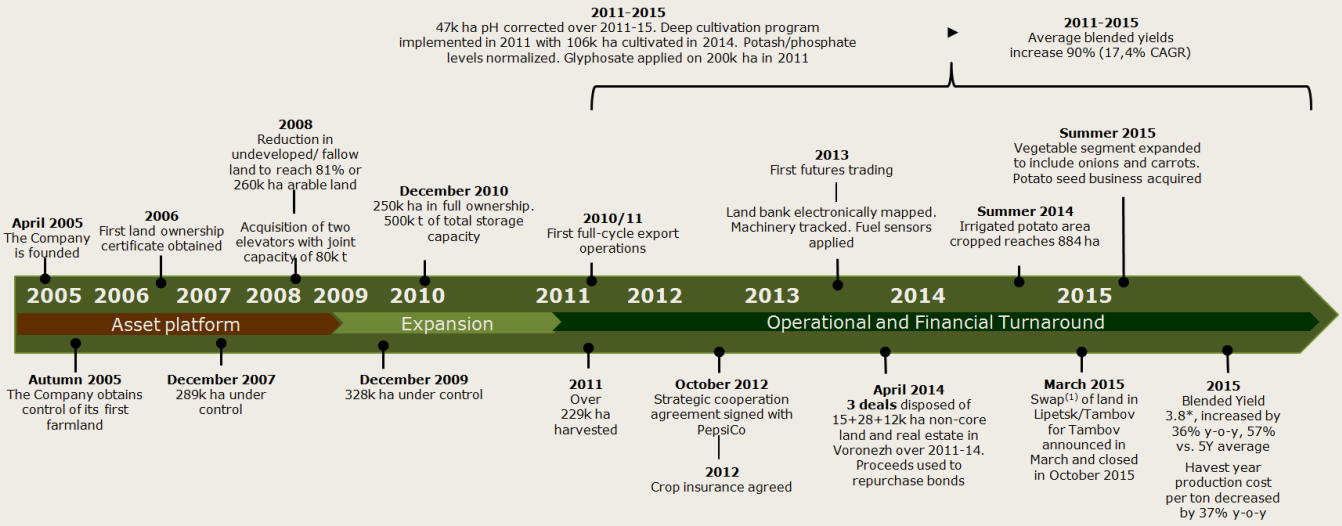
Black Earth Farming was established in 2005 and was among the first foreign-financed companies that invested into the Russian agricultural sector. The Company has established a significant presence in the regions of Kursk, Tambov, Lipetsk and Voronezh in the central "Black Earth" area of Russia. From the Company's inception in 2005 up until 2009, Black Earth Farming's focus was directed towards building an asset platform. Agricultural land in Russia is usually comprised of a number of farm lots and can be classified as state, municipal or private property. With the reorganization of the Russian Kolkhoz or collective farms, the employees of such organizations obtained a part of the agricultural land in common. The Company approach to build a land bank was mainly to acquire privatized collective farms owned by a group of natural persons. The Company holds freehold ownership of land plots and lease rights via Russian subsidiaries. BEF obtained its first control of agricultural land in 2005, which was converted into the Company's first ownership title in 2006. At the end of 2006, the Company already had 115k Ha in process of registration. By the end of 2009, BEF had invested approximately USD 75mn in land assets to control 330k Ha, of which 216 was owned, 39k Ha leased and 75k Ha in different stages of ownership registration. While expanding its land bank, the Company also acquired storage capacity and production infrastructure and procured a fleet of agricultural machinery and equipment. At the end of 2008, an elevator with storage capacity of 60 kt was acquired by the Company. By the end of 2009, about USD 70mn had been invested in drying and storage capacity, and more than USD 100mn in machinery and equipment. During the accumulation of the Company's asset platform, Black Earth Farming was run from a large office in Moscow with a focus on land registration and procurement of infrastructure and equipment.

The phase of intensive investment in the Company's asset base was accompanied by several funding rounds. Between 2005 and 2007, the Company funded its initial asset acquisitions through several private equity placement rounds. Funding was raised mainly from Swedish investment companies Vostok Nafta and Investment AB Kinnevik. While Vostok Nafta distributed its holding to its shareholders in April 2013, Investment AB Kinnevik remains as a major shareholder. In March 2007, the Company issued a EUR 55mn bond at 13%, followed by USD 40mn share issue in August. At the end of 2007, the Company completed an IPO on OMX First North in Stockholm, raising SEK 1,920mn (or USD 298mn at the rate at the time of the placement). In June 2009, the Company changed listing from First North to the main Nasdaq OMX list.

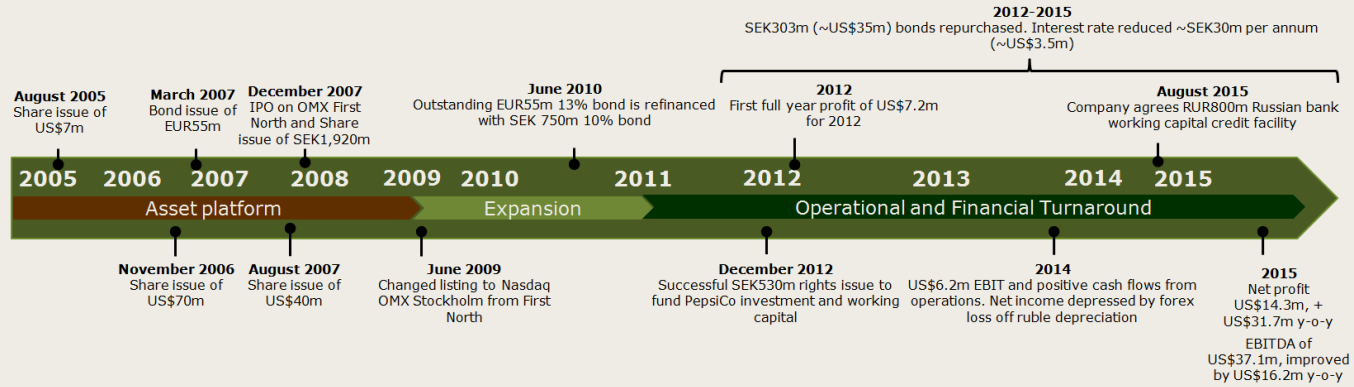
2009 – 2011: Expansion of Production

2009 to 2011 was a period where the focus of the company started to shift from laying down the asset platform to digesting and integrating the assets and ramping up the operations. The farmland acquired had been laying fallow for many years and could not be put into production immediately. The Company first had to restore and improve the condition of the land. The methodology, which is extensive and resource consuming, included several steps, such as clearing scrub, heavy discing and field levelling. Significant investment was made into converting undeveloped and fallow land into arable. By the end of 2008, the Company estimates that it had brought 81% of its total controlled land, or 260k Ha, out of fallow and into cultivation. In 2007, BEF cropped only 53k ha. By 2009, production had expanded to 183k Ha. 2010 cropped area was similar to 2009 as the Company faced a severe drought and poor productivity. By 2011, cropped area had grown to 231k Ha, with total harvest volumes of 514kt. As production grew, investment in logistics and infrastructure

Operational achievements



Financial achievements



needed to grow to remove bottlenecks and meet increasing demand. By December 2010, Black Earth Farming had total storage capacity of 500kt and a machine fleet of more than 500 units. Over this period, the Company funded investments mainly out of the IPO proceeds from December 2007. In June 2010, the outstanding EUR 55m 13% bond was refinanced with a SEK 750mn (USD 98mn at the rate of the time of the placement) 10% bond.

2011 – 2015: Operational turnaround and diversification

If 2005-2009 was mostly about putting productive capacity in place, and 2009-2011 was about integrating the assets and bring land into organized production, 2011-2015 was about stabilization, turnaround and optimization of the operational business. Once fallow had been broken and the fields restored to cropping condition, the focus shifted to raising crop yields and implementing operational improvements. Initially this work focused on removing constraints to crop yields. A deep cultivation program was launched in 2011 to remove soil compaction. Soil Ph levels were corrected on 47k Ha over 2011-2015. Potash and phosphate levels were raised to optimum levels over the same period. New initiatives for seed selection and weed control were introduced. In parallel, Black Earth Farming's land bank strategy was reviewed with an objective to imrove productivity, profitability, and utilisation of footprint. The continental climate in the central Black Earth Region of Russia, where the Company operates, has a crop growing season of approximately 120–170 days from South and East to West and North (compared to 270-300 days in north France, given its maritime climate and proximity to the Gulf Stream). This impacts productivity between regions but also within BEF's land bank, with more Western and Northerly areas generally offering higher yield potential. Growing days, soil quality, altitude, access to infrastructure and potential for further consolidation were considered.

By 2012, BEF had its complete land bank electronically mapped. Starting in 2012, the Company launched a program to improve its bank through divestment of underperforming non-core assets and swaps of land and infrastructure to build consolidated and compact production clusters. The 2012 to 2014 land transactions in Voronezh and 2015 swap in Lipetsk-Tambov are part of this strat-

egy, which remains ongoing. As a result of the transactions to date, the Company has been able to reduce its number of operational areas from nine to five. In this context, the Company has also simplified and unified organization and incentive structures across the company, with an appropriate balance of centralized and local decision-making. To support the new operational structure, BEF has introduced new command and control systems, employing world class IT resources and high level of automation to ensure real-time management information flow and operational responsiveness. In September 2015, the company announced the close of its Moscow office and the completion of the transition of its central functions to Voronezh.

The Company believes that investment into soil improvement and operational processes, as well as the ongoing land optimization has delivered results, as average blended yields have continued to grow since 2011 (up 90% or at 17% CAGR between 2011 and 2015), while production costs per ton are down in USD terms (-37% y-o-y in 2015 and -47% since 2011). In 2011, the Company also transformed its sales and marketing operations, as it completed its first full-cycle export program, chartering rail cars, elevation in deep water ports and shipping capacity to deliver crops to international buyers. In 2013, the Company launched a risk management program, trading grain futures on MATIF and Chicago. Another effort to manage revenue risk was to introduce crop yield insurance in 2012.

In 2012, BEF signed a cooperation agreement with PepsiCo to deliver potatoes to its Frito-Lay crisps production. This underpinned the initial expansion into irrigated vegetables with fixed priced contracts. From a small 31 ha pilot test field in 2012, BEF ramped production to 884 Ha in 2014. In 2015 onions and carrots were introduced to the crop mix.

On the back of strong prices, the Company posted its first profit of USD 7.0mn in 2012.

To support new investments in the core business but also the ramp of the irrigated vegetable crop enterprise, the Company raised SEK 530mn (USD 78mn at the rate of the time of the placement) in Dec 2012.

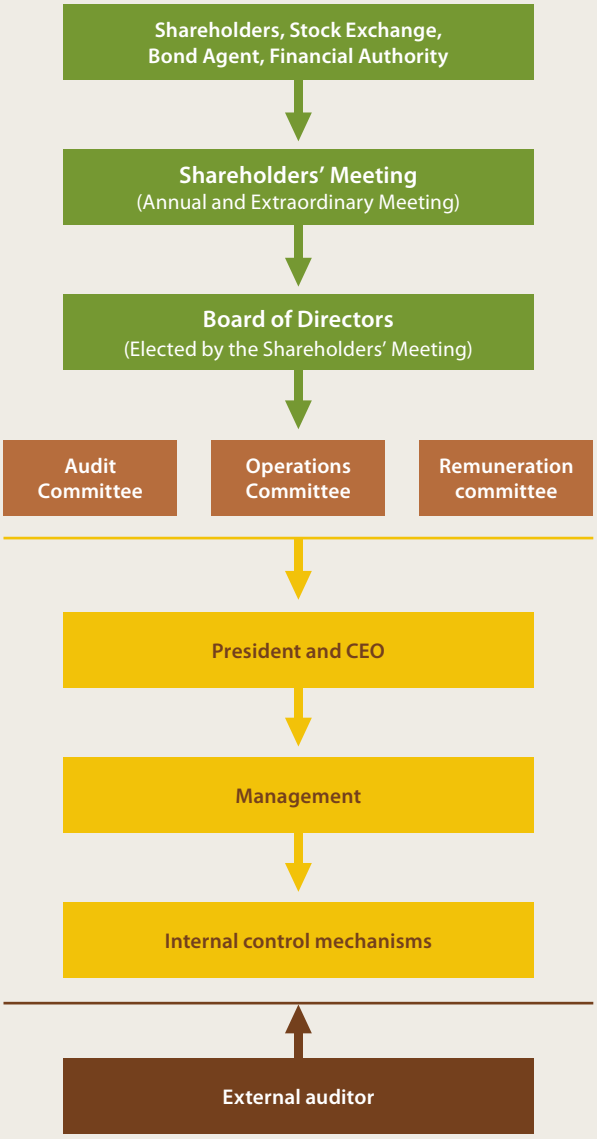
Over 2013 and 2014, operational performance started to improve with higher yields and lower costs per ton. However, sharply decreased international crop prices returned the Company to losses.

In 2015, the Company had significantly improved productivity. With a lower unit cost position, Black Earth Farming achieved a USD 14.3mn profit despite prices remaining at low levels. Improving financials allowed the Company to improve its capital structure. In August 2015, the Company attracted its first ever RUB 800mn (USD 11mn at the year-end RUB/USD rate) subsidized working capital facility from a leading Russian bank. From 2012 to 2015, the Company repurchased SEK 309mn of bonds (USD 36.5 at the year-end SEK/USD rate). After the reporting period, it repurchased another SEK 29.0mn (USD 3.4mn). The 2015 net profit of USD 14.3mn was the best result in the BEF's history and a significant step towards the Company's strategic objective of being profitable in low price environments and deliver significant returns in higher price years.

Corporate Structure and Organisation

Black Earth Farming Limited is a limited liability company incorporated in Jersey, in the Channel Islands, on 20 April 2005. Black Earth Farming Limited is the holding company for a number of legal entities established under the legislation of Cyprus, Guernsey and the Russian Federation. Those entities together are referred to as the Black Earth Farming Group. The Russian subsidiaries go by the name of Agro-Invest and are headquartered in Voronezh, where the company also holds its key central service functions. In the 2015 financial year, Black Earth Farming had an average of 1,729 employees, compared to an average of 1,781 in 2014.

Corporate Governance Structure



Business strategy

Business strategy

The strategic objective of Black Earth Farming is to be a leading, diversified, cost efficient agricultural producer on a global basis. The aim is to be profitable at low commodity prices and achieve significant returns in stronger price years, underpinning a valuation substantially above net asset values.

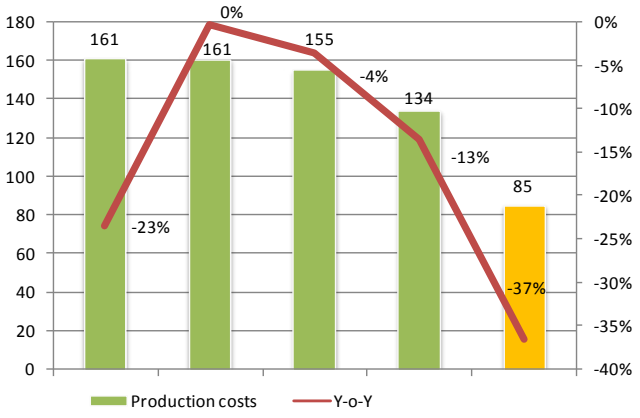
To reach its long-term business objective, Black Earth Farming has developed a strategy based on three key directions, each of which are supported by a number of tactical targets:

- High operational efficiency in the core business
- Land bank optimization
- Diversification into irrigated vegetable crops

High operational efficiency in the core business

As a commodity producer and price taker, competitive advantage comes from a sustainable low cost position. Black Earth Farming's strategy to improve the profitability of its core business is focused on raising productivity to achieve the highest possible crop yields for the lowest possible costs per ton. To achieve this end, BEF applies a R&D driven scientific approach to farming. The Company employs international expertise and adopts efficient farming methods supported by robust underlying science. A close cooperation with a technical agronomic partner serves to provide the best solutions to soil management, seed variety selection, crop nutrition and crop protection. This includes processing data from internal research or other external sources, as well as the training and education of staff to ensure proper implementation. In terms of organization, the Company has worked towards reducing the number of production units, unify management structures and incentive systems across the business and make sure proper management systems are in place. Over the past four years, BEF has made significant progress towards improving operational control; machinery has been equipped with GPS trackers and fuel sensors, input material application is tracked in real time and equipment maintenance and repairs have been centralized. The Company has moved from nine to five production clusters to achieve the best balance of economies of scale and on-site management and control, while seeking ways to reduce overhead costs. The cluster model optimizes the utilisation of resources as land areas are consolidated around local storage facilities and machinery hubs. The central

D1: Average Production Cost Per Ton Development, USD per ton



organization coordinates investments, technical strategy, marketing and procurement.

The farming business has inherent weather induced volatility relating to crop volumes and also faces meaningful price volatility with substantial effects on revenue and profitability. Black Earth Farming aims to manage these risks to the furthest extent possible. Beside the above mentioned efforts to lower costs and diversify the business towards higher value crops, the Company has also introduced a number of initiatives to manage risks. In 2011, the Company launched internally controlled export operations to open an additional sales channel with access to long-term contracts in hard currency and additional sales margin potential. In 2012, the Company took out crop yield index insurance for the first time, to mitigate weather risks to crop yields. In 2013, the Company started a grain hedging program with futures and options trading on MATIF and CBOT. These efforts are directed towards raising and stabilizing the Company's revenue.

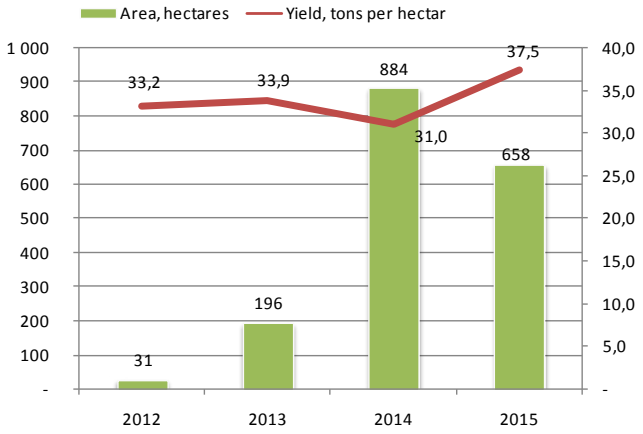
Land bank optimization

Black Earth Farming's land bank strategy is not directed towards growing the current footprint but rather at improving and consolidating the land portfolio. The continental climate in the central Black Earth Region of Russia, where the Company operates, provides for a crop growing season of approximately 120–170 days from East to West, where yields are generally positively correlated with the number of growing days in a season. The Company's program to optimize its land bank aims to build consolidated and compact production clusters on land with high productivity by means of divestment of underperforming non-core assets and swaps of land assets. The 2012-2014 land transactions in Voronezh and 2015 swap in Lipetsk-Tambov are part of this strategy, which remains ongoing. Land bank optimization should contribute both to raising average yields and reducing total production costs.

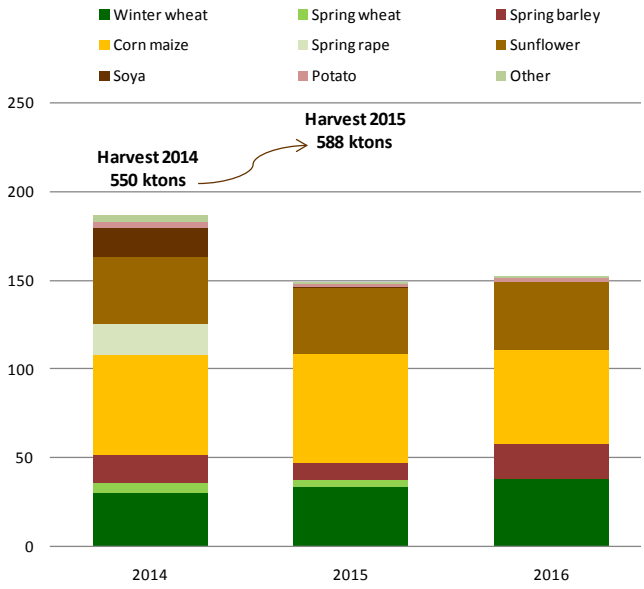
Diversification into irrigated vegetable crops

In 2012, Black Earth Farming signed a 3-year cooperation agreement with PepsiCo to supply potatoes and high oleic sunflowers for PepsiCo's Frito-Lay Crisps as well as sugar beet for other PepsiCo products. The agreement marked the start of a diversification of Black Earth Farming's business profile to include higher value irrigated vegetable crops. Irrigated vegetable crops have higher margins per hectare, albeit with significantly higher capex requirements. The Company believes that the vegetable crops offer a valuable complement and a good fit with its core business. While potato is the main crop in the irrigated vegetable crop portfolio, starting in 2015, the Company also added onions and carrots to the crop mix. BEF sees long-term potential in expanding the vegetable segment towards Russian retail, especially in the current Russian strategy of import replacement.

D2: Vegetable crop area, yield, and harvest



D3: Harvest area and Harvest volumes



Black Earth Farming's Value Chain

Land Ownership[1]

- Land is BEF's key production asset.
- Through the Agroinvest Group of companies, Black Earth Farming controls 256 k Ha. of land in Tambov, Samara, Lipetsk, Voronezh, and Kursk regions, out of which 89% are in full ownership, 9% are leased and 2% in process of registration.
- BEF's current land strategy is directed at optimizing and consolidating the land bank to improve yields and increase operational efficiency.

Value drivers
- Soil structure, growing days, rainfall, climate conditions
- Cropped, grass or fallow land, topography
- Location in relation to infrastructure
- Distance to export channels and deep sea ports
- Consolidation of land blocks
- Access to infrastructure (rail, storage, local processing capacity)

Cost drivers
- Investment requirements to bring land in production
- Investments requirements to remove yield constraints
- Soil quality maintenance
- Land taxes and lease costs
- Registration process and legal costs

CROP PRODUCTION

Input/Machinery Procurement

Each production cluster is supported by the central organization in terms of procurement of the major input items as well as expenditures on equipment and maintenance. The central organization coordinates investments and purchases to benefit from scale discounts and contract terms. The industries in each sub-category of major inputs are generally highly consolidated with a limited number of suppliers.

- BEF fully owns a machinery fleet of more than 500 vehicles, including John Deere/ CLAAS combines, tractors, spreaders and sprayers and other machinery equipment
- Key input materials include seeds, sprays, fertilizers, fuel and spare parts. These industries are generally highly consolidated with a limited number of suppliers
- The Company centralizes procurement of machinery and input materials to benefit from scale discounts and contract terms

Value drivers
- Production scale and crop mix
- Quantity and quality of application of inputs
- Financial flexibility to source and store material opportunistically
- Position to achieve discounts
- Consolidation of business to allow higher capacity utilization of equipment
- Maintenance vs replacement capex

Cost drivers
- Seeds, herbicides, fertilizers, fuel, spare parts
- Maintenance and equipment life cycle
- Capital costs (depreciation)

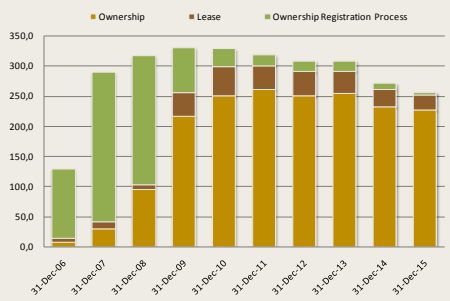
Field Works and Harvesting

- BEF applies scientific farming and management technology to generate high crop yields of good quality at low unit costs
- Land consolidation, new management information systems with technology driven control mechanisms (notably GPS and fuel sensors), revised and uniform management and labor organization, and performance driven incentive structures have been applied to improve operational efficiency in field applications, machinery fleet utilization, and logistics

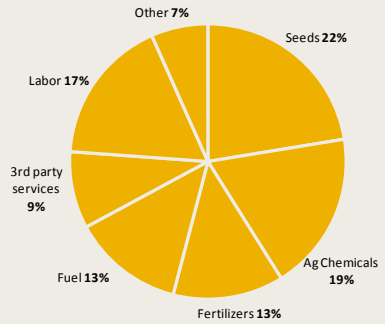
Value drivers
- Harvest area, crop mix, crop yield
- Precise and timely application
- Support and maintenance infrastructure
- Management information systems and access to real-time data
- Crop mix decisions are driven by profitability, risk management, rotational and logistical factors

Cost drivers
- Fuel, spare parts and maintenance
- Capacity utilization
- Crop Insurance

D1: Land Development[1], thousand hectares



D2: 2015 production (direct+indirect) cost mix pie diagram



Machinery fleet

- 84 tractors John Deere 9000 or similar (Caterpillar challengers, New Holland, Case Steiger)
- 25 tractors John Deere 7000 and 8000
- 10 trailed spreaders
- 15 trailed sprayers
- 37 self-propelled sprayers (John Deere 4930/40; Challenger RG; Air Ride 5000)
- 68 combines (CLAAS Lexion 570; John Deere 9640, 9870, W650)
- 4 Dewulfquatro (for vegetable crops)
- 175 trucks (KAMAZ, MAZ, GAZ, ZIL, Scania)

Crop Handling and Storage Logistics

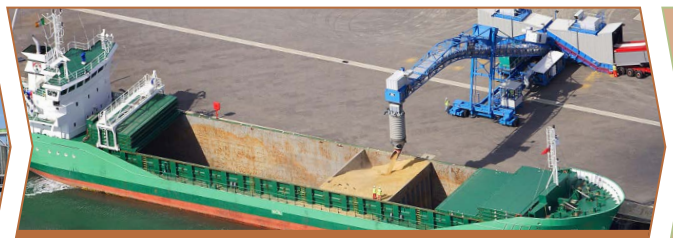
- Logistics involved in crop handling and storage is critical to minimize crop quality problems, reduce fuel and other costs as well as to shorten the harvest period
- BEF has total storage capacity of 470kt,
- 230kt of storage capacity is at railhead
- Net quantities and quality are assessed in labs at electronic weighbridges
- Harvested crop is transported to drying and storage facilities such as elevators or on-farm storage sites
- The Company is broadly self-sufficient in storage capacity and can therefore delay sales over trough price periods
- Storage facilities are monitored with CCTV systems

Value drivers

- Yield (volume) and crop mix (weight and sensitivity)
- Weather impact on quality and processing requirements
- Management of transhipment and logistics
- Quality economics: Wet or dry sales vs. processing costs
- Storage economics: Cost of dry storage vs. price forward curve

Cost drivers

- Spare parts, maintenance,
- Fuel and capital costs of transhipment
- Capital costs of storage and drying capacity
- Diesel, power and labor costs
- Inventory insurance



Sales and Marketing

- BEF sells its crops both domestically in Russia and via exports to international customers
- Total revenue was US$130mn in 2015
- Between 20-40% of sales volumes are typically exported.
- The Company runs and managers its own export program via Black Earth Trading International Ltd (established in decamber 2013)
- Since 2013, BEF hedges sales through grain futures position on MATIF and CBOT

Value drivers

- Price (domestic and international supply/demand balances)
- Cost of working capital (cost of storage vs. forward price pick-up)
- Export net-back margin
- Price volatility in local and international markets
- Hedge position and collateral requirements
- Retail access in value chain (vegetables)

Cost drivers

- Selling and distribution costs; rail transport, port storage and handling, shipping and insurance, brokerage fees
- Sales administration
- Risk of export restrictions

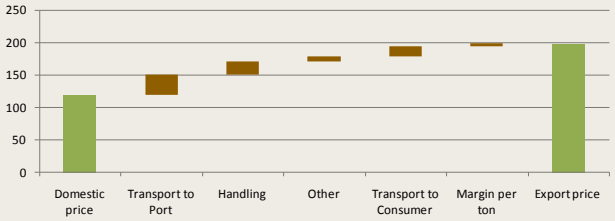
Processing (Oils, Flour etc.)

Livestock (Animal fodder)

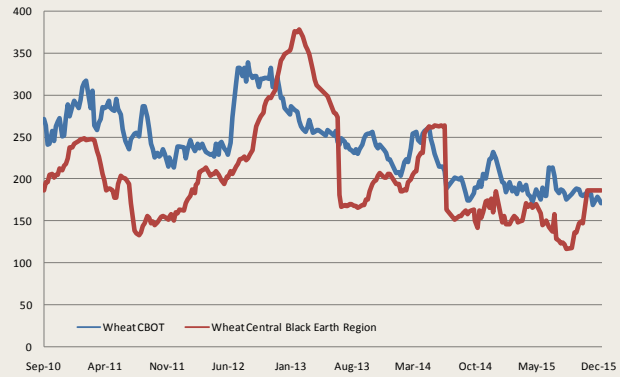
Black Earth Farming Storage Capacity

- 160k t bin storage at railhead (156k t)
- 70k t shed style flat bed storage at railhead
- 40k t ventilated storage at farms
- 120k t steel framed hangar storage at farms
- 80k t basic concrete or wood framed storage at farm
- 470k t of total capacity (excl. silobags)]
- 17kt of potato storage

D3: Corn Export Value Chain 4Q 2015, USD per ton



D3: Wheat Price Development, USD per ton



Macroeconomic environment

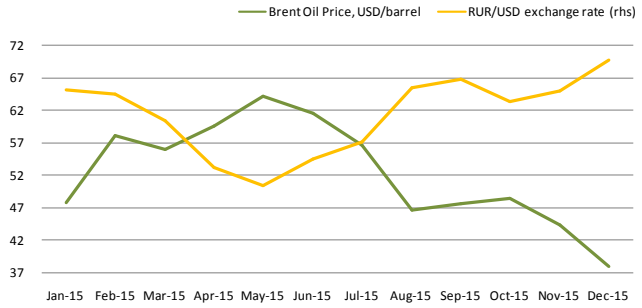
Russian macro-economic environment and outlook

2015 was another challenging year for the Russian economy. Oil prices sharply declined in 2014 (–49% y-o-y from USD 110/bbl to USD 56/bbl), and the slide continued in 2015, with brent crude oil losing another 33% over the year to USD 37/bbl. With a high correlation to oil and limited Central Bank intervention, the RUB continued to depreciate against the USD, moving 23% y-o-y from RUB/USD 56.26 to RUB/USD 72.88. The weakening domestic currency intensified inflation pressure. The Russian consumer price index picked up from 11.4% in 2014 to 12.9% in 2015 and reached 15% in November 2015. Higher inflation and a floating currency limited the Central Bank's options on monetary policy. After sharp increase in rates from 9.5% to 17% at the end of 2014, the monetary authority however gradually lowered its benchmark rate to 11% over the first half of 2015 to provide some liquidity to local business. Economic sanctions remained in place over 2015 and restricted access of Russian financial institutions to international capital markets. Against this backdrop, the Russian economy contracted 3.7% in 2015 vs a modest 0.7% growth in 2014. The main drag on the economy was a decline in retail sales (-10% y-o-y), construction output (-7% y-o-y) and investment (-8% y-o-y). The Russian consumer has experienced a decline in real incomes as a result of the weaker currency and rising inflation. Construction and investment are more sensitive to the credit environment, the outlook and sentiment.

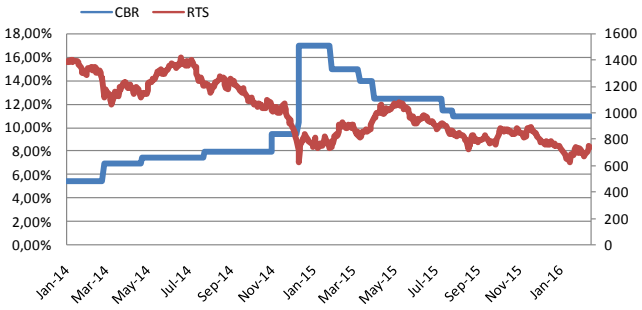
There were some positive trends in 2015 and potential reasons to be more optimistic about 2016 and 2017. As a result of the Central Bank's policy to allow the RUB to float, foreign currency reserves stabilized at USD 365bn from mid-March. Approximately half of Russia's budget revenues comes from hydrocarbon taxes, mainly driven by hard-currency export revenues. The weaker currency kept the RUB budget revenues relatively stable, despite falling oil prices in USD terms. Combined with spending discipline, this kept the budget deficit contained at USD 25bn or 2.5% of GDP. The current account recorded a surplus of USD 66bn, up from USD 58bn in 2014, and capital outflows slowed. Import substitution sectors provided some headline GDP compensation, notably in agriculture. Possibly reflecting more forward looking views, the RTS USD stock index stabilized in 2015, after losing more than 40% in 2014.

The outlook for 2016 will to a great extent depend on three factors; the oil price, the effectiveness of government policy and whether sanctions are eased. The oil and gas industries remain crucial to the Russian economy, accounting for around two thirds of exports, half of federal budget revenues and one fifth of GDP. With consensus oil price forecasts mostly ranging from USD 40 to USD 60 per barrel in 2016 and 2017, budget and export revenues could improve from the current levels and provide some relief for the RUB and for government finances. Base effects should see inflation trending down back towards high single digits. This could in turn allow the Central Bank to continue to ease monetary policy and improve liquidity conditions for corporates and individuals, with positive impact on investment and consumption. The economic downturn arguably represents an opportunity for economic policy reform in Russia. Oil driven liquidity hid problems that are now back on the government's agenda; consolidating federal budget discipline and tightening regional budgets, simplifying the tax system, conducting targeted privatizations, reforming the pension system and investing in infrastructure. In addition, the government want to continue to drive import substitution and localization as well as encourage higher added value in extractive industries. Agriculture seems likely to remain a prioritized sector and priority will be important to access government support and subsidies in a context of tighter budget discipline. The geopolitical situation remains uncertain, but there has been some optimism with regards to the Minsk agreements and a more constructive dialogue between Moscow, Brussels and Washington. Removal of the sanctions on Russia's financial institutions would likely be positive for the local economy.

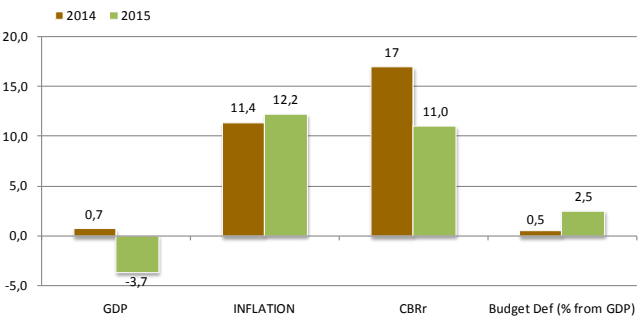
D1: Brent Oil Price and Ruble Exchange Rate Development 2015



D2: Russian Stock Market And Central Bank Rate, points and %



D3: Macroindicators, %



Market/Industry Overview

Agricultural market and outlook

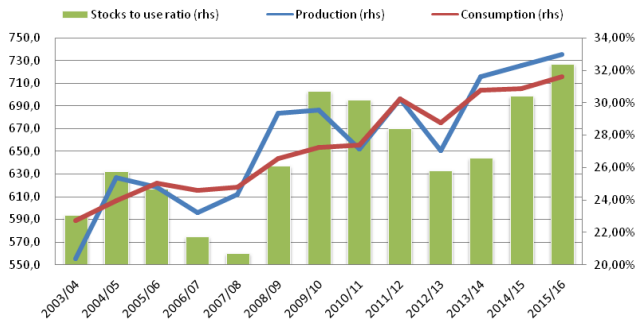
The current agricultural commodity market situation is relatively unique. Over the last decade there have been three price spikes (in 2007, 2010 and 2012) caused by supply constraints, and then in the last three years three massive harvests have increased supply to recharge stocks and cause farm gate prices to fall substantially from their 2012 peak levels. There have been no serious weather events or supply shocks since 2012 and stocks to use ratios are at historically high levels, meaning that relatively small changes in supply and demand forecasts do not impact prices meaningfully. In the absence of significant near-term supply constraints, prices are likely to remain low in 2016.

Longer-term, the growth in demand for agricultural products is expected to remain firm. A growing world population, coupled with dietary shift, continues to drive demand growth. Cereals are still at the core of human diet, but growing incomes, urbanisation and changes in eating habits contribute to the transition of diets that are higher in protein, fats and sugar. In the next decade, livestock production is projected to grow at higher rates than crop production. This changing structure of global agricultural production prompts a relative shift toward coarse grains to meet demands for livestock feed, away from staple food crops like wheat and rice.

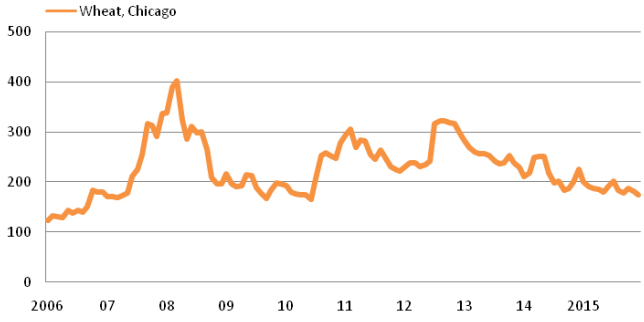
The bulk of the additional production will originate in regions where the determining factors, such as land and water availability, and regulatory conditions, are the least constrained and most supportive. This presents a significant opportunity for countries likes Russia, which have large tracts of uncultivated and under-performing farmland and where the government recognizes the agricultural sector as strategically important.

In its most recent long-term forecast, the FAO-OECD believe that agricultural commodity prices are likely to rise with costs of production and normalize from the current

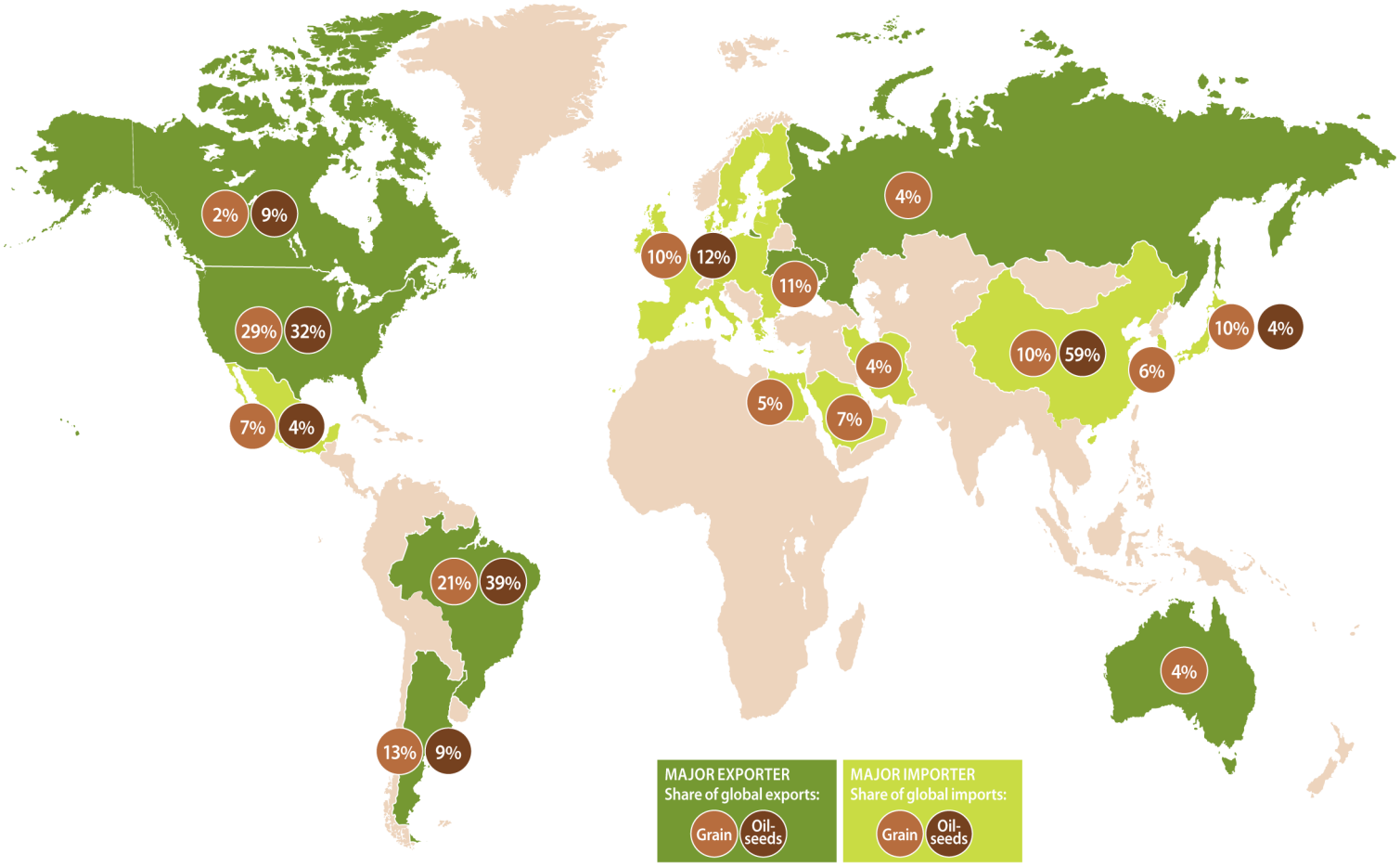
D1: Wheat: Global Production, Consumption and Stocks to Use Ratio, million tons



D2:10 Year Wheat Price Development. 2006-2015, USD per ton



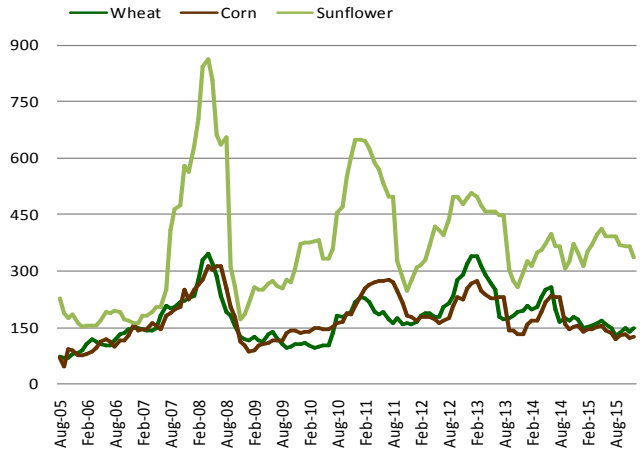
Overview of International Trade in Grains and Oilseeds 2014/2015



Source: USDA

levels, which are depressed by unusually large global harvests, but remain below the 2012 supply driven spike level. Global export trade in agricultural commodities is expected to increase modestly over the next decade in line with production and consumption trends. Exports of agricultural commodities are however projected to come from fewer countries, which increases supply risks, including those related to weather and trade policies.

D3: Central Black Earth Region Prices on Key Crops, USD



Emerging Economies to Drive Demand and Provide Incremental Supply

The major demand drivers for agricultural commodity products are related to developments in emerging markets. Globally, the number of people with annual incomes in excess of USD 6,000 is set to more than double over the next 20 years, adding 2.7 billion people to the consumer middle classes. More than 90% of this increase – around 2.6 billion people – is expected to come from emerging markets, of which 1.8 billion are in Brazil, China, India and Russia. Developing countries in Africa, Asia and Middle East are major importers of grains. All of these regions, which are driving incremental demand, have limited land and water resources to supply their increasing populations.

The importance of emerging markets to global demand makes agricultural prices sensitive to economic and dietary trends in the developing economies. Emerging market and developing economies are projected to grow 4.3% in 2016 and 4.7% in 2017. As China's economy rebalances, the slowdown is a concern as China is a substantial importer of agricultural commodities and as Chinese dietary shift has been a significant component of agricultural commodity demand growth over the last decade. Consumption in India and the rest of emerging Asia is projected to continue growing at a robust pace. The on-going recession in Brazil and turbulence in other Latin American countries is likely to supress

agricultural commodity demand growth in that region in the short-term, but longer-term consumption is expected to grow. Russia, which continues to adjust to low oil prices and Western sanctions, is expected to remain in recession in 2016 but also to be a source of growing demand longer term. Soft (agricultural) commodities are considered less sensitive to economic downturns than hard (energy and metals) commodities. The economic slowdown in China and Latin America may therefore have a greater effect on energy and metals prices than it does on agriculture.

Additional agricultural production will need to come from increased productivity in the same way as it has for the past 50 years. Productivity gains in the medium-term should come primarily from improving productivity in developing and emerging countries with sufficient resources. Based on their greater potential to increase land devoted to agriculture and to improve productivity, developing countries are expected to provide the main source of global production growth out to 2024. Annual production growth is projected to slow to 1.5% over the coming decade, with the majority of the growth occurring in developing and emerging economies. In Asia, Europe and North America, additional agricultural production will be driven almost exclusively by yield improvements. In South America,both yield improvements and additional agricultural area are expected to contribute to incremental production growth. Only modest production growth is expected in Africa, although the regional holds meaningful agricultural potential and investments could raise yields and area in production significantly.

Dietary shift becomes a more important driver of demand

Human food use and livestock feed use will drive most of the cereal demand growth over the next ten years, as the growth in biofuels subsides. Across most cultures, cereals are still the main staple component of the daily diet and the single most important source of energy. According to FAO-OECD, wheat consumption is expected to increase by 13% over the next ten years; dominated by food use at a constant share of about 69% of total use. Feed use of wheat is projected to increase in China, the Russian Federation and the European Union, as pork and poultry production grows. Coarse grain consumption continues to be dominated by livestock feed use, which accounts for more than two thirds of the increase in global consumption (additional 156 million tons of feed use). Most of the additional feed is going to be consumed in emerging markets, to feed an expanding intensive livestock sector in these regions.

Biofuel importance declines with global energy prices

While only an emerging sector in 2008, biofuels rapidly became an important part of the global agricultural balance sheet. According to the OECD, some 65% of EU vegetable oil, 50% of Brazilian sugarcane, and about 40% of US corn were used to produce biofuels in 2012. By 2024, the FAO-OECD has estimated that 10.5% of global coarse grains, 25% of global sugar cane and 13% of global vegetable oils could be used to produce ethanol and biodiesel, which in itself could require an increase in global agricultural area of up to 20 million hectares. The growth of the biofuel sector over the past decade has however been supported by high energy prices and relatively generous government policies. Over periods of high fossil fuel prices, the use of ethanol as an octane additive expanded and correlation between agricultural markets and energy markets increased. The lower current energy prices will however leave the sector more dependent on support programs and US and EU policies are unlikely to change substantially. Any production growth istherefore more likely to arise from so-called second generation lingo-cellulosic biomass based ethanol. As a result, and especially at lower levels of energy prices, biofuel is less likely to divert substantial volumes of produce from food and feed supply than was previously anticipated.

Energy and input price inflation

The relationship between oilseed prices and crude oil prices, and between corn, ethanol and crude oil prices is also one which is often debated. Undoubtedly since the substantial increase in production of crop-based biofuels ten years ago the linkage between agricultural markets and energy markets has increased, but it remains only one of a number of drivers of market prices and as the relative importance of biofuels as a user of agricultural commodities declines, the correlation could weaken further. Lower oil prices clearly affect oil-related input costs of production (fuel, fertilizer and agricultural chemicals). According to FAO estimates, energy accounts (directly and indirectly) for approximately 50% of the production costs of corn and wheat.

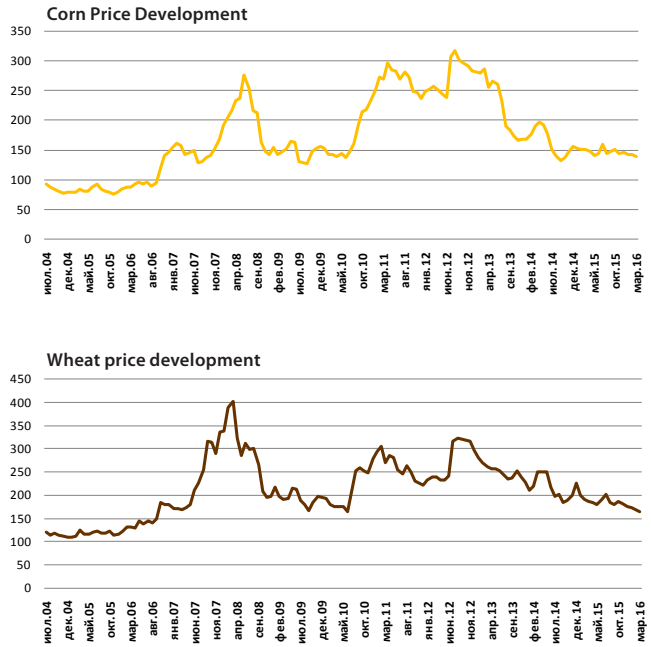
Resource Constraints to Land and Water

Globally, the scope for area expansion is limited. Approximately 38% of the earth's total land surface is currently used for agriculture and only 11% is classified as arable land. Arable land per capita has consistently been decreasing and has practically halved over the past 50 years on the back of population growth, climate change and urbanization. FAO expects total arable land to increase by only 69 million hectares (less than 5%) by 2050. Some 25% of all agricultural land is highly degraded and water scarcity in agriculture is already a significant and growing constraint for many countries. In 2010, some 3.1 trillion cubic meters of water was used for agricultural purposes globally, or roughly 70% of total water extraction. Constrained water availability is becoming a major obstacle for further intensification of crop production. Global Water Intelligence forecasts that by 2030, fresh water demand from agriculture could reach 4.5 trillion cubic meters, which is higher than the total supplies currently available, including surface and groundwater.

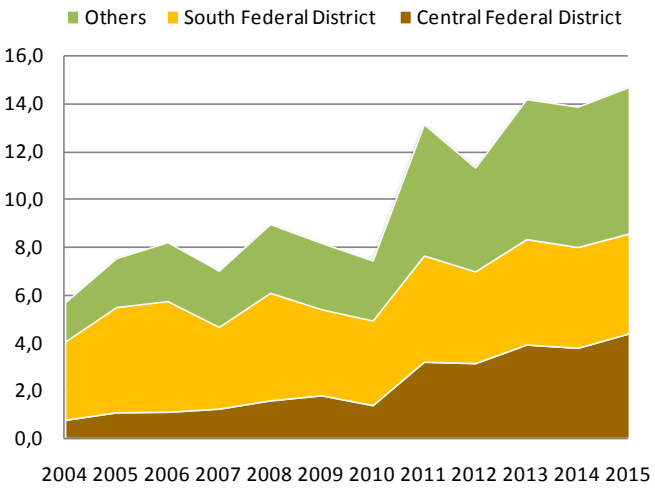
Population growth continues, but at a slower rate

According to the projections of FAO-OECD, world population growth is expected to slow to 1% per annum over the next decade, leaving a total of more than 8.1 billion people to feed in 2024, an increase of 0.7 billion over today's population of 7.4 billion. Slower population growth is expected in all regions and most countries, including India, whose population is nevertheless expected to increase by 139 million people. The impact of liberalising the one-child only policy in China at the start of 2016 could, in the long term, be afactor in global population growth.

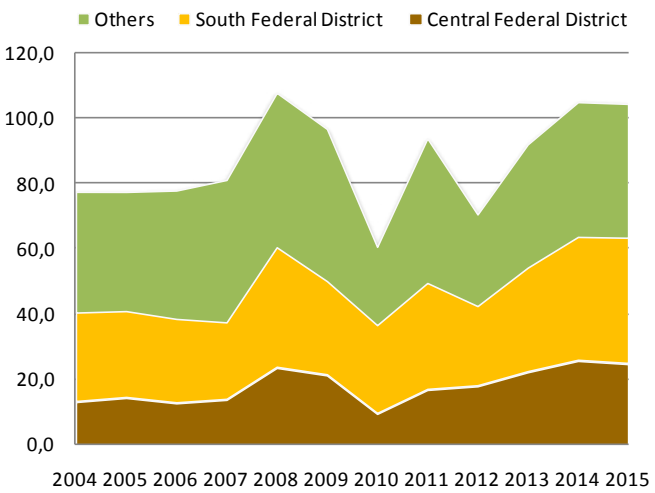
D4: Key Crops CBOT Price Development, USD per ton



D5: Oilseeds Production, mln tons



D6: Grains Production, mln tons



Cereal and Oilseed Market Outlook

On a global level, rising demand will mean more than 320 million tons of additional cereals are forecasted to be produced by 2024, of which 180 million tons will be coarse grains (predominantly corn), representing more than one-half of the additional production. Oilseed production is expected to expand by more than 20% over the same period, resulting in firm increases in the production of oilseed products. Protein meal output is projected to increase by 23%, reaching 355 million tonnes by 2024, while vegetable oil production will rise by 24% over the same period.

Sustained demand growth should help prices recover from current lows in the medium term. The short term outlook for cereal and oilseed markets, however, remains challenging. Three bumper harvests have resulted in record large wheat, corn and soybean stocks, providing significant weather cushion and holding prices at depressed levels.

Global corn and wheat prices are at a 6-year lows. US and EU exports have been lower than forecasted as European producers struggle to compete with South American and Black Sea supply. Another strong global supply outlook has offset the 7% y-o-y drop in 2016-17 US wheat plantings.

Oilseed prices are at a 9-year lows. Global oilseed production for 2015-2016 is forecast to increase to 527 million tons, with soybean accounting for 320 million tons. Meanwhile, demand is expected to remain stable. The soybean import forecast for China has been raised to reflect strong imports to date and higher soybean meal imports going forward. This is however offset by reduced import estimates for the EU, Pakistan, and Mexico.

Analysts estimate a 50-75% of La Nina developing in 2016, following the strongest El Nino event for two decades in 2015. La Nina usually results in dry conditions in the US grain belt and could negatively affect US crops. La Nina was responsible for the US drought in 2012, which devastated US corn and soya yields.

Russia

Cereal and Oilseeds Overview

Over the last decade there has been a substantial increase in cereal and oilseed production across Russia, driven predominantly by the Central (Black Earth) region. Since 2004, grain production has increased by 70% and oilseed production has increased by almost five times. The southern regions have showed more modest growth. Grain production has increased by 16% and oilseeds output by 33%. Production growth partly reflects a recovery after a decline in production after the collapse of the Soviet Union Increased output has been driven by a combination of both yield increase (predominantly in the centre) and area increase (predominantly in the south). Supply has also been supported by higher demand for feed grains from a growing domestic livestock industry, increased exports, as well as by government policy.

The output of the Russian meat industry has increased by 56% over the last ten years, but in the central region it has increased by 240%, with the Belgorod region becoming the powerhouse of Russian pig and poultry production. As a result of the recent import restrictions and increased federal support to the livestock companies, the sector is experiencing substantial growth. As a result, demand for grains

by Russian pig and poultry producers is expected to grow by at least 3% per annum over the next few years. Most of this growth is occurring in the central region, boosting the local customer base for BEF's grain and oilseed crops.

Since 2008-2009 Russia has returned as a key player in export markets. Historically, export volumes were linked to the amount of production surplus in the southern region, close to the Black Sea ports. In recent years, exports have been greater than the so-called "southern surplus", meaning that cereals and oilseeds from other regions are now also finding export customers. With continuing growth in production, Russia is expected to continue to grow its exports of cereals and oilseeds.

2015 Harvest

The total Russian grain production estimate for the 2015 harvest is 103 million tons, an increase of 2 million from earlier forecasts but still 2 million below the post-Soviet 2014 harvest of 105 million. Wheat accounted for 61 million tons, barley for 18 million tons and corn for a record 13 million tonnes. Other crops contributed 11 million tons, including rye at 4 million tons. The final 2015 planted area amounted to 47 million hectares, approaching the peak level of 2009.

As of the end February 2016, grain exports totalled 26.3 million tons comprising, of which wheat contributed 19.1 million tons, barley 3.6 million tons, corn 2.7 million tons and other crops 0.9 million tons. Barley and corn were at record volumes whilst wheat is slightly behind previous years at this point of the year. Total exports for the 2015 are projected to be 32 million tons.

In dollar terms, grain prices have declined in line with international markets. Wheat and corn are down 26% and 30% respectively y-o-y, but continued currency weakness, has resulted in record high prices in rouble terms, exceeded only by the severe drought year of 2010.

Towards the end of 2015, the wheat export levy was under Government review. Authorities reportedly contemplated changes to the wheat levy and introduction of levies on corn and barley exports. While no changes followed, the discussions created uncertainty for producers and exporters in Russia.

In contrast to grains, oilseed prices are largely unchanged y-o-y in USD terms. The stronger oilseed market is due to a lower rapeseed supply (down 30% y-o-y) against an insufficient increase (3%) for sunflower and soya production. Overall supply is therefore lower whilst crushing and processing demand is higher, partly due to sanctions restricting the import of many competing vegetable oils.

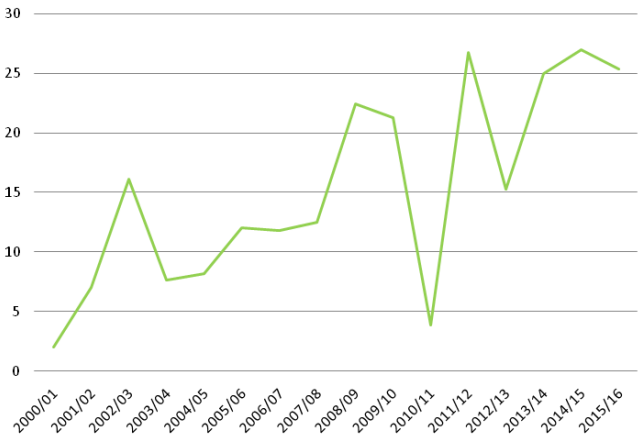
2016 Outlook

The final winter plantings estimate for the 2016 harvest shows a small -1.4% y-o-y decrease from 16.33 million hectares in 2015 to vs 16.10 million hectares in 2016. This is however higher than the 2011-14 average. The share of winter wheat in the winter crop mix increased from 82% to 86%.

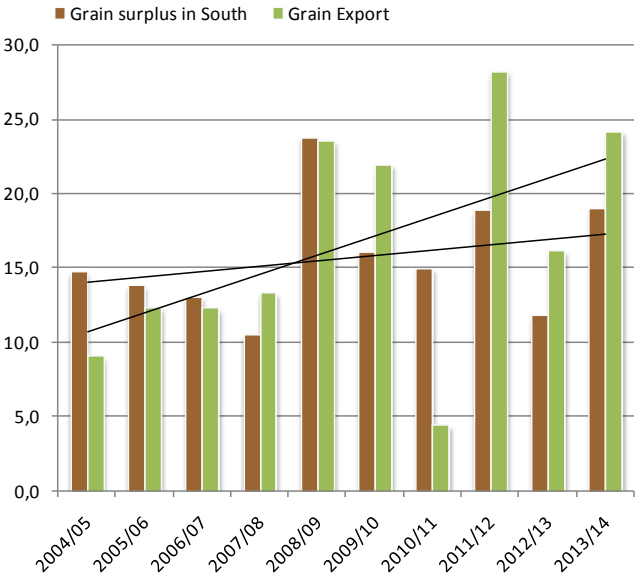
The winter crops have enjoyed a mild and wet winter. Sowings are down in Volgograd and crop conditions are uneven across the Belgorod and Voronezh regions.

Early estimates point to a total 2016 grain crop of approximately 101 million tons (–2% y-o-y), of which 58 million tons would be wheat (–5% y-o-y), 19 million tons barley, 13 million tons corn and 11 million tons other crops. Off slightly lower production against strong domestic demand, total grain exports are likely to be down marginally from 32 million in 2015 tons to 30 million tons in 2016.

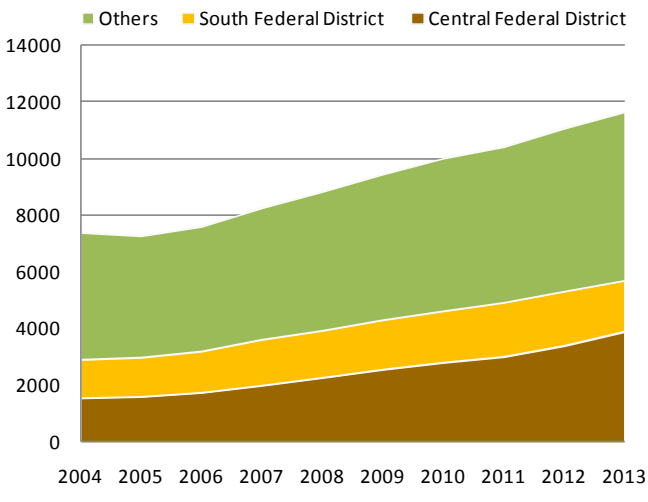
D7: Grain surplus in South vs grain export, mln tons



D8: Grain surplus in South vs grain export, mln tons



D9: Meat and poultry production in live weight, mln tons



Operational Review

Background and context

From 2011 the focus of the company shifted towards operational improvements. Substantial progress has been achieved since then. There are a great many contributing elements to this and the purpose of this section is to detail some of the aspects of operations that have underpinned this progress.

Productivity

Removing Constraints to Crop Yields

The initial priorities back in 2011 were on removing the main constraints limiting crop yields. There were five key constraints that were identified:

- Low soil pH – requiring lime over 47 kHa to correct;
- Soil compaction – requiring deep cultivations to relieve;
- Additional fertiliser applications to optimise potash, phosphate and sulphur levels;
- Weed levels – requiring extensive glyphosate applications;
- Poor seed quality – requiring improved seed management and processes to improve the quality of home-saved and purchased seed.

This work is now largely completed although there are new blocks of land that we have been recently taken over as a result of land transactions that require improvement. Rotational liming, deep soil cultivation and targeted glyphosate use remain an important part of the ongoing operational programme. The removal of these constraints has contributed substantially to the uplift in productivity and performance that the business has experienced since 2011.

An science and R&D driven approach to crop decisions

In 2011, a technical agronomy partner undertook an audit of Black earth Farming's historical decision making processes and made recommendations regarding strategy, organization and crop management to improve operational efficiency and raise productivity. A key recommendation of this audit was to establish an in house R&D facility. The facility, now in its fourth year, continues to offer the business a significant competitive advantage in terms of strategic technical policy and the targeting and utilisation of inputs that far exceeds the costs incurred. Some examples of the key outputs from the research facility include:

1) Tailoring inputs to specific circumstances. This for example has enabled substantial reductions in average rates of nitrogen fertiliser on wheat, corn and sunflowers;
2) Determining optimum timing windows for key operations and in particular seeding and planting. This has allowed the business to properly structure its machinery utilization plans, and make necessary changes to the crop rotation;
3) Significant reduction in crop seed rates;
4) A more robust corn herbicide programme has demonstrated significant yield increases due to reduced weed competition immediately after planting.

Technology to improved timing of operations

Well timed applications of seeds, fertilizers and sprays are essential. A combination of management information, structured decision making processes as well as the machinery and infrastructure to execute is required to enable properly timed applications. Over the past three years the business has continually reduced work windows and improved accuracy of timings. The graph D3 illustrates the significant reduction in spring cultivations. This is important as it reduces workload at a key time and means moisture is not lost. D2 illustrates the trend of earlier planting. Ensuring operational timeliness over multiple crops and large production areas is at times a demanding management task. Inputs and applications should be targeted according to very specific crop growth stages and the rapid growth exhibited by many crops during the warm Russian spring means that these work windows are often substantially shorter than in other, more maritime geographies.

Speed and quality of information is essential. Getting regular and properly structured reports on crop issues and developmental growth stages from agronomists and field managers is key to provide such information. The Company has equipped all agronomists with mobile tablets, which enable the field teams to upload pictures and reports from the field to the central management system in real time for immediate response.

This coordinated information flow makes possible real time monitoring of growth stages, issues and problems by the Technical Director and the Chief Operating Officer. A formal weekly review is held to ensure that work tasks, in particular agrochemical applications, are properly prioritized and sequenced and any necessary changes made.

Training for Improved Agronomic Decision Making

The business has run countless training days, both in the field and in the classroom, since 2011. The objective is for the field based agronomists to have a greater understanding of how to make the most critical decisions that cannot be made in advance so that we are genuinely able to tailor inputs on a field by field basis and react to situations. A "tech cell" of senior Russian agronomists was formed with the specific responsibility to fine tune agronomic decision making and improve knowledge transfer and the dissemination of information to local farm staff across the business. Structured decision making processes clarify what decisions agronomists are empowered to make and which require central team approvals before execution takes place. The Company also employs experts that are on farm and supporting and monitoring critical operations and key initiatives. After each major work campaign, the senior operational and technical management formally evaluate successes and failures and puts in place the necessary improvement. This constantly repeating process of continual improvement is very powerful in delivering improved performance.

Organisational Structure Changes

All the companies operational organisational structures and remuneration systems have been significantly overhauled to make them clear, simple and aligned with strategy. In outline this has involved clarifying roles, responsibilities and accountabilities and changing pay and incentives to take account of work quality and staff flexibility as well as just work output. If these basic organisational issues are not structured properly and working, no amount of technology or expenditure will create a successful result.

These changes along with our ability to track, monitor and communicate to management and machinery operators 24 hours a day in real time have contributed to a wholesale change in work quality over the years.

Efficiency and Controls

Management information Systems

A huge amount of information can be generated and organised from our tracking and crop management systems which allows us to generate relevant reports and put them in the hands of the managers who need them wherever they happen to be. On a daily basis it is possible to review the output of every single planting, cultivating, transporting and harvesting machine. Thus continually evaluating progress and where there are problems such as slow shift changes, poor logistics, machines operating outside protocols such as in field speeds. This means, for example, that local management can in a matter of minutes review the performance of the prior night shift and central management can coordinate movement of resources such as personnel and machinery between farms based on capacities and plans. Critically it also means that decisions and planning are increasingly based on facts and data accumulated over multiple seasons and campaigns.

More Effective Input Procurement

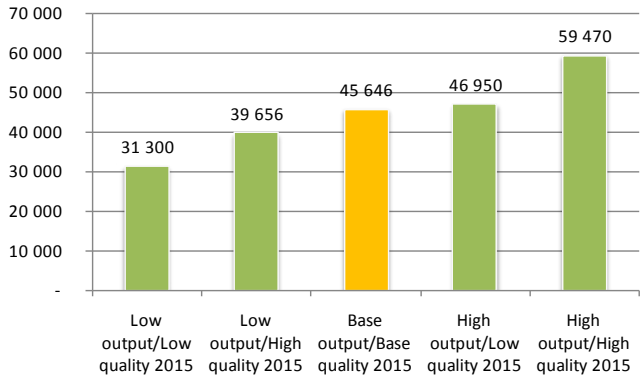
Well timed input procurement leveraging our strong balance sheet, a deeper understanding of the economic and biological switching points between different input products and a researched and considered approach to the use of generic agrochemicals has helped to reduce the cost of inputs substantially.

Harvest, Storage and Logistics

Despite a longer corn harvest than 2013, the 2015 harvest costs were kept under control. This was as a result of a combination of investment in crop drying infrastructure and much higher daily intakes into elevators which meant more crop was hauled first time to its ultimate storage destination and less was transhipped to be handled again at additional costs.

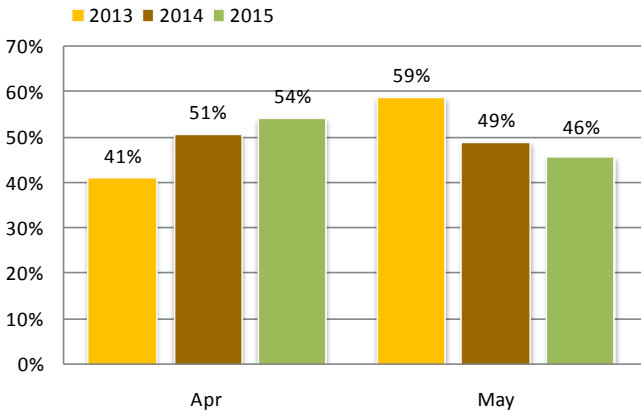
A substantial reduction in the use of third party trucks was achieved in 2015, from 72% of all kilometres travelled in 2014 to 57% in 2015. This was a result of improving utilisation of our existing fleet, without the purchase of any additional vehicles.

D1: New tractor driver remuneration system, RUR per month

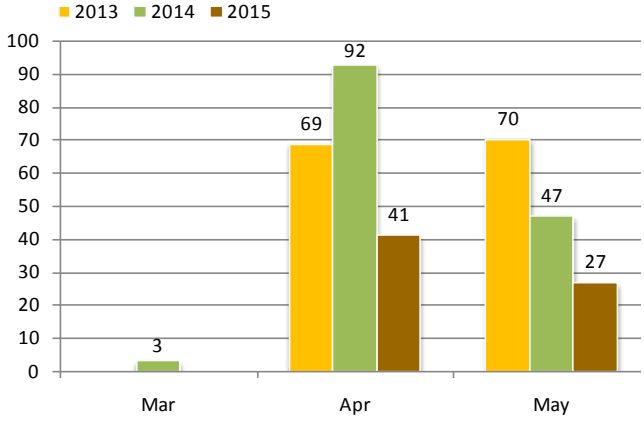


Satellite Imagery

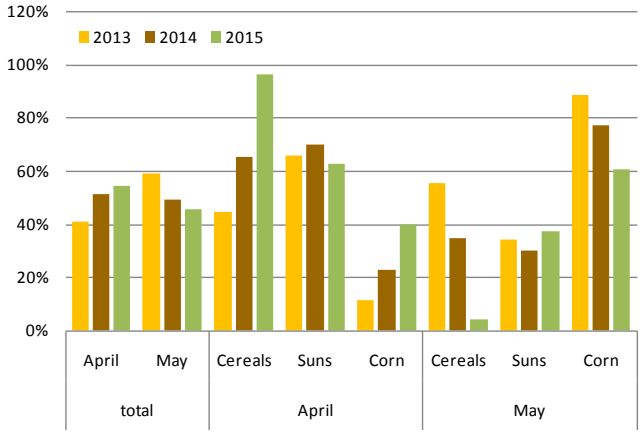
D2: Spring seeding timescale



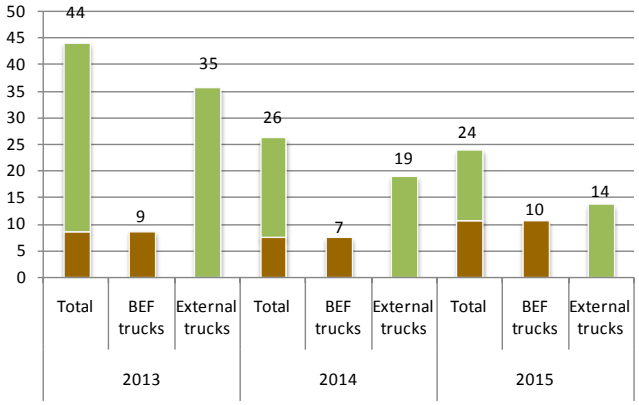
D3: Spring cultivation volume, thousand hectares



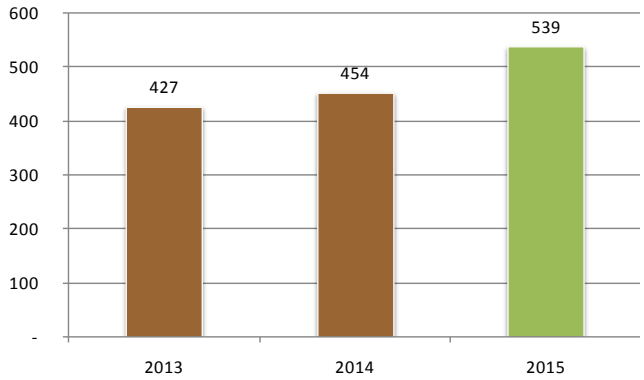
D4: Spring Seeding Window Brought Forwards



D5: Production logistics volume, ktons * kilometers



D6: Elevators daily intake, tons per 24 hours



Tracking Report

Engineering and Fleet Management

Over the last 3 years, the business has allocated significant additional resources to the engineering department. This has included recruitment of more specialised personnel, a complete overhaul of workhops, systems and processes and more training for farm-based engineers and mechanics. Rationalising procurement of spare parts and internalising more repair work (and thus reducing dependence on third party dealerships) meant machinery repair costs have been reduced and now contained despite an on average ageing fleet. This has given us the confidence that we can cost effectively extend machinery lifetimes without compromising output. Specific initiatives have included:

- Centralising the spare parts inventory. This has contributed to improved stock management and timely availability on farm. The individual farms now only hold fast moving inventory with other stocks being moved out to farm from a central store as required. This means that the inventory can be constantly monitored more easily.
- Bar coding all spare parts to improve stock management and ensure consistent inventory recording. This allows everyone to see the entire company inventory in the system in real time.
- Investment in engineers, workshops and processes to internalise more of the repairs and maintenance that were historically undertaken by machinery dealers or third parties. As important is the cultural change to ensure the focus is "take a spanner to repair" instead of 'lift the phone and replace".
- Greater internal fabrication. By having better equipped workshops with equipment including turners and lathes, hydraulic hose making equipment and better trained engineers, more tasks are now managed in-house including internal fabrication of hoses and shafts and reconditioning of engines.

Technology-Driven Security

Historically the companies security systems were largely based around physical security measure such as guards, fences, weighbridges and cctv.

Whilst these remain part of the companies security complex, the use and extension of the technology such as gps trackers and staff rfid cards, already used for operational management , plus other technologies such as fuel sensors and unloading sensors on harvesters has meant tighter controls can be achieved with many less people.

Fuel Sensor

T1: Harvest Area Breakdown

(Hectares)	2007	2008	2009	2010	2011	2012	2013	2014	2015
Winter wheat	16,805	48,636	84,698	72,677	93,627	73,912	73,702	30,235	34,071
Spring wheat	n/a	4,339	3,824	10,157	13,093	4,368	3,412	6,140	3,812
Spring barley	20,180	42,638	43,053	13,793	26,535	22,718	21,850	16,076	9,499
Corn maize	1,215	9,950	8,084	8,592	6,149	26,003	36,814	55,317	61,110
Winter triticale	n/a	n/a	2,740	302	n/a	n/a	n/a	n/a	n/a
Total Grains	**38,200**	**105,563**	**142,399**	**105,521**	**139,404**	**127,001**	**135,778**	**107,768**	**108,492**
Winter rape	5,005	875	7,045	536	n/a	n/a	n/a	111	n/a
Spring rape	7,035	13,149	7,132	29,051	33,494	36,597	31,436	18,083	n/a
Sunflower	2,541	19,378	26,466	36,761	46,518	33,218	28,997	37,479	39,962
Soya	n/a	n/a	n/a	7,899	7,863	18,187	18,682	16,932	166
Total Oilseeds	**14,581**	**33,402**	**40,643**	**74,247**	**87,875**	**88,002**	**79,115**	**72,605**	**40,128**
Sugar Beet	n/a	n/a	n/a	n/a	1,621	5,085	8,822	n/a	n/a
Potatoes	n/a	n/a	n/a	n/a	n/a	31	196	884	592
Total Commercial Area	**52,781**	**138,965**	**183,042**	**179,768**	**228,900**	**220,119**	**223,911**	**181,257**	**149,212**
Other/Forage crops	670	2,968	381	1,013	1,951	1,675	1,721	2,934	66
Total harvest area	**53,451**	**141,933**	**183,423**	**180,781**	**230,851**	**221,794**	**225,632**	**184,191**	**149,278**

T2: Average Net Crop Yields

(Tons per hectare)	2007	2008	2009	2010	2011	2012	2013	2014	2015
Winter wheat	2.9	4.1	3.3	1.9	2.4	2.1	3.3	4.0	3.5
Spring wheat	n/a	2.9	2.1	1.4	1.6	2.6	1.9	3.6	2.3
Spring barley	1.9	3.3	2.8	1.4	1.9	2.4	2.6	3.6	3.2
Corn maize	2.8	2.3	3.1	0.6	4.9	5.1	4.3	3.5	5.3
Winter triticale	n/a	n/a	2.2	0.7	n/a	n/a	n/a	n/a	n/a
Winter rape	1.2	1.6	1.4	0.5	n/a	n/a	n/a	0.7	n/a
Spring rape	0.8	1.3	1.2	0.5	1.1	1.3	0.9	1.4	n/a
Sunflower	1.6	1.3	1.7	0.8	2.0	1.9	2.0	1.9	2.2
Soya	n/a	n/a	n/a	0.2	0.9	1.2	0.9	0.5	0,6
Sugar beet	n/a	n/a	n/a	n/a	25.6	25.3	24.3	n/a	n/a
Potatoes	n/a	n/a	n/a	n/a	n/a	33.2	33.9	31.0	35.9

T3: Net Harvest Volumes

(Tons)	2007	2008	2009	2010	2011	2012	2013	2014	2015
Winter wheat	48,093	201,377	280,648	137,703	220,608	157,571	245,711	121,185	119,086
Spring wheat	n/a	12,472	7,863	13,791	21,187	11,495	6,573	22,379	8,587
Spring barley	38,466	138,752	122,375	19,595	49,166	55,074	55,429	57,492	30,282
Corn	1,335	22,651	25,251	5,152	29,989	132,829	158,986	195,747	321,896
Winter triticale	n/a	n/a	5,930	211	n/a	n/a	n/a	n/a	n/a
Total Cereal Grains	**87,894**	**375,252**	**442,067**	**176,452**	**320,950**	**356,969**	**466,699**	**396,803**	**479,851**
Winter rape	6,083	1,395	10,014	246	n/a	n/a	n/a	74.83986	n/a
Spring rape	5,647	16,657	8,470	15,497	36,887	46,052	28,113	26,064	n/a
Sunflower	4,126	25,285	45,580	28,904	92,805	62,759	57,970	70,927	83,161
Soya	n/a	n/a	n/a	1,818	7,114	22,364	16,006	9,098	97
Total Oilseeds	**15,856**	**43,337**	**64,064**	**46,465**	**136,806**	**131,175**	**102,089**	**106,164**	**83,258**
Sugar beet	n/a	n/a	n/a	n/a	41,531	128,405	214,720	n/a	n/a
Potatoes	n/a	n/a	n/a	n/a	n/a	1,029	6,644	27,404	21,265
Total Commercial Crops	**103,749**	**418,589**	**506,131**	**222,916**	**499,287**	**617,578**	**790,152**	**530,372**	**584,374**
Other/Forage crops	2,659	22,928	3,381	3,686	14,597	13,213	3,012	19,575	3,376
Total Output	**106,408**	**441,517**	**509,512**	**226,602**	**513,884**	**630,791**	**793,164**	**549,946**	**587,750**

Irrigated vegetables

In 2012, BEF signed a cooperation agreement with PepsiCo to deliver potatoes to its Frito-Lay crisps production. This underpinned the initial expansion into irrigated vegetables with fixed priced contract. From a small 31 ha pilot test field in 2012, BEF ramped production to 884 Ha in 2014. In 2015 onions and carrots were introduced. The focus of the first three years of production (2012-2014) was exclusively on crisping potato varieties. In 2015, table (packing) potatoes were grown for the retail and wholesale markets.

The cooperation with PepsiCo has been scaled back. To some extent a shift to the higher value retail markets was always planned but this was accelerated as a result of the business wanting to reduce its exposure to twelve month fixed ruble based processing contracts and by the fact that the business is thus far achieving consistently better results from higher yielding table potato varieties.

Land and Irrigation

Currently, the vegetable crops are irrigated from lakes and ponds in the Lipetsk region. The land blocks used by the vegetable crops are served by underground pipes from each irrigation lake which conduct water to the irrigation pivots. The irrigating pivots themselves are moved on an annual basis to new land.

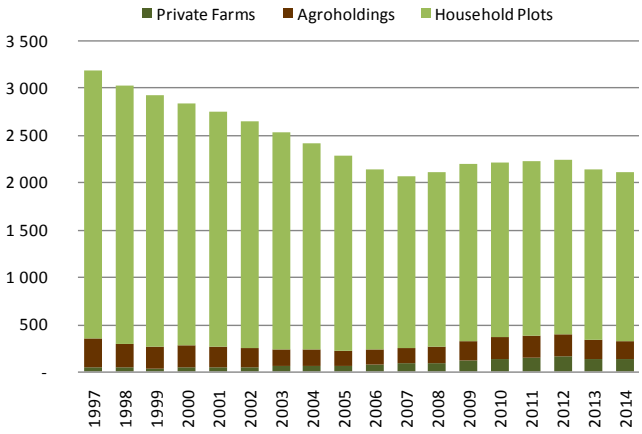
Operational Developments

2015 was a year of consolidation for the vegetable crop enterprise. Rather than a significant expansion in the area of production, the focus was on trialing of carrots and onions and of table potatoes for the retail market and on developing out value chain expertise in grading and packing.

The team has been strengthened and modest investments have been made in storage. The Company has also made improvements in quality management processes.

The acquisition of the seed business in Kaliningrad in 2015 was an important step in controlling the supply chain of this crucial input. Over the last few years potato seed imports into Russia have frequently been subject to bans and the quality of seed in Russia is somewhat variable.

D1: Breakdown of Russian Potato Production by Farm Type



Source: Ross stat

In addition to the focus on adding value, the Company has also focused on the necessary plans to scale up this enterprise and ensure that all necessary water licences, engineering works for irrigation, storage and packing and relevant pipeline and construction permissions are in place.

Marketing Developments

A substantial amount of work was undertaken during 2015 on developing relationships with traders, wholesalers, processors and retail customers and the companies understanding of the Russian markets.

Local vegetable market trends and structure

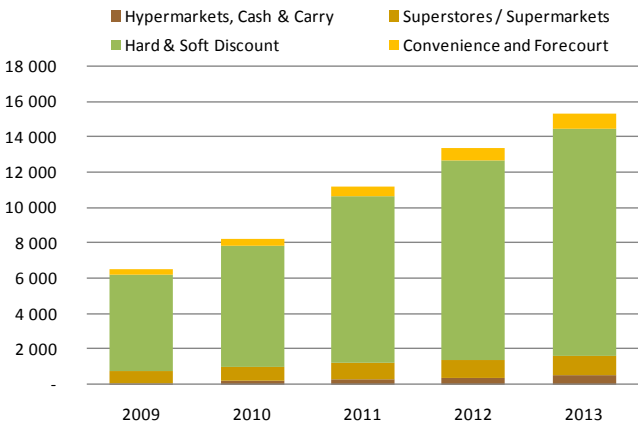
Around 30 million tons of potatoes, 1.6 million tons of carrots and 1.4 million tons of onions are produced annually in the Russian Federation. At least 80% are produced in household plots, that is production areas of no more than a few hectares in individual dachas or market gardens. There are very few large growers. The number of large potato producers, growing over 500 ha of potatoes, is no more than a few dozen across the whole country.

Whilst the supply base remains fairly static and fragmented, the Russian retail sector has experienced rapid growth in recent years. There has been a shift to "modern" retail, especially in the larger urban centres of Moscow and St. Petersburg. The growth in demand for vegetables from retailers is strong, driven by supportive fundamentals, in particular rapid urbanisation which over time erodes family ties to dachas and small plots. Many major retailers and food processors are dependent on imported product from early spring onwards, due to a lack of investment in long term storage and deterioration of domestic crop quality.

The structure of Russian supply chains remains very different to those in Western Europe. The largest five retailers in Russia control circa 17% of the grocery market. In the United Kingdom, the top five retailers control 87% of the grocery market.

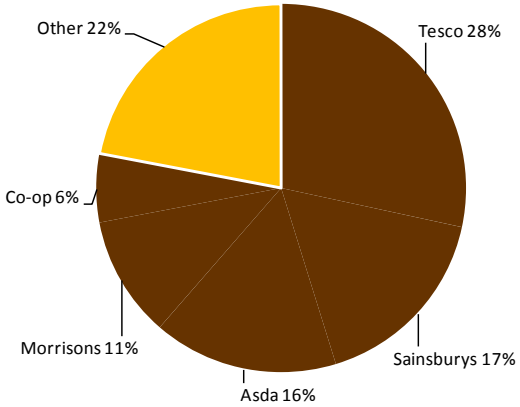
There is a gap in the market to supply high quality vegetables all year round.

D2: Growth in Russia Retail

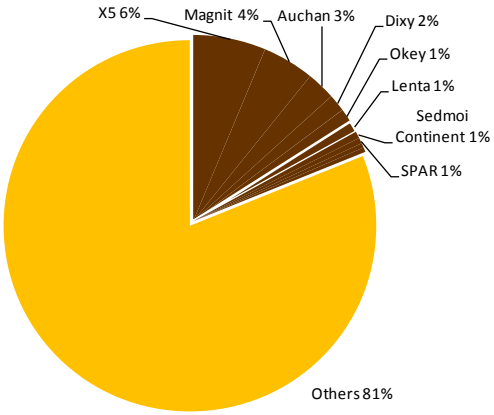


Source: IGD

D3: UK Retail Shares



D4: Russian Retail Shares



Top Quality Retail Grade Crops Produced

Summary

The opportunity is underpinned by strong fundamentals. The Company is well placed to compete on both costs and quality as well as having strong internal expertise, suitable soils and climatic conditions and proximity to the major markets. The vegetable enterprise is expected to increase in area by about 30% in 2016. The next expansion beyond 2016 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 and carefully consider and pace the expansion.

Land Strategy

Introduction

As of 31 December 2015, Black Earth Farming held 227 thousand hectares of land in full ownership, corresponding to 89% of the total controlled land bank of 256 thousand hectares. 25 thousand hectares were held under long-term lease contracts running up to 49 years. The remaining 4 thousand hectares are in the process of ownership registration. Of the 256 thousand hectares, circa 85% is crop land, either in our rotation or rented out to third parties, as well as a small area to be imminently reinstated from fallow following the recent swap deal. The balance is pastures, valleys and fallow that is uneconomic or not in our plans to convert to crop 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 Black Earth Region. As of 31 December 2015, the Company held 232 thousand hectares on its balance sheet at total value of USD 31.6 mn, or 136 USD per hectar. The depreciation of the Russian ruble during 2014 and 2015 has significantly reduced the balance value of the land assets in USD terms, whereas the actual market remained stable to firm in hard currency terms

The Original Land Bank

Black Earth Farming built its land bank from 2006-2009, from having 115k Ha in process of registration at the end of 2006, to controlling 330k Ha at the end of 2009. The original land bank was spread over nine operating units; three in Voronezh, two in Lipetsk, two in Kursk and two in Tambov. In 2012, the Company started to consolidate and improve its land bank through divestment and swaps of non-core and less productive assets. The objective was to increase productivity, profitability, land utilization and ownership quality of the land bank.

Over the last three years the business has undertaken a comprehensive audit of its land assets, assessing the land bank on:

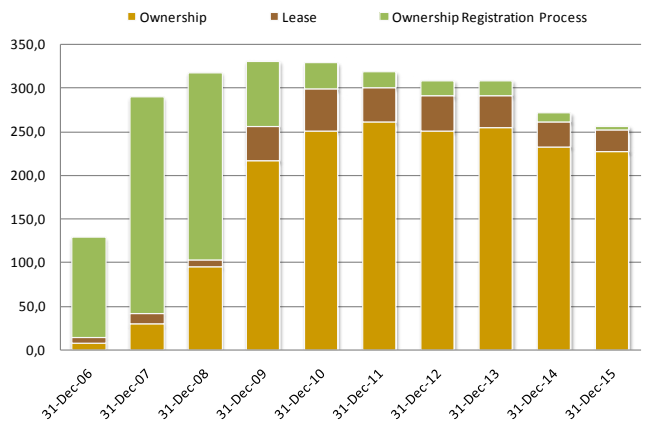
- Productivity; soil quality, altitude, growing days, rainfall
- Land type; proportion of arable land relative to grassland, wasteland, valleys and non-cropped land
- Potential to consolidate land further in the area
- Control; proportion of freehold, leasehold and co-owned land

The Company is now part-way through a multi-year strategy to:

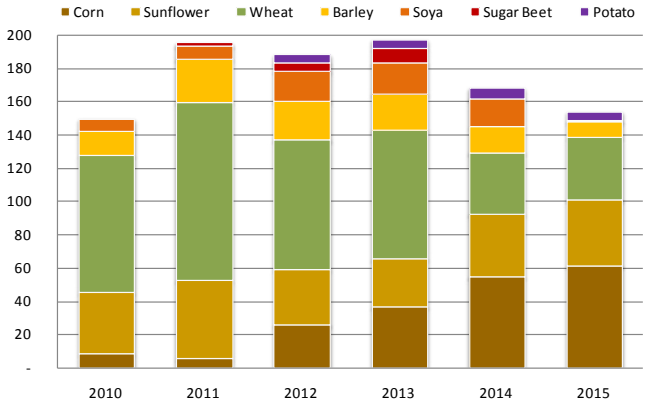
- Increase the proportion of owned land relative to leased land;
- Reduce the proportion of grassland and non-cropped land in the footprint;
- Give up poorer quality land, especially where it is leased;
- Generally shift the production footprint westwards and northwards, where rainfall is higher and growing season is longer;
- Consolidate around a number of large individual operating blocks of larger than 50,000 ha of land, where good operational economies of scale can be achieved;
- Bring uncropped land into production, where it is economically justified to do so.

The divestment and swaps transacted to date have meant that business has consolidated to 5 operating units. Further transactions are envisaged.

D1: 2006 - 2015 Land Development, thousand hectares



D2: 2006 - 2015 Land Development, thousand hectares



Consolidation to Date

Between 2012 and 2014, farmland of 37,254 at Ostrogorsk, Podgornoe and Kalach in the Voronezh oblast was sold. The transaction also included the Ostrogozhsk elevator, with 15,000 tonnes of capacity, as well as 14,000 tonnes of warehouse type storage facilities and yard premises. There were several reasons why the Company considered these farms non-core and a poor fit with the rest of the business. These farms:

- Had a high proportion of leased land;
- Had a rolling topography with lots of valleys, slopes and wasted land;
- Had shorter growing seasons and had repeatedly underperformed on crop yield potential;
- Had lower quality chalky soils.

In 2015, farmland and storage capacity at Stanovoe, in the north of the Lipetsk region, was swapped for land at Morshansk in the Tambov region in proximity to our existing blocks. The swap involved several counterparties and a series of related transactions. 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.

BEF quality of land ownership is siginificantly ahead that of many other businesses who do not necessary register land plots, update cadastral maps, establish GPS boundaries and electronic maps. In the wider industry land is often occupied semi-legally and disputes remain frequent. High quality of land ownership contributes to fair value of BEF land and real estate assets.

Land Title and Ownership Progression

Russian Underdeveloped Land Legislation	BEF Holding Companies
✗ 19 million landowners with "virtual shares" and "pais" after Soviet privatization	✓ Fully registered land rights and updated documents
✗ 2005 saw first functioning land code implemented	✓ Updated cadastral passports in accordance with new coordinate system
✗ Several changes and variations implemented since 2005	✓ GPS marked land plot coordinates to ensure fields are reconciled with legal boundaries
✗ Many land users are operating on poorly defined fields	✓ Maps held electronically
✗ Conflicts and disputes remain frequent	✓ Legal documents matched with accounting data in ERP system
✗ Many companies in industry have not updated and properly documented their ownership titles with a highly variable quality of land as a consequence	✓ Very high percentage of ownership: 89% or 227k ha of 256k ha of total controlled land

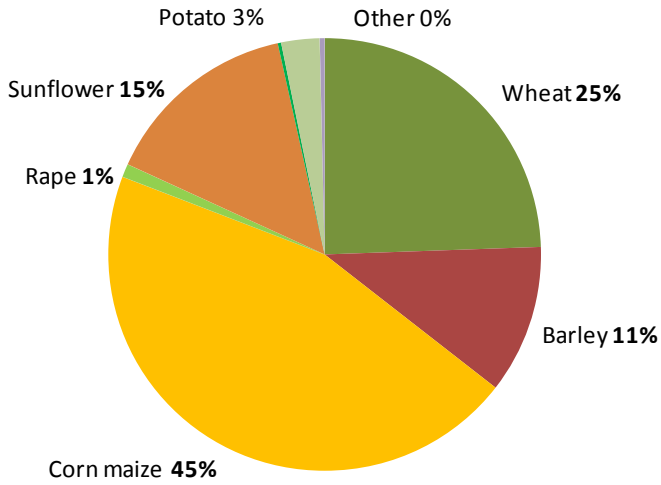
2015 Financial Review

Despite low prices and a volatile macroeconomic environment, Black Earth Farming's 2015 operating profit increased USD 23.1mn y-o-y from USD 6.2mn to USD 29.4mn on higher yields and lower costs. The Lipetsk-Tambov land swap closed successfully in 2015, which added USD 9.1mn pre-tax profit to the 2015 results. Bond repurchases over 2014-15 and a weaker SEK/USD contributed to a lower interest expense and lower foreign exchange translation loss. The net profit was up USD 31.8mn y-o-y from USD -17.4mn in 2014 to USD 14.3mn in 2015, and is the Company's best result ever.

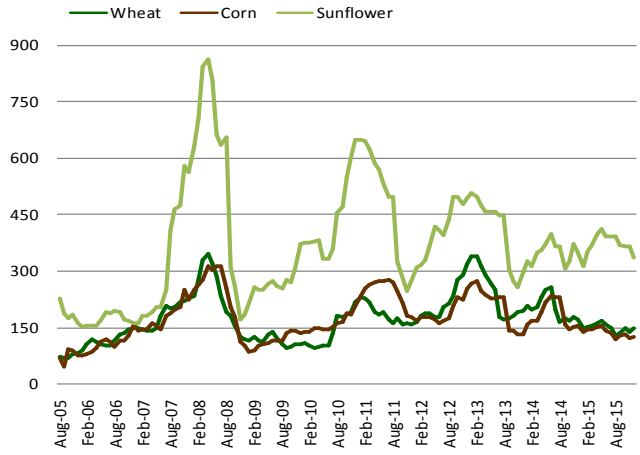
In 2015, the Company grew a bigger crop (+7% y-o-y from 550kt in 2014 to 588kt in 2015) from a smaller cropped area (-19%y-o-y from 184k Ha to 149k Ha). This was due to improved productivity with average blended yields increasing 36% y-o-y from 2.8t/Ha to 3.8t/Ha. Higher production against relatively stable per hectare costs resulted in significantly lower unit costs in 2015. Average production costs per ton decreased by an estimated 37% y-o-y in USD terms as a result of higher productivity, improved operational efficiency and a weaker Russian ruble. Lower costs per ton allowed the Company to expand gross profit margin despite lower average prices. While total revenue and gains were down 10% y-o-y on weaker prices, gross profit after distribution expenses was up USD 22.7mn y-o-y from USD 17.5mn in 2014 to USD 40.2mn in 2015. The operating profit was also supported by a USD 9.1mn pre-tax gain on the swap of land and real estate in Lipetsk and Tambov(vs a USD 6.8mn gain on the sale of Voronezh assets in 2014). Below operating profit, the repurchasing of our bonds and a weaker SEK/USD helped to improve the Company's net result. Interest expense dropped from USD 7.8mn to USD 5.2mn in 2015 and the foreign exchange loss, largely driven by the depreciation of the RUB against the SEK, was down USD 16.4mn to USD 7.9mn in 2015. On balance, higher yields and lower costs drove the improvement in net income from USD -17.4mn in 2014 to USD 14.3mn 2015. As a result of stronger operating performance, cash flow from operations before working capital was up USD 5.1mn y-o-y from USD 12.5mn in 2014 to USD 17.6mn in 2015. In 2015, the Company however built a bigger inventory position, with an aim to capitalize on higher prices in 2016. At year-end 2015, the Company held 227kt crop in inventory valued at USD 32.8mn, vs 144kt valued at USD 23.5mn at the end of 2014. With limited expansion and a focus on maintenance capex, cash investment was down from USD 18.5mn in 2014 to USD 7.7mn in 2015. In 2015, the Company for the first time opened up a subsidized credit line of RUB 800mn (USD 11.0mn at the 31 December the closing rate) with a leading Russian state bank. This facility was used to purchase input materials such as seeds, fertilizers and agrochemicals, which freed up sales proceeds for the Company to repurchaseUSD 3.5mn (cash settled) of its foreign currency bonds in 2015. By the end of 2015, the Company had repurchased a nominal SEK 309mn (USD 37.0mn) of its foreign currency debt. Adjusted for increase in crop inventories, working capital credit and bond repurchases, the Company generated positive cash flows in 2015. As in 2014, the Company's balance sheet was significantly impacted by the depreciation of the Company's functional currency in the Russian ruble from 56.26 at the end of 2014 to 72.88 in 2015.

D1: Exchange rates, RUR/USD and SEK/USD

D2: Sales Mix Structure by Volume 2015



D3: Central Black Earth Region Prices on Key Crops, USD



Note on translation from functional (RUB) to presentation (USD) currency

In 2014, the Company announced that it changed presentation currency from its functional currency in the Russian ruble (RUB) to the USD. Prior to that, the Company had only provided an unaudited translation for the convenience of its stakeholders, based on the closing rate of the Central Bank of Russia (CBR) on 31 December. 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), 3Q15 (63.00) and 4Q15 (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.

INCOME STATEMENT

Revenue & Gains

Revenue and gains of USD 130mn (144) was down 10% y-o-y as 15% average price decrease was partially offset by higher harvest year volume. In 2015 Revenue decreased by 28% vs 2014 to USD 81.1 million, while gains are improved by (+56%) to USD 49.3mn. Change in Revenue and Gains structure is driven by higher end of the year stock accumulation 227 kt in 2015 (144kt), with an aim to capitalize on higher prices in 2016. This lead to lower revenue, however, higher gains on closing inventory.

Revenue

Revenue captures actual sales during the financial year, both of 2014 crop carry-over inventory sold in 2015, and 2015 crop sold in the 2015 calendar year. 2015 crop in inventory at year-end is marked-to-market with unrealized gains sitting in the change in net realisable value of agricultural produce after harvest (see also below). 2015 revenue was down 28% year-on-year to USD 81.1 million on lower volume sales (–15% y-o-y) and lower average price (-15% y-o-y). Volume sales were down 15% y-o-y despite a bigger crop (+7% y-o-y from 550kt in 2014 to 588kt in 2015) as a result of a lower carry-in from the previous season (190.3kt in 2014 vs 143.9kt in 2015) and a greater carry-over to the next calendar year (143.9kt in 2014 vs 227.4kt in 2015). The decline in 2015 average price was mainly driven by global price pressure but also reflect a different crop and sales mix. The Company's main crops are corn, wheat, sunflower, barley and potatoes. In 2015, wheat, sunflower and corn represented 25%, 15% and 45% of volume sales respectively, vs 22%, 7%, and 47% in 2014.

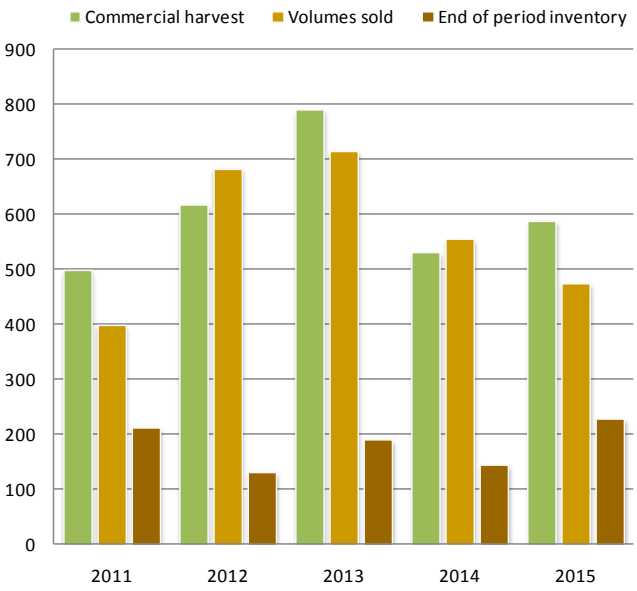
Gain/Loss on Revaluation of Biological Assets and Inventory

The Company's biological assets, which capture work in process and crop in field, and its crop inventory in storage, are estimated at fair and net realisable value respectively in the Company's financial position. The gain on biological assets is derived by using final harvest volumes, valued at regional market prices at the time the crop was harvested (which differs per crop), less incurred production costs and expected selling expenses. After harvest, when the crop is in storage, the state-

ment of income is affected via change in net realizable value, driven by market price developments affecting the value of crop inventory. Starting from year-end 2014, crop in inventory is valued at contract prices, if contracted for sales, and on regional market prices less selling costs where the inventory has not yet been contracted. In 2015, 49% of the 227.4 thousand tons year-end crop inventory was valued on contract prices, and the other 51% at regional market prices less selling costs. When crop is sold and revenue is recognized, the book value of crop in inventory or the fair value estimate of the biological asset (if recorded in biological assets as of the start of the reporting period) is recognized as cost of goods sold, with the gross result reflecting whether or not the crop was sold above or below its book value. In this sense, crop sales constitutes a mark-to-market on the Company's biological asset, whether in field or in inventory in the prior period.

In 2015, prior year carry-in crop inventory was sold close to the 31 December valuation point, with limited impact on net profit. As a result of the depreciating ruble against the backdrop of open export markets, domestic prices rose in RUB terms through 2015, despite weaker international prices. In 2015, as a result of higher yields, lower produc-

D4: Production, Sales and Inventory, thousand tons



T1: Revenue and Result per Hectare (Harvest Year[1])

	2008	2009	2010	2011	2012	2013	2014	2015
Average Net Crop Yield, tons (sold)/ha	2.9	2.7	1.1	2.1	2.7	3.5	2.93	4,0
Average Net Crop Yield (excl. SB and PT), tons (sold)/ha	n/a	n/a	n/a	2.0	2.2	2.6	2.79	3,8
Average Price, USD/ton	129	115	243	173	250	181	197	169
Average Price (excl. SB and PT), USD/ton	n/a	n/a	n/a	180	263	220	198	172
Revenue per Hectare, USD/ha	372	309	269	368	685	633	782	675
Revenue per Hectare (excl. SB and PT), USD/ha	n/a	n/a	n/a	364	671	619	768	653

1. Harvest year differs from calendar year as crops are seeded in autumn and spring and harvested the following summer and autumn with sales undertaken up until the next harvest.

2. SB and PT refer to Sugar Beet and Potato.

3. Realized sales and mark to market of crop inventory as of 31 December 2014.

T2: 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
Volume, k tons							
Wheat	51 044	31 526	11 106	22 152	60 180	38 691	33 655
Barley	12 447		30 767	9 374	13 411	18 094	43 058
Corn	170 784	1 996	2 609	39 427	149 635	129 186	40 250
Rape			4 645	49	6 225		4 779
Sunflower	49 745	5 526	1 632	12 723	56 550	28 284	13 841
Soya		97		510	9 659	4	124
Potatoes	6 510	1 714	4 914	460	12 210	12 261	8 174
Other (peas/seeds/forage)	1 350	283		84	2 509	890	
Total Tons	292 465	41 142	55 673	84 779	310 379	227 411	143 881
Price, USD/ton							
Wheat	147	133	166	172	193	117	163
Barley	155		155	124	158	132	134
Corn	141	122	227	140	151	114	135
Rape			326	384	516		301
Sunflower	324	344	466	242	265	340	299
Soya		381		125	320	298	335
Potatoes	29	103	118	157	135	94	143
Other (peas/seeds/forage)	159	92		71	345	88	
Average Price	171	160	181	162	194	143	163

tion costs per ton and higher RUB prices, the Company posted a USD 44.9mn gain on its biological assets (its harvest). That compares to a USD 22.6 million uplift in 2014 and was an important driver of the 2015 net result.

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 an 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 31 December 2015, the Company had 227.4kt (vs 143.9kt in 31 December 2014) of finished goods inventory (crop in storage) at an estimated value of USD 32.8mn (USD 23.5mn). Change in net realizable value of this inventory resulted in a USD 4.4mn (USD 9.0mn) gain. In 2015, 57% of year-end inventories were corn, 17% wheat and 12% sunflowers.In 2014, the inventory crop mix was 28% corn, 23% wheat and 30% barley. As a result of greater gains on biological assets and crop inventory in 2015 (up USD 17.7mn y-o-y to USD 49.3mn in 2015 vs USD 31.6mn in 2014), total revenue and gains were down only 10% year-on-year to USD 130.4 million (USD 144.4mn), despite a 28% y-o-y drop in revenue.

Cost of production

Black Earth Farming's production cycle commences with seeding of winter crops during the autumn of the prior calendar year. It continues with spring seeding and several stages of field works until the harvest period commences in July through November, depending on crop (please see Farming Schedule diagram on page 37). Historically, approximately 20–30% of costs have been incurred in the fall of the preceding calendar year as winter crops are seeded and fields are cultivated ready for spring. The percentage depends on the field works and the relative weight of the winter crops in the overall crop mix. The remaining 70-80% of costs is incurred during the spring and summer in the same calendar year as part of the spring seeding, followed by field works and harvest. Thus, it is only for every new harvest (i.e. production cycle) that the Company can affect the actual costs of production. The cost of production is significantly affected by the crop mix, as different crops have different levels of cost intensity.

Harvest year production cost per ton[1] decreased by 37% y-o-y in USD terms and 14% y-o-y in RUB terms in 2015. The reduction in unit production costs was driven by yield increase (+36% y-o-y on an average blended basis excluding vegetable crops), improved operational control, efficiencies in procurement, and the devaluation of the Russian ruble. 2015 saw a reduced spend per ton in USD across all key inputs; including seed, sprays, fertilizers, fuel, labor and spare parts. While a weaker RUB helped to contain costs, many inputs are priced in hard currency, with unit cost reduction driven by yield growth and efficiency improvements. The land transactions completed in 2014 and 2015 have also contributed to increasing the average productivity of the Company's land bank but also to improving logistics and reducing reliance and use of third party service companies.

Cost of Sales

When crop is sold and revenue is recognized, the book value of crop in inventory or the fair value estimate of the biological asset (if recorded in biological assets as of the start of the reporting period) is recognized as cost of goods sold. Total cost of sales therefore reflects both the accumulated underlying production costs of the crop sold over the period and the prior period mark-to-market of crop in field (biological assets) and crop in storage or transit (inventory). In its reporting, the Company splits the underlying cost of goods sold from the effects of mark-to-market ("effects of revaluations"). Total cost of sales consequently depends on the volume and crop mix sold as well as crop prices at the previous closing date. The underlying input costs are also detailed in Note 7 to the financial statements.

The 2015 costs of goods sold include both costs of 2014 crop sold in 2015 as well as 2015 crop harvested and sold in the calendar year. Unsold 2015 crop held in inventory at year end affects the statement of income via a change in net realizable value but does not impact cost of goods sold until revenue is recognized. In 2015, the underlying cost of sales was down 49% y-o-y to USD 41.6mn (USD 81.6mn) on 15% lower volume sales, crop mix as well as a reduction in harvest year unit production cost of 37% y-o-y.

Distribution, General and Administrative and Other Cost and Expenses

In 2015, distribution expenses declined 48% y-o-y to USD 10.6mn (USD 20.3mn), as export volumes were down 34% to 82kt (vs 124kt in 2014) on lower total volume sales and a higher share of domestic sales in the revenue mix. The Company estimates a positive margin on its export sales, and benefited from the access to hard currency export revenues as the RUB continued to depreciate in 2015. General and administrative (G&A) costs, mostly capturing labor and consultancy expenses, were down 6% y-o-y to USD 19.1mn in 2015. The 2015 G&A also included one-off costs related to the Moscow office restructuring.

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 gain on the Company's grain hedging program, which compares to a USD 4.4mn gain in 2014.

Interest expense was down both as a result of the Company's repurchases of bonds (SEK 33mn or USD 3.5mn nominal cash 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.

Net Result

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. EBITDA was up USD 16.3mn y-o-y from USD 20.8mn in 2014 to USD 37.2mn 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 from a USD 17.4mn loss in 2014 to a USD 14.3mn profit in 2015.

1 Production cost per ton is a sum of direct and indirect costs incurred in current harvest year production divided by harvest volume

T3: Summary Income Statements

USD million	2009	2010	2011	2012	2013	2014	2015
Total Revenue&Gains	71.9	63.5	85.0	224.1	148.3	144.4	130.4
Gross Result	(1.0)	9.3	2.9	54.1	6.1	37.8	50.9
EBITDA	(25.1)	(7.3)	(13.5)	34.7	(11.4)	20.9	37.2
Operating Result	(36.5)	(27.2)	(27.7)	19.5	(30.6)	6.2	29.4
Net Result	(42.5)	(38.5)	(45.7)	7.0	(45.9)	(17.4)	14.3

Ruble values for all periods converted at the average CBR RUR/USD foreign exchange rate for the relevant periods.

BALANCE SHEET

Assets

Since its inception, Black Earth Farming has invested in (a) acquiring and registering farm land into ownership, (b) a large fleet of high quality western agricultural machinery and equipment and (c) supporting storage infrastructure for the Company's operations. The majority of the investments required for the current land bank have been undertaken and future capital expenditures will mainly be driven by needs to maintain the machine park as well as to improve the throughput and efficiency of the storage sites. In addition, the Company expects to invest in expansion of its irrigated vegetable crop business, which made up around half of the Company's 2015 USD 7.7 million capital expenditure. As the Company's records its assets in its functional currency, 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. While the land and real estate assets swapped from Liptesk to Tambov had a 4% positive effect on the Company's total assets, the decline in the RUB explains most of the total 7% decline in total assets.

Fixed Assets

As of December 31 2015, the Company carried total assets of USD 181.2mn (USD 194.3mn). The Company's fixed assets of USD 78.1mn (USD 95.1mn) comprise mainly of buildings (storage facilities and infrastructure at USD 25.3mn), land (227k Ha of owned and co-owned land as well as 4k Ha in ownership registration process at USD 29.5mn), and equipment used in crop production (at USD 23.3mn). The reduction in fixed assets from USD 99.5 million at the end of 2014, to USD 81.2 million at the end of 2015, was mostly driven by the 23% depreciation of the Company's functional currency in the Russian ruble against the its presentation currency in the USD, and to a lesser extent by the Company's swap of land and real estate assets from parts of its operations in Lipetsk to more consolidated operations in Tambov.

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. 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. Black Earth Farming holds 197k Ha of land at acquisition cost of USD 22.3mn, as recorded in the statement of financial position as property, plant and equipment, which translates into a per hectare value of USD 113. 13 thousand hectares in Samara, where operations ceased in 2009, was reclassified in the statement of financial position as investment property during Q4 2013 and are held at a fair value of USD 2.2mn, which translates into a fair value per hectare of USD 166. Following the 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 Company's land transactions in Voronezh in 2014 and Lipetsk-Tambov in 2015 indicate land values above the Company's book value of land.

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.

Biological Assets

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 has occurred, or by an estimate of revenue (harvest volume and market 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.

Black Earth Farming values crops in field 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 by a completion factor, typically in the range of 50-80% as of June 30, depending on crop and on 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, contract 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.

Inventory

The Company values its inventory of finished goods at the end of the reporting period at net realisable value, as estimated by contracted sales prices or, if not available, at observable market prices (excluding 10% VAT). A change in net realisable value affects total revenue and gains in the statement of comprehensive income. Total cost of goods sold reflects the carrying value of inventory as at the previous reporting date.

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.

Financial Position

As of 31 December 2015, the Company had total debt outstanding of USD 63.5mn (USD 60.9mn), of which USD 52.8mn were bonds (SEK 441mn derived as SEK 750mn total bond issue net of SEK 309mn held as treasury bonds at 31 December 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 credit facility. With USD32.0mn of cash on balance at the end of 2015 (vs USD 32.9mn at the end of 2014), net debt stood at USD 31.5mn (vs USD 28.0mn). In addition, At the end of 2015, the Company held 227kt of crop in inventory valued at USD 32.8mn, vs 144kt valued at USD 23.5mn at the end of 2014. The Company continues to explore opportunities to attract subsidized ruble financing from leading Russian banks.

T4: Summary Statement of Financial Position

	mRUR	mRUR	mUSD	mUSD
Exchange rate			72.88	56.26
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Land	2,150	1,643	30	29
Buildings	1,844	1,890	25	34
Equipment & other	1,698	1,823	23	32
Investment property	160	158	2	3
Other	58	84	1	2
Total Non-current assets	5,910	5,598	81	100
Cash	2,329	1,851	32	33
Finished goods	2,390	1,322	33	24
Raw materials and consumables	700	557	10	10
Bio assets & cultivation	1,093	731	15	13
Receivables	782	878	11	16
Total Current Assets	7,294	5,339	100	95
Total Assets	13,204	10,937	181	194
Total Debt	(4,628)	(3,426)	(64)	(61)
Trade and other payables	(685)	(506)	(9)	(9)
Other Liabilities	(12)	(35)	(0)	(1)
Equity	(7,879)	(6,970)	(108)	(124)
Total Equity & Liabilities	(13,204)	(10,937)	(181)	(194)

1. Includes USD 1.0 million of advance payment for long-term lease.

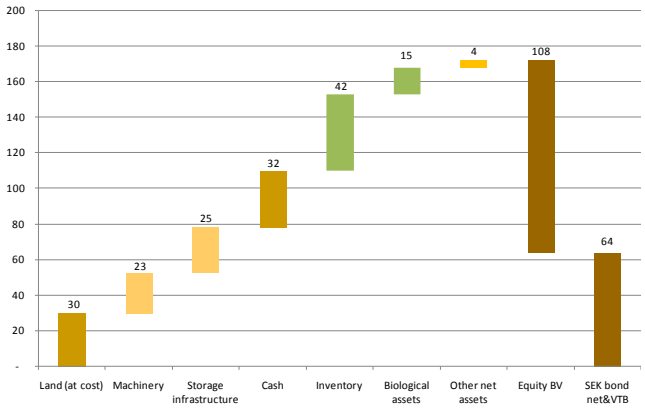
CASH FLOW

Cash Flow

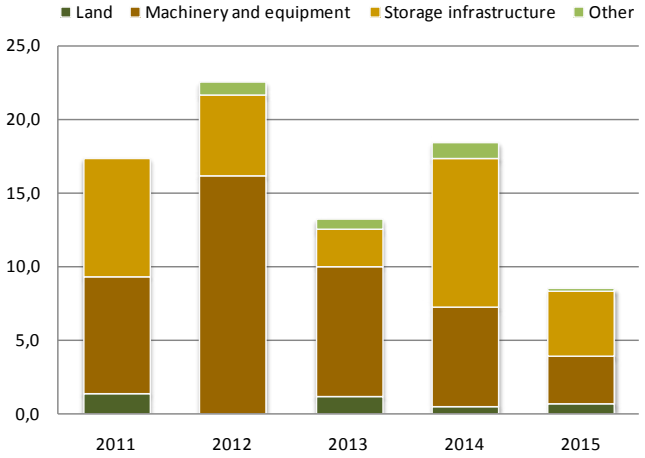
Cash flows from farming operations are highly seasonal and can vary greatly from quarter to quarter. The majority of operating cash outflows relating to direct operating costs arise during the second and third quarters, and are related to the spring seeding campaign, the summer and autumn harvesting, and the autumn winter wheat seeding and cultivation programs. Operating cash inflows from sales proceeds commence post-harvest from July and carry into May or June of the following calendar year as inventory is sold. Partly due to the accounting practice of revaluing biological assets and inventory and take gains or losses through the statement of income, there is significant discrepancy between the profit and loss and the cash flow statement.

On the back of stronger EBITDA, cash flow from operations before working capital increased USD 5.1mn y-o-y to USD 17.6mn in 2015 vs USD 12.5mn in 2014. With a greater share of the operating result driven by non-cash gains and a bigger closing inventory position (227kt in 2015 vs 144kt in 2014), net cash generated after working capital changes, interest and taxes however stood at USD -0.6mn (USD 0.9mn). At USD 7.7mn (USD 18.5mn), capex was down USD 10.8mn y-o-y, as the Company did not make large scale discrete investments in the period but focused on maintenance capex and incremental investment in the irrigated vegetable crop business. The net cash impact of the Lipetsk-Tambov swap was close to neutral, as a net cash receivable was offset by a tax payable. 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 (USD 7.9mn). 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.

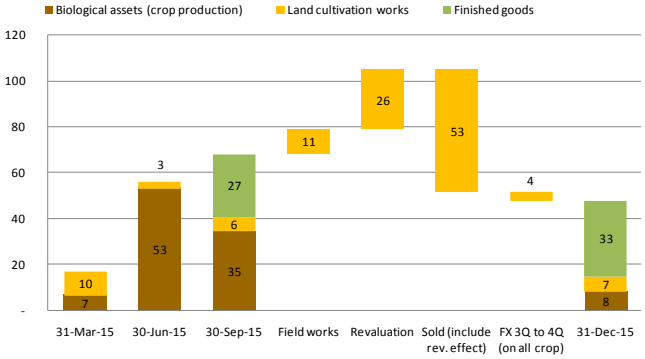
D5: Simplified Balance Sheet as of 31 December 2015, USD million



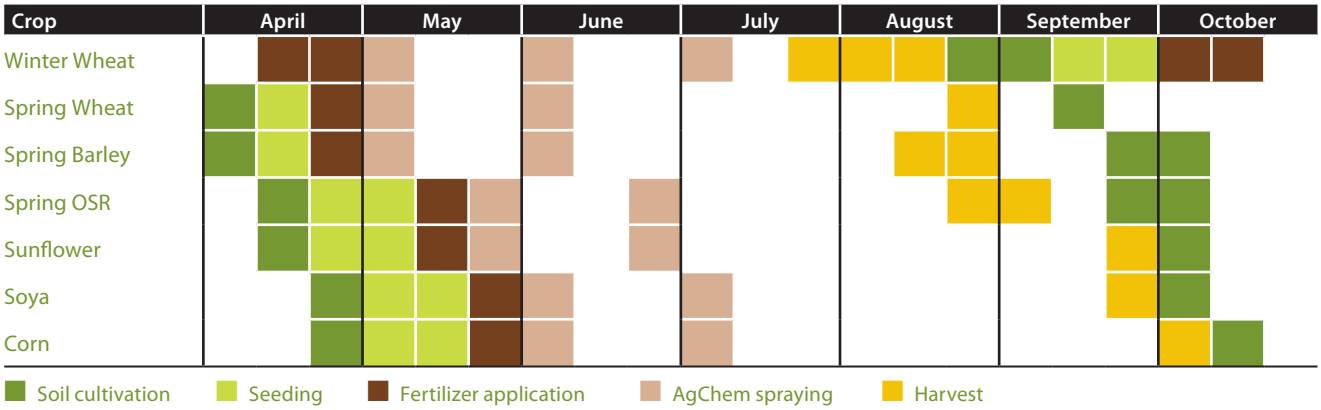
D6: Capital Expenditures, USD million



D7: 2015 Crop Value in Statement of Financial Position, USD million



D8: Farming schedule (one crop year)



Risks and Sensitivity Analysis

Black Earth Farming is exposed to a number of different risks as a land owner and crop producer. In addition, the company faces challenges specific to its geographical area and business model. Risks can be divided into three main categories: operational, market and financial.

Crop yield and price volatility are the key two risks in Black Earth Farming's operating environment, as volume and price drive revenue volatility over a cost base that is largely, sunk and fixed. The recent years have highlighted the inherent volatility of the farming business due to the significant effects of crop volumes and prices on revenue and profitability. The Company's business model is highly exposed to weather events, which impact crop yields and operational costs. Crop prices both internationally and domestically are highly volatile, as short-term shifts in supply and demand balances can cause prices to drop and rise significantly from one year to the next. The current lack of local price hedging mechanisms limits the Company's ability to manage price risks. Crop export and seed import restrictions has exacerbated risks in the Company's operating environment. A 20% fall in average crop yields combined with a 20% drop in average crop prices, both of which are within an historical range of volatility, would reduce the Company's revenue by circa 36%. If a production shortfall is severe and regional rather than company specific, prices would, however, tend to move inversely to grain production volumes. The Company has implemented several initiatives to mitigate risks in its operating and financial environment.

Operational risks

Operational risks are related to the management of the business that, to some extent, are within the Company's control.

Crop Yields

A range of factors affect the germination of crops in field, only some of which are within the Company's control. The Company strives to apply agronomic best practices and the appropriate field works to maximize yield and increase the resilience of its crops to adverse weather conditions, weeds, pests and fungal disease. Weather events can delay the seeding campaign and the application of fertilizer and agrochemicals. Droughts could inhibit crop growth while heavy rainfall could disrupt the harvesting schedule, affect crop quality and increase logistics and processing costs. The Company has undertaken several initiatives to remove constraints to crop yields, improve crop production potential and mitigate weather and other risks (see also operational review). Soil pH has been raised in certain areas to remove high acidity, phosphate and potash levels have been optimized, the seed selection process has been reviewed and weed control improved. Key material inputs and life science data, such as seeds customized for the specific climatic conditions and soil characteristics for certain regions, are not always available for some of Russia's key crops and operating areas. To mitigate such operating challenges, the company performs its own research on different seeds to identify best performing varieties internally. The Company has undertaken a comprehensive deep cultivation program to improve yield potential but also to reduce drought exposure, as well structured soils allow crop roots to exploit more soil and moisture. Black Earth Farming is committed to recruiting qualified managers and training its staff to ensure that the proper competences are in place for all field operations. Management is building an information infrastructure and reporting process to support timely and efficient decision making. Since 2013, the Company has used crop yield insurance to hedge against negative effects on crop yields from major regional weather events.

Infrastructure and Logistics

The ability to safely process (mostly drying and cleaning) and properly store its crop production after harvest is an important factor for the Company to manage risks to the quality and value of its crops. Storage and transport infrastructure in Russia is sometimes outdated and inefficient. The Company has therefore invested in internal infrastructure, capable of covering the processing and storage needs for the majority of its expected harvest year crop volumes. Implementation of GPS monitoring is expected to further increase crop and harvest information flow to support decision making and crop handling logistics. Centralized management of harvest, crop handling and storage logistics as well as real time information is key to maintain a proper level of control over some 15 harvesting teams and 30 storage sites across the Company's operations. Drying capacity has been expanded in key production locations to reduce costs of logistics and manage risks to crop quality. As Black Earth Farming developed its export program, securing access to rail transport and port handling capacity became critical to be able to deliver on contracts with international counterparties. To improve visibility on port capacity, the Company has entered into a long-term cooperation with an international partner at a deep water port on the Baltic Sea. To manage risks of rail throughput capacity, the Company has diversified its rail transport supplier base by contracting from private suppliers alongside the leading State controlled operator.

Control Monitoring & Logistics room

Market risks

Market risks are mostly external to the Company and related to fluctuations in the prices of the Company's crop output, key input materials and assets.

Crop Prices

Market prices of agricultural commodities are influenced by a variety of factors, most of which are beyond the control of the Company. These include weather, global cropping plans, government agricultural policies and changes to global demand and supply of similar and substitute crops. Three record global harvests in a row have depressed current grain prices, with corn and wheat at nine and five year lows respectively. The markets available to hedge price fluctuations via physical forward sales or using financial instruments remain underdeveloped in Russia, where a majority of sales transactions are still conducted on a spot basis. The Company's export program was partly developed to manage risks in this area. The export program serves not only to diversify sales and target an export netback margin, but also to develop international customer partnerships based on long-term contracts and to enable forward pricing. Where forward sales are not possible, the Company makes use of international hedging instruments. In 2013, the Company launched a grain hedging program with trading in futures and options on international exchanges in Paris (MATIF) and Chicago (CBOT). The Company's hedging activities primarily serves to lock in a margin over the Company's expected unit costs, reduce price volatility and provide an additional channel to price forward. In deciding whether or not put on price hedges, the Company considers the futures price levels in relation to budgeted costs as well as the broader sales portfolio and market outlook. A sales and marketing committee, including board representatives, convenes regularly to discuss and decide on hedging strategies. In 2015, the volatility of the Russian ruble on the one hand, and uncertainty about the potential introduction of export restrictions on the other, made execution of domestic forward and export sales more challenging.

Input Prices

Fertilizers, seeds, herbicides and fuel are key inputs in the Company's production process and comprise a high share of its operating costs. The industries supplying these key input materials are characterized by a relatively high level of consolidation. A centralized procurement department consolidates major purchase items to obtain the best pricing and terms available. Timing is an important consideration for procurement of input materials, as the ability to fund pre-purchases and store materials restricts the ability of some agricultural producers to exploit the pricing cycle in input markets. Black Earth Farming has developed access to subsidized working capital channel and has capacity to store materials.

Employees

The Group's senior management team consists of a number of key individuals and operating specialists. The loss of any key person could have an adverse impact on the Group's performance. The success of the company depends on its ability to attract, retain and motivate appropriate managerial personnel with experience of the Russian agricultural market. Competition for personnel with relevant expertise and willingness to operate in rural areas in Russia is intense, due to the relatively small number of qualified individuals. The Company aims to attract and retain key personnel by providing a competitive and balanced combination of compensation and incentive structures. It also strives to, as and where possible, put robust succession plans in place.

Weather

Weather conditions are a significant risk affecting Black Earth Farming, as the majority of the Company production is rain fed. Poor seasonal weather conditions (whether too dry or too wet) and unpredictable climatic changes may adversely affect production and the Company's results. The company is continuously developing its agronomical practices and operational decision making to improve timely field works, which can partially mitigate the weather effects on crop yields and crop quality. The inherent volatility relating to weather factors will be still be present but by lifting crop yield potential and removing constraints to yields, the sensitivity of the Company's results to seasonal weather patterns should be reduced over time. Additional measures to reduce sensitivity to weather events include diversifying the crop mix, for example with the addition of irrigated vegetable production, to the Company's core business of grains and oilseeds. Since 2013, the Company has used crop yield insurance to hedge against negative effects on crop yields from major regional weather events.

Longer term, global warming may become a factor impacting the Company's operating performance and the value of its assets. The Food and Agriculture Organization (FAO) of the United Nations expects global warming to have a regional, but less of a global effect on food production. Current research suggests that the potential for crop production will increase in temperate and northerly latitudes, while it may decline in parts of the tropics and subtropics. That would suggest a longer growing period and so yield potential for crops in the Company's operating regions.

Political and Regulatory Risk

The agricultural sector both in Russia and globally remains prone to government regulations and policies limiting free trade or affecting market prices. Ownership and lease of agricultural land is a politically sensitive and controversial issue in many parts of the world, including Russia. Equal access to subsidies remains uncertain in Russia. Geopolitical developments and the position of the Russian Federation in the international community could impact mutual commitment to free trade principles. Following a dry autumn with a weaker outlook for Russia's 2015 wheat crop, and amidst efforts to contain domestic inflation pressure, Russia introduced a levy on wheat exports in the beginning of 2015. Russia has however emphasized the strategic importance of the agricultural sector to its economy and domestic government support for selected sub sectors of Russian agriculture is expected to remain in one form or another.

In March 2014, sanctions were imposed by the U.S. and E.U. on certain Russian officials, businessmen and companies. These actions, particularly if further extended, may result

in reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the ruble and other negative economic consequences. The impact of these developments on the future operations and financial position of the Company is difficult to determine. However, the impact of the sanctions on the company has been positive so far, as import replacement drives demand for company products. Current geopolitical tensions have resulted in increased state intervention in some situations and foreign ownership restrictions have been placed in some sectors such as Media.

Financial

The Group's financial risks are managed in accordance with the Treasury Policy that has been adopted by the Board of Directors. Additional details regarding accounting principles and risks are given in notes 1, 27 and 29.

Financing risk

Financing risk refers to the risk of Black Earth Farming being unable to meet its need for new capital. The Company completed a SEK 530 million (USD 78mn) rights issue in December 2012 to finance investment and working capital related to the PepsiCo agreement announced in October 2012. On 30 October 2013, the Company refinanced its outstanding 2014 bond with a new four-year SEK 750 million bond, extending maturity to October 2017. As of 31 December 2015, the Company held a nominal SEK 309 million (USD 37.0mn) of the bonds on its balance sheet and at the time of the publication of this report, the Company held a nominal SEK 338 million (USD 40.5mn). In August 2015, the Company agreed a RUB 800mn (USD 11.0mn at the year-end closing rate) subsidized working capital credit facility with a leading Russian state bank. Although the Company generated cash from operations before interest and taxes in 2012-2015, there has historically been a dependence of external financing to support investment in business expansion. With a more mature core business profile, investment requirements have however largely declined to maintenance level. Investment into further diversification through the Company's irrigated vegetable crop segment can be made incremental and optional. With a strong asset base and deeper cooperation with Russian banks, the Company believes that it is in a reasonable position to manage financing risks. On the back of the deterioration in Russia's macroeconomic environment in 2014, international and domestic funding became more restrictive for businesses operating in Russia. Through 2014, as the ruble depreciated sharply, the Russian Central Bank raised key rates from 5.5% to 17.0%, including an overnight increase from 10.5% to 17%. Increases in benchmark rates were carried forward to domestic businesses in Russia, making domestic credit conditions tighter and funding generally more expensive. In 2015, the liquidity and credit environment has improved as the Central bank cut its benchmark rate to 11% to support business activity.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. With key financial obligations in SEK and USD, the Company keeps most of its liquidity in USD and EUR (see also below on Currency risk).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a contract or a financial instrument fails to meet its contractual obligations. As the majority of domestic sales are made on a prepayment basis, the counterparty or credit risk related to receivables on domestic sales is limited. The Company seeks longer term relationships with credit worthy counterparties to reduce counterparty risks. In terms of its liquid cash holdings, the Group diversifies its credit exposure by placing surplus funds on deposit with a variety of established banks in Russia and abroad.

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing the fair value of fixed rate debt. The Group adopts a policy of limiting its long term exposure to changes in interest rates by borrowing on a fixed rate basis, where possible. At the time of raising new loans or borrowings, management and Board apply judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity. On 30 October 2013, the Company refinanced its outstanding 2014 bond with a new four-year SEK 750 million bond, extending maturity to 2017. The new bond has a fixed 9.4% coupon, which is paid quarterly. The Company's working capital facility is in RUB at a fixed rate with a flexible maturity of less than one year.

Currency risk

The Group is exposed to currency translation risk as its borrowings, mostly denominated Swedish Krona (SEK), fluctuate against its assets, which are predominantly denominated in the Group's functional currency in the Russian ruble (RUB). The Company is also exposed to transaction risks in its cash flows. These risks were pronounced in 2014 and 2015, when the RUB depreciated sharply against the USD and the SEK.

The Company's policy is to make maximum use of natural hedging by seeking asset-liability and cash inflow-outflow matching. To mitigate the translation risks on the Company's balance sheet, this means keeping cash, which is not required for immediate operational purposes, in the same currency as its liabilities (SEK) or in currencies that are highly correlated with the currency of its liabilities. It also means that the Company may gradually seek to reduce its SEK obligations and increase RUB denominated debt. As of 31 December 2015, 95% of the Company's cash was held in hard currency. To mitigate transaction risks in the Company's cash flows, the Company seeks, where possible, to match inflows and outflows. Key cash outflows in currency other than RUB include interest on bonds (SEK), seeds and agrochemicals (partly linked to EUR or USD) and certain capital expenditure items (partly linked to EUR or USD). Key cash inflows in currency other than RUB come from the Company's export revenues (EUR). The Company also recognizes that domestic crop sales and certain cost items are indirectly linked to currencies other than the RUB.

The Black Earth Farming share

Black Earth Farming share information	
Exchange name:	Nasdaq OMX Stockholm
Listed form:	Swedish Depository Receipt ("SDR")
CCY:	SEK
Trading lot:	1
Outstanding shares:	210,426,241
Exchange short name:	BEF SDB
Reuters ticker:	BEFsdb.ST
Bloomberg ticker:	BEFSDB:SS
ISIN code:	SE0001882291
Sector:	Agricultural Products

Market listing

As of June 2009, trading in Black Earth Farming's shares takes place on Nasdaq OMX Stockholm. Before that but following the IPO in December 2007, the stock traded on OMX First North in Stockholm. The Company's shares are listed in the form of Swedish Depository Receipts. Black Earth Farming Limited has a custodial arrangement with Pareto Öhman whereby Pareto Öhman, on behalf of shareholders, will hold common shares in the Company in a depository account and issue one Swedish Depository Receipt ("SDR") for each Share deposited. The SDRs are registered with Euroclear (former VPC AB). An SDR entails the same right to a dividend as the underlying Share, and an SDR holder has the same right to vote at General Meetings as a shareholder. In order to attend a General Meeting it is, however, required that the holder of SDRs follows the instructions from the custodian bank.

Voting rights

Each Share/SDR carries the right to cast one vote on all matters submitted to a vote of the shareholders.

Dividends and dividend policy

The profits of the Company available for dividends and resolved to be distributed shall be distributed pro-rata to the holders of SDRs in accordance with their respective share in the assets and profits of the Company. The Company's general meeting may declare dividends accordingly, but no dividends shall exceed the amount recommended by the Board. No dividends shall be payable otherwise than in accordance with the 1991 Law and the Articles of Association. There are no fixed dates on which entitlement to dividends arises.

Subject to the provisions of the 1991 Law and the Articles of Association, the Board may from time to time pay to holders of SDRs such interim dividends as deemed to be justified by the profits and cash flows of the Company.

No dividends or other monies payable in respect of an SDR shall bear interest against the Company unless otherwise provided by the rights attached to the SDRs. Any dividends which have remained unclaimed for a period of ten years from its due date of payment shall, if the Board so resolves, be forfeited and shall cease to remain as a debt for the Company and shall thereafter belong to the Company. The Company has never declared nor paid any cash dividends on its capital stock and currently intends to retain future earnings to fund the development and growth of its business.

T1: 5 largest shareholders as of 31 December 2014

	Owner	Holding, Shares/ SDRs	Holding, %
1	Investment AB Kinnevik	51,811,828	24.9%
2	GoMobile Nu AB	23,998,461	11.6%
3	Alecta Pension Funds	20,368,000	9.8%
4	Avanza Pension	8,787,072	4.2%
5	Danske Invest Funds	7,560,300	3.6%
	5 largest owners	**112,525,661**	**54.1%**
	Other, approx 14,500 shareholders	95,143,784	45.9%
	TOTAL outstanding	**207,669,445**	**100.00%**

Source: Euroclear Sweden share registry and shareholders' reference

T2: 5 largest shareholders as of 31 December 2015

	Owner	Holding, Shares/ SDRs	Holding, %
1	Investment AB Kinnevik	51,811,828	24.6%
2	GoMobile Nu AB	25,532,924	12.1%
3	Alecta Pension Funds	20,368,000	9.7%
4	Avanza Pension	9,439,318	4.5%
5	Danske Invest Funds	6,960,000	3.3%
	5 largest owners	**114,112,070**	**54.2%**
	Other, approx 14,500 shareholders	96,314,171	45.8%
	TOTAL outstanding	**210,426,241**	**100.0%**

Source: Euroclear Sweden share registry and shareholders' reference

Ownership structure

At year-end 2015, Black Earth Farming had about 13,100 shareholders, compared to 14,500 in 2014 and 14,000 in 2013. The 5 largest shareholders accounted for 54.2% of the number of shares and voting rights at the end of 2015, compared to 54.1% in 2014 and 48.2% in 2013.

Trading

A total of 57.95 million SDRs were traded during the period from 1 January 2015 to 31 December 2015, corresponding to a value of SEK 211 million. On average 231 thousand SDRs were traded each business day, corresponding to an average value per day of SEK 0.8 million.

Market Capitalization

Black Earth Farming's market capitalization at 31 December 2015 was SEK 848 million (USD 102 million), compared to SEK 608 million (USD 78 million) at year-end 2014 (39% year-on-year in SEK) and SEK 1,339 million (USD 205 million) at year-end 2013.

2013 Bond

On 30 October 2013, the Company refinanced its outstanding 2014 bond with a new four year SEK 750 million bond, extending maturity to 2017. As of 31 December 2015, the Company has repurchased approximately SEK 309 million (USD 37 million) of the bonds on its balance sheet.

2015 Share Issue from Management Incentive Program

On 25 June 2015 2,756,796 new shares (1.33% of shares then outstanding) were issued as a result of the Company's management incentive program. This led to an increase of the share capital in the amount of USD 28 thousand and of the share premium in the amount of USD 1,133 thousand. Following the issue, the total number of outstanding shares (as represented by SDRs) and votes were 210.4 million.

Analysts Covering Black Earth Farming

Pareto Securities

Gustaf Hansson, tel: +46-8-402 50 00

Five Year Summary

Profit & Loss (million)	2010 RUB	2011 RUB	2012 RUB	2013 RUB	2014 RUB	2015 RUB	2010 USD*	2011 USD*	2012 USD*	2013 USD	2014 USD	2015 USD
Sales Revenue	1,430	2,067	4,458	4,307	4,544	5,153	47.1	70.3	143.5	135.0	112.8	81.1
Change	-40%	45%	116%	-3%	6%	13%	-40%	45%	116%	-6%	-16%	-28%
Total revenue and gains	1,928	2,499	6,965	4,732	5,972	8,227	63.5	85.0	224.1	148.3	144.4	130.4
Change	-16%	30%	179%	-32%	26%	38%	-12%	34%	164%	-34%	-3%	-10%
Gross profit/(loss)	284	86	1,680	196	1,626	3,170	9.3	2.9	54.1	6.1	37.8	50.9
Margin	15%	3%	24%	Neg.	27%	39%	15%	3%	24%	4%	26%	39%
Operating profit/(loss)	(827)	(813)	605	(975)	338	1,762	(27.2)	(27.7)	19.5	(30.6)	6.2	29.4
Margin	Neg.	Neg.	9%	Neg.	6%	21%	Neg.	-19%	9%	-21%	4%	20%
Profit/(loss) before income tax	(1,232)	(1,303)	287	(1,429)	(584)	970	(40.6)	(44.3)	9.2	(44.8)	(16.4)	16.5
Margin	Neg.	Neg.	4%	Neg.	-10%	12%	Neg.	-52%	4%	-30%	-11%	13%
Net profit (loss)	(1,171)	(1,342)	218	(1,463)	(618)	854	(38.5)	(45.7)	7.0	(45.9)	(17.4)	14.3
Margin	Neg.	Neg.	3%	Neg.	-10%	10%	Neg.	-54%	3%	-31%	-12%	11%
Basic profit(loss) per share (RUB/USD*)	(9)	(11)	2	(7)	(3)	4	(0.3)	(0.4)	0.1	(0.2)	(0.1)	0.1
Diluted profit(loss) per share (RUB/USD*)	(9)	(11)	2	(7)	(3)	4	(0.3)	(0.4)	0.1	(0.2)	(0.1)	0.1

Cash Flows (million)	2010 RUB	2011 RUB	2012 RUB	2013 RUB	2014 RUB	2015 RUB	2010 USD*	2011 USD*	2012 USD*	2013 USD	2014 USD	2015 USD
Cash flows utilised by operating activities	(773)	(1,224)	(92)	(39)	35	69	(25.5)	(41.6)	(3.0)	(1.2)	0.9	(0.6)
Cash flows utilised by investing activities	(741)	(547)	(554)	(333)	147	(414)	(24.4)	(18.6)	(17.8)	(10.4)	5.3	(6.9)
Cash flows from financing activities	1,291	(181)	2,247	(270)	(1,062)	505	42.5	(6.2)	72.3	(8.4)	(27.3)	(7.9)

Financial position and return (Million / %)	2010 RUB	2011 RUB	2012 RUB	2013 RUB	2014 RUB	2015 RUB	2010 USD*	2011 USD*	2012 USD*	2013 USD	2014 USD	2015 USD
Total assets	11,282	10,153	12,822	11,309	10,929	13,203	371.5	334.3	422.2	345.5	194.3	181.2
Property, plant and equipment	5,922	6,020	6,014	5,785	5,352	5,695	195.0	198.2	198.0	176.7	95.1	78.1
Cash and cash equivalents	2,983	985	2,639	2,125	1,850	2,329	98.2	32.4	86.9	64.9	32.9	32.0
Total equity	7,605	6,289	8,905	7,487	6,973	7,877	250.4	207.1	293.2	228.7	123.9	108.1
Equity per share	61.0	50.5	42.9	36.1	33.6	37.4	2.0	1.7	1.4	1.1	0.6	0.5
Operating cash flows per share	-6.2	-9.8	-0.4	-0.2	0.2	0.3	-0.2	-0.3	0.0	0.0	0.0	0.0
Debt/Equity	43%	52%	36%	43%	48%	47%	43%	52%	36%	43%	48%	47%
Equity/Assets	67%	62%	69%	66%	64%	60%	67%	62%	69%	66%	64%	60%
Non-current loans and borrowings	3,297	3,266	3,162	3,211	3,356	3,721	108.6	107.5	104.1	98.1	59.7	51.1
Gross margin	15%	3%	24%	4%	27%	39%	15%	3%	24%	4%	26%	39%
Operating profit margin	-43%	-33%	9%	-21%	6%	21%	-43%	-33%	9%	-21%	4%	21%
Net profit margin	-61%	-54%	3%	-31%	-10%	10%	-61%	-54%	3%	-31%	-12%	10%
Return on Equity	-14%	-19%	3%	-18%	-9%	12%	-14%	-19%	3%	-18%	-10%	12%

Production & Sales	2010	2011	2012	2013	2014	2015
Commercial Harvest area (ha)	179,767	228,900	220,119	225,632	184,191	149,278
Year-on-year change	-2%	27%	-4%	3%	-18%	-19%
Commercial Harvest (tons)	222,916	499,287	617,578	790,152	549,946	587,750
Year-on-year change	-56%	124%	24%	28%	-30%	7%
Volumes Sold (tons)	277,694	399,473	683,610	715,415	555,424	474,059
Year-on-year change	-55%	44%	71%	5%	-22%	-15%
End of Period Inventory (tons)	129,124	211,914	131,809	190,360	143,881	227,411
% of Commercial harvest	58%	42%	21%	24%	26%	39%
Average Realised Price per Ton (USD*)	164	166	212	186	198	169
Year-on-year change	31%	31%	28%	-13%	7%	-15%

Land Holding (thousand hectares)	2010	2011	2012	2013	2014	2015
Land under Control	328	318	308	308	271	256
Year-on-Year change, %	2%	-3%	-3%	0%	-12%	-6%
Land in Full Ownership	250	260	250	254	232	227
Year-on-Year change, %	16%	4%	-4%	2%	-9%	-2%
Land in Ownership Registration Process	30	18	19	17	10	4
Year-on-Year change, %	-60%	-40%	3%	-8%	-41%	-58%
Land in Long Term Lease	48	40	40	37	29	25
Year-on-Year change, %	23%	-17%	-1%	-6%	-22%	-13%

Ruble values for all periods converted at the average CBR RUR/USD foreign exchange rate for the relevant periods.

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES

CONTENTS Page

Statement of management responsibilities

For the preparation and approval of the consolidated financial statements for the year ended 31 December 2015

The Board of Directors is responsible for preparing the consolidate dfinancial statements in accordance with applicable law and regulations.

Company law requires the Board of Directors to prepare financial statements for each financial year. Under that law, the Board of Directors has elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, the Board of Directors is also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

The Board of Directors is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that theconsolidated financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors has established an Audit Committee. The Audit Committee reviews with Management and the external auditors any significant financial reporting issues, the consolidated financial statements, and any other matters of relevance to the parties. The Audit Committee shall meet as regularly as deemed necessary by the Board, but it should be at least four times a year, in connection with the release of the Group's interim and full year consolidated financial statements. The external auditors have unrestricted access to the Group.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 7 April 2016.

Per Åhlgren
Chairman of the Board

Franco Danesi
Non-executive Director

Camilla Öberg
Non-executive Director

Dmitry Zavgorodniy
Non-executive Director

Poul Schroeder
Non-executive Director

Independent Auditor's Report

To the shareholders and Board of Directors of Black Earth Farming Limited

We have audited the accompanying consolidated financial statements of Black Earth Farming Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AO PricewaterhouseCoopers Audit
Alexei Ivanov

Moscow, Russian Federation
7 April 2016

PricewaterhouseCoopers AB
Bo Lagerström

Stockholm, Sweden
7 April 2016

Consolidated Statement of Income

For the year ended 31 December 2015

In thousands of US Dollars	Notes	Year ended 31 Dec 2015	31 Dec 2014
Revenue		81,102	112,776
Gain on revaluation of biological assets		44,918	22,624
Change in net realizable value of agricultural produce after harvest		4,375	9,017
Total revenue and gains	6	**130,395**	**144,417**
Cost of sales	7	(41,608)	(81,584)
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)
Gross profit		**50,864**	**37,811**
Distribution expenses	8	(10,620)	(20,270)
General and administrative expenses	9	(19,139)	(20,353)
Taxes other than income	11	(1,336)	(1,339)
Government grants		1,232	2,376
Crop insurance net of insurance grants	12	(1,336)	(865)
Other income and expenses, net	13	9,687	8,853
Operating profit		**29,352**	**6,213**
Financial income		273	1,662
Financial expenses	14	(5,168)	(7,792)
Loss on foreign exchange differences		(7,936)	(16,452)
Profit/(loss) before income tax		**16,521**	**(16,369)**
Income tax expense	15	(2,207)	(1,068)
Profit/(loss) for the year attributable to owners of the parent		**14,314**	**(17,437)**

Earnings/(loss) per share (amounts are indicated in USD)

Loss per share, basic and diluted	23	0.07	(0.08)

The consolidated statement of income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 52 to 67.

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2015

In thousands of US Dollars	Notes	Year ended 31 Dec 2015	31 Dec 2014
Profit/(loss) for the year		**14,314**	**(17,437)**
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Translation of financial information to presentation currency		(31,012)	(90,073)
Other comprehensive loss for the year		**(31,012)**	**(90,073)**
Total comprehensive loss for the year attributable to owners of the parent		**(16,698)**	**(107,510)**

The consolidated statement of other comprehensive income is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 52 to 67.

Consolidated Statement of Financial Position

As at 31 December 2015

In thousands of US Dollars	Notes	31-Dec-2015	31-Dec-2014
ASSETS			
Non-current assets			
Property, plant and equipment	17	78,146	95,141
Intangible assets	18	105	24
Biological assets (livestock)	19	327	431
Other non-current assets		115	670
Deferred tax assets	16	322	415
Investment property	22	2,164	2,792
Total non-current assets		**81,179**	**99,473**
Current assets			
Finished goods		32,765	23,495
Raw materials and consumables		9,562	9,859
Biological assets (crop production)	19	8,277	6,066
Land cultivation works		6,677	6,887
Trade and other receivables	20	10,737	15,604
Cash and cash equivalents	21	31,959	32,888
Total current assets		**99,977**	**94,799**
Total assets		**181,156**	**194,272**
EQUITY AND LIABILITIES			
Equity			
Share capital	23	2,105	2,077
Share premium	23	525,904	524,771
Share-based payments reserve		4,249	4,868
Accumulated deficit		(218,516)	(232,853)
Translation reserve		(205,662)	(174,914)
Total equity attributable to owners of the parent		**108,080**	**123,949**
LIABILITIES			
Non-current liabilities			
Long-term loans and borrowings	24	51,058	58,819
Non-current finance lease liabilities	26	111	461
Deferred tax liabilities	16	253	372
Total non-current liabilities		**51,422**	**59,652**
Current liabilities			
Short-term loans and borrowings	24	12,064	1,380
Trade and other payables	25	9,356	9,021
Current finance lease liabilities	26	234	270
Total current liabilities		**21,654**	**10,671**
Total liabilities		**73,076**	**70,323**
Total equity and liabilities		**181,156**	**194,272**

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 52 to 67.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Notes	Share capital	Share premium	Share-based payments reserve	Accumulated deficit	Translation reserve	Total equity attributable to owners of the parent
Balance as at 1 January 2014		**2,077**	**524,771**	**6,103**	**(215,962)**	**(88,246)**	**228,743**
Loss for the year		-	-	-	(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 Share-based payments reserve to Accumulated deficit		–	–	(546)	546	–	–
Recognition of Share-based payments	10	-	-	2,716	-	-	2,716
Balance as at 31 December 2014		**2,077**	**524,771**	**4,868**	**(232,853)**	**(174,914)**	**123,949**
Balance as at 1 January 2015		**2,077**	**524,771**	**4,868**	**(232,853)**	**(174,914)**	**123,949**
Profit for the year		-	-	-	14,314	-	14,314
Other comprehensive loss							
Translation differences		-	-	(264)	-	(30,748)	(31,012)
Total comprehensive loss		-	-	(264)	14,314	(30,748)	(16,698)
Reclassification from Share-based payments reserve to Accumulated deficit		-	-	(23)	23	-	-
Recognition of share-based payments	10	-	-	726	-	-	726
Shares issued	23	28	1,133	(1,058)	-	-	103
Balance as at 31 December 2015		**2,105**	**525,904**	**4,249**	**(218,516)**	**(205,662)**	**108,080**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 52 to 67.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

In thousands of US Dollars	Notes	Year ended 31 Dec 2015	31 Dec 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		14,314	(17,437)
Adjustments for:			
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	13	(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
		17,567	**12,497**
Movements in working capital:			
(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/(decrease) in trade payables and other short-term liabilities		2,755	(33)
Cash generated from operations		**6,878**	**10,376**
Interest paid		(6,194)	(7,907)
Income tax paid		(1,304)	(1,600)
Net cash (used in)/generated from operating activities		**(620)**	**869**
CASH FLOWS FROM INVESTING ACTIVITIES			
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)	-
Net cash (used in)/generated from investing activities		**(6,901)**	**5,311**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		11,662	-
Repurchase of bonds		(3,487)	(26,656)
Settlement of obligations under finance lease agreements		(255)	(608)
Net cash generated from/(used in) financing activities		**7,920**	**(27,264)**
Net increase/(decrease) in cash and cash equivalents		**399**	**(21,084)**
Cash and cash equivalents at the beginning of the year	21	32,888	64,925
Effect of exchange rate fluctuations on cash and cash equivalents		4,485	12,734
Effect of foreign exchange differences		(5,813)	(23,687)
Cash and cash equivalents at the end of the year	**21**	**31,959**	**32,888**

Non-cash transactions
During the year ended 31 December 2015, the Group entered into the land swap deal, resulting in a gain in the amount of USD 9,080 thousand (Note 13).

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 52 to 67.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. BACKGROUND

(a) 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 (corn, wheat, sunflower, rape and other) and dairy produce and the distribution of the 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 Small Cap segment on NASDAQ OMX Stockholm.

(b) 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 and 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 (as per S&P and Moody's). This operating environment has a significant impact on the Group's operations and financial position. Management is taking 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.

2. BASIS OF PREPARATION

(a) Statement of compliance and basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") under the historical cost convention, as modified by the revaluation of certain items as detailed in Note 3. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 3 for new and amended standards adopted by the Group).

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(b) Functional and presentation currency

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

The Group's presentation currency is US Dollar ("USD") which the Group management considers most representative for the users of these consolidated financial statements. All the financial information in these 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 date 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 rate of the actual transaction dates);
- All resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity.

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

	Year ended	
	31 Dec 2015	31 Dec 2014
RUR/USD average for the year ended 31 December	60.9579	38.6025
RUR/USD as at 31 December	72.8827	56.2584
RUR/SEK average for the year ended 31 December	8.7260	7.2021
RUR/SEK as at 31 December	7.2434	5.5950

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been consistently applied in the preparation of these consolidated financial statements.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to

the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Transactions eliminated on consolidation

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except for:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements,which are recognized and measured in accordance with IAS 12 Income Taxes, and IAS 19 Employee Benefits, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2Share-based Payments, at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(c) Goodwill

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in a subsequent period.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency using exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency using the exchange rate at the date that the fair value was determined.

Foreign currency differences arising in translation are recognized in profit or loss.

(e) Financial instruments

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. In the fair value hierarchy, fair value measurements are analysed by level as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables comprise accounts receivable, cash and cash equivalents, restricted cash, bank deposits, unquoted promissory notes and loans issued. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using effective interest method.

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Held-to-maturity assets include quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period.

Held-for-trading investments are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading investments if it has an intention to sell them within a short period after purchase, i.e. within 1 to 3 months.

The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Derivative financial instruments, including what are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group uses future and option contracts for certain products (usually corn and wheat) to hedge price volatility risks.

Other financial assets at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates financial assets into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Recognition and measurement of this category of financial assets is consistent with the accounting policy for trading investments.

All other financial assets are included in the available-for-sale category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Classification of financial liabilities

Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost. The Group's other financial liabilities comprise 'trade and other payables' and 'borrowings' in the statement of financial position.

Initial recognition of financial instruments.

Trading investments, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

Derecognition of financial instruments

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

(f) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site in which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognized net in other income in profit and loss.

Repairs and maintenance

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit and loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment, except for land and construction in progress.

The estimated useful lives by category are as follows:

- Buildings 10 to 30 years;
- Machinery and equipment 5 to 10 years;
- Vehicles 3 to 10 years;
- Fixtures and fittings 1 to 5 years.

Depreciation methods, useful lives and residual values are reassessed at each reporting date, with the effect of any changes in accounting estimate recognized on a prospective basis.

(g) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(h) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(i) Intangible assets

Acquired intangible assets which have finite useful lives, are measured at cost less accumulated amortization and impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date the asset is available for use. The estimated useful lives for the current and comparative periods vary from 1 to 3 years.

(j) Biological assets

Biological assets – Crop production

Prior to harvest but after reaching a level of biological transformation that allows to make reasonable estimates, biological assets related to agricultural activity and agricultural produce are measured at fair value less estimated point-of-sale costs, with any changes in fair value recognized in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. Company's management forecasts the harvested volume in tons by assessing the net yield (tons per hectare) for different crops for different regions. Fair value is determined as the quoted price for the grain production on the Russian agricultural market. Where relevant quoted prices are not available, indicative sales prices and sales estimates may be used. When little biological transformation has taken place since the initial cost outlay, biological assets are valued on the basis of actual costs.

Biological assets – Livestock

Biological assets related to livestock are measured at fair value less estimated point-of-sale costs, with any changes in fair value recognized in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. Fair value is determined using local market prices.

(k) Inventories

Finished goods

Finished goods comprise agricultural produce after harvest. At point of harvest, which for each crop is deemed to be the last date of gathering the crop, the fair value measurement of crops as described in Note 3 (j) above is deemed to be the initial cost of the harvest for subsequent accounting. Subsequent to harvest, agricultural produce is measured at net realizable value accordance with IAS 2 "Inventories".

Where crop inventory has been contracted for sales at the time of the reporting, prices from contracts are used for calculation of the net realizable value in these results. For the remaining, non-contracted stock management used its best estimates based on internal data as well as publicly available market inputs to assess the future selling price of the agricultural produce in stock at the reporting date.

Changes in net realizable value are recognized in the consolidated statement of income in the period in which they arise. Harvested produce is measured at net realizable value on a quarterly basis. When agricultural produce is sold, the carrying amount of the inventoryis recognized as cost of goods sold. The difference between revenue from the sale and costs of goods sold reflects changes in prices for the goods sold during period, while the "Change in net realizable value" line in the statement of comprehensive income shows the change in prices for the agricultural produce in stock at the end of the period.

Other inventories

Other inventories comprise raw materials and consumables which are measured at the lower of cost and net realizable value.

The cost of these inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs included in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of comprehensive income.

Tangible and intangible assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped

together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination acquisition, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Defined contribution pension plans

Obligations to defined contribution pension plans, including Russia's State pension fund, are recognized in profit and loss when they are due.

(n) Share-based payment arrangements

The Group operates equity-settled share-based compensation plans, under which the Group receives goods or services from employees as consideration for equity instruments (shares) of the Company.

Employee services settled in equity instruments. The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares determined at the grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). The attainment of any service and non-market performance vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date and the difference is charged or credited to profit or loss, with a corresponding adjustment to equity. No changes to the charge are made when the expected or actual level of instruments vesting differs from the original estimate due to non-attainment of market performance conditions, e.g., the appropriate total shareholder return or share price. The proceeds received on exercise of the instruments net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Cancelled instruments are deemed to have vested upon cancellation. Any unamortised expense associated with such instrument is charged to profit or loss immediately.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

(p) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized in other comprehensive income or directly to equity, in which case it is recognized in other comprehensive income or in equity.

Current tax expense is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(q) Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

(s) Government grants

An unconditional government grant relating to a biological asset is recognized in profit and loss when the grant has been received.

Governments grants related to crop insurance are recognized on the same basis as the related cost and netted of that cost.

(t) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance lease are initially recognized as assets of the Group at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Finance lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of liability. Finance expenses are recognized immediately in profit and loss.

Operating lease payments are recognized in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(u) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, that may be issued under the equity-settled share based compensation plans.

(v) Changes in accounting policies

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 would provide reliable and more relevant information going forward. 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.

(w) Adoption of new and amended Standards

The following new standards and interpretations became effective for the Group from 1 January 2015, but did not have any material impact on the Group.

- Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

(x) New accounting pronouncements

A number of new Standards and amendments to Standards were not yet effective for the year ended 31 December 2015, and have not been applied in these consolidated financial statements.

Standards	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments – new standard	1 January 2018
IFRS 15 Revenue from Contracts with Customers - new standard	1 January 2017
IFRS 16 Leases – new standard	1 January 2019
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 11 Accounting for Acquisition of Interests in Joint Operations – amendment	1 January 2016
IAS 38 and IAS 16 Clarification of Acceptable Methods of Depreciation and Amortization – amendment	1 January 2016
IAS 16 and IAS 41 Agriculture: Bearer Plants - amendment	1 January 2016
Equity Method in Separate Financial Statements - Amendments to IAS 27	1 January 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	1 January 2016
Annual Improvements to IFRSs 2014	1 January 2016
Disclosure Initiative Amendments to IAS 1	1 January 2016
Equity Method in Separate Financial Statements – Amendments to IAS 27	1 January 2016

Management is currently assessing the impact of the adoption of the pronouncements listed above on the Group's consolidated financial statements in future periods.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS as adopted by the European Union. Actual results may differ from those estimates. Additional information relating to contingencies and commitments is disclosed in Note 29.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(a) Biological assets – crops

The particularity of agriculture is such that approximately 40 percent of expenditures are incurred in the fall of the preceding year, and the remaining 60 percent incurred during spring and summer in the same year as the harvest.

As part of the process of valuation of biological assets, management makes the following estimations: expected crop yield; expected costs to harvest; expected wastage percentage; expected selling expenses to be incurred in future.

The next year crop, which was sown in the autumn of the previous year has typically undergone limited biological transformation as of 31 December. The fair value of such biological assets is therefore estimated by actual incurred costs. The carrying value of the year 2016 crop amounted to USD 6,121 thousand as at 31 December 2015 (31 December 2014: USD 6,066 thousand).

(b) Finished goods

Management used its best estimates based on internal data as well aspublicly available market inputs and, where relevant, forward contract values and purchase offers from customers, to assess the future selling price of the agricultural produce in stock at the reporting date. Management believes that the current assessments are the most relevant estimate of the value of the agricultural produce.

If prices deviated by 10% from management's estimates, the revenue and gains in the statement of income for year ended 31 December 2015 would deviate by USD 1,945 thousand.

(c) Income tax

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes due to the complexity of the legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

The Group's management assessed all current unused tax losses as non-recoverable. The Group maintains the legal right to use such tax losses in the future, up to the date allowed by the tax law. Management determined that deferred tax assets relating to such tax losses would be reconsidered for recognition as deferred tax assets once the Group reaches stable profitability during several years.

(d) Investment property

The Group's investment property (Note 22) is measured at fair value for financial reporting purposes 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. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The level 2 approach was used to determine the fair value of the Group's investment property.

5. SEGMENT INFORMATION

The operating segments definitions were developed by senior management in order to enable effective and efficient operating performance based on the geographic and sub-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 and one in Kaliningrad region, however, for segment reporting purposes these entities were included in the Tambov and Lipetsk segments respectively, as the results of these entities are not material as separate operating segments.

The Group also recognizes a separate segment related to elevator activity. The Elevator segment consists of two legal entities: Agroterminal (one working elevator with 55 thousand tons of capacity) and Nedvizhimost' (three elevators with 160 thousand tons of capacity). The elevators mainly work for internal needs, however, they provide services to third parties if there is spare capacity.

Land plots classified as investment property as of 31 December 2015 and 2014, are located in Samara region and attributed to Tambov segment (Note 22).

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 have been reflected as corporate assets.

The segments are consistent with the internal management reporting to the senior management team, which is the chief operating decision maker as defined by IFRS 8 "Operating segments".

(a) Segment revenues and results

	Year ended 31 December 2015			
in thousands of US Dollars	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	
Total	**81,102**	**7,818**	**7,613**	**35,819**
General administrative costs including directors' salaries				(16,154)
Other income and expenses				9,687
Net financial expenses and loss on foreign exchange differences				(12,831)
Profit before income tax				**16,521**

	Year ended 31 December 2014			
in thousands of US Dollars	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	358	5,233	2,501	
Total	**112,776**	**12,795**	**14,277**	**12,501**
General administrative costs including directors' salaries				(15,141)
Other income and expenses				8,853
Net financial expenses and loss on foreign exchange differences				(22,582)
Loss before income tax				**(16,369)**

The accounting policies of the reportable segments are the same as the Group's accounting policies according to IFRS as adopted by the European Union. Segment profit represents the profit earned by each segment without general administration costs including directors' salaries, other income and expenses and net financial expenses.

(b) Segment assets

in thousands of US Dollars	31 Dec 2015	31 Dec 2014
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
Total segment assets	**145,689**	**158,240**
Corporate assets	35,467	36,032
Consolidated total assets	**181,156**	**194,272**

Corporate assets include closing balances (mainly cash and cash equivalents) of Black Earth Trading International Ltd., Black Earth Farming Ltd. and the Group's net deferred tax position.

(c) Revenues from major products

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

	Year ended	
in thousands of US Dollars	31 Dec 2015	31 Dec 2014
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
	81,102	**112,776**

(d) Geographical information

The parent company of the Group is located in Jersey. However the parent does not own any non-current assets and generates only financial income and expenses in addition to administration costs and Directors' salaries. All non-current assets are located in Russia and all of the Group's operating activities are in Russia.

The split of the Group's revenues between countries was as follows:

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Russian Federation	57,433	84,897
Germany	6,301	3,518
Denmark	4,854	6,356
Switzerland	4,422	-
Spain	4,089	2,046
United Kingdom	2,112	4,349
Norway	1,208	1,175
Sweden	542	428
Finland	122	113
Estonia	19	226
Turkey	-	6,783
Latvia	-	2,885
	81,102	**112,776**

6. REVENUE AND GAINS

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
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
	130,395	**144,417**

The gain on revaluation of biological assets comprises:

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Fair value less point-of-sale costs at date of harvest	92,572	88,327
Actual production costs	(48,754)	(65,654)
Revaluation of biological assets to agricultural produce	**43,818**	**22,673**
Fair value of current year crop to be harvested less point-of-sale costs	2,778	–
Actual production costs	(1,626)	–
Revaluation of crop to be harvested	**1,152**	**–**
Revaluation of dairy and meat livestock	(52)	(49)
Total gain on revaluation of biological assets	**44,918**	**22,624**

7. COST OF SALES

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Materials	27,564	54,442
Depreciation and amortization charge	6,421	11,836
Personnel expenses	4,413	7,903
Third party crop handling services	918	3,131
Crops lost due to poor quality of seed material	500	317
Operating lease costs (Note 28)	417	845
Taxes	402	999
Repair expenses	300	713
Other expenses	673	1,398
	41,608	**81,584**

8. DISTRIBUTION EXPENSES

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Transportation and delivery services	5,538	10,689
Storage and other elevator's services	2,280	3,898
Depreciation and amortization charge	980	2,282
Personnel expenses	885	1,232
Materials	410	1,017
Other services	527	1,152
	10,620	**20,270**

9. GENERAL AND ADMINISTRATIVE EXPENSES

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Personnel expenses	11,320	11,369
Consulting and audit	4,160	3,993
Office and administration expenses	1,452	2,172
Travel expenses	379	835
Rent expenses	525	742
Depreciation and amortization	402	435
Termination payments	375	233
Other services	526	574
	19,139	**20,353**

10. PERSONNEL EXPENSES

Personnel expenses are included in general and administrative expenses, selling expenses, cost of sales and work in progress as follows:

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
General and administrative expenses:		
Salaries	10,463	9,971
Social taxes	1,232	1,632
Cost of sales and work in progress:		
Salaries	5,281	7,771
Social taxes	1,700	2,210
Selling expenses:		
Salaries	679	944
Social taxes	206	288
	19,561	**22,816**

Personnel expenses for 2015 and 2014 include share-based payment expenses (see Note 23 (d)) of USD 726 thousand and USD 2,716 thousand respectively.

Average number of employees	2015	Of whom men	2014	of whom men
Parent (Jersey)	4	100%	11	100%
Subsidiaries (Russia)	1,800	75%	1,770	78%
Group total	**1,804**	**75%**	**1,781**	**78%**

The total number of Group employees as at 31 December 2015 was 1,857 (31 December 2014: 1,746 employees).

Proportion of women in management	2015 Percentage of women	2014 Percentage of women
Board of directors	20%	20%
Other senior executives	13%	13%

Retirement benefit plans

The statutory retirement age for employees is 55 years for women and 60 years for men, in accordance with the Russian Labor Code. The Group does not offer a private pension plan to its employees. In accordance with Russian tax legislation, the Group pays statutory social security tax (at a maximum rate of 30% of the taxable annual income lower than RUB 711 thousand (USD 11,664 thousand) and an additional 15,1% of the taxable annual income above that level). This tax is regressive and comprises social security, contributions to the State Pension Fund and the State Medical Fund. The total expense recognized in the statement of comprehensive income of USD 3,232 thousand and USD 4,130 thousand represent contributions payable to the State Pension Fund in 2015 and 2014, respectively. The Group has not reserved or accrued for pension, retirement or similar benefit obligations to Directors or senior executives. No Directors or senior executives have service contracts with the Group which offer them benefits upon termination of their respective appointments except for severance pay below.

Termination of employment

The executives are entitled to a severance pay of usually not more than 8 months if the Group terminates the employment. In 2015, termination expenses were accrued in the amount of USD 375 thousand (2014: USD 233 thousand).

11. TAXES OTHER THAN INCOME

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Property tax	840	1,247
Unrecoverable VAT	39	80
Other taxes	457	12
	1,336	**1,339**

12. CROP INSURANCE NET OF INSURANCE GRANTS

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Crop insurance expense	2,074	1,501
Crop insurance grants	(738)	(636)
	1,336	**865**

13. OTHER INCOME AND EXPENSES

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Gain related to land swap deal	9,080	-
Gain on assets sale in Voronezh region	-	6,750
Income on grain hedge	1,523	4,363
Change in allowance for doubtful debts	275	(1,460)
Gain 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)
Loss/gain on disposal of other assets, net	(318)	184
Loss on fire in the warehouse	-	(1,537)
Other expenses, net	(1,169)	(546)
	9,687	**8,853**

Land swap deal

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

Assets received were 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	12,771
Cash received	1,099
Carrying value of property, plant and equipment disposed of	(4,790)
Result before tax	**9,080**

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 sold land and related real estate assets with a net book value of USD 13,148 thousand located in Voronezh region, for a total cash consideration of USD 20,165 thousand, realizing a gain of USD 7,017 thousand.

In June 2014, the Group sold a subsidiary located in Voronezh region. The details of the assets and liabilities disposed of, 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)

These transactions were completed as a part of the Group's strategy to optimizeits land bank to raise operational productivity and profitability.

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

Loss on fire in potato storage

A fire broke out at one of the potato storage sites on 27 October 2014. The loss related to damages to the plant, property and equipment was estimated at USD 1,537 thousand. No personnel were injured in the incident.

14. FINANCIAL EXPENSES

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Interest on bonds	(4,801)	(7,778)
Interest expense on other borrowings	(367)	(14)
	(5,168)	**(7,792)**

15. INCOME TAX

Black Earth Farming Limited (the holding Company in Jersey), Black Earth Trading International and Planalto Enterprises Limited (subsidiaries in Guernsey and Cyprus respectively) are subject to the following tax rates: 0% in Jersey and Guernsey and 10% in Cyprus.

Companies domiciled in Russia that do not have the status of an agricultural producer are subject to a 20% corporate income tax. Companies domiciled in Russia that do have the status of an agricultural producer are subject to a 0% corporate income tax on profits realized from the sale of agricultural produce.

In 2015, eight (2014: seven) of the Group's total thirty local operating companies were granted the status of agricultural producers, making these companies subject to a 0% corporate income tax in accordance with the Russian Tax Code.

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Current tax expense	2,258	1,872
Deferred tax benefit	(51)	(804)
Income tax expense	**2,207**	**1,068**

The income tax reconciliation is presented below:

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Profit /(Loss) beforetax		
- taxable at 20%	(4,777)	1,787
- taxable at 0%	21,518	(16,996)
- taxable at10%	(220)	(1,160)
	16,521	**(16,369)**
Theoretical tax (benefit)/expense calculated at the actual rates	**(977)**	**241**
Tax effect of items which are not deductible or not taxable	326	562
Unrecoverable deferred tax assets written off	2,858	265
Income tax expense	**2,207**	**1,068**

16. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
in thousands of US Dollars	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2012
Property, plant and equipment and investment property	147	339	(228)	(253)
Trade and other payables	127	33	-	(85)
Trade and other receivables	48	28	-	-
Inventory	-	15	(25)	(34)
Deferred tax assets/(liabilities)	**322**	**415**	**(253)**	**(372)**
Net deferred tax assets	**69**	**43**		

Management has determined that deferred tax assets relating to tax losses carried forward at taxed group companies should be considered for recognition once the Group reaches stable profitability for several consecutive years.

(b) Unrecognized deferred tax assets

in thousands of US Dollars	31 Dec 2015	31 Dec 2014
Deductible temporary differences	431	76
Tax losses carried forward	4,752	3,980
	5,183	**4,056**

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

17. PROPERTY, PLANT AND EQUIPMENT

in thousands of US Dollars	Land	Buildings	Machinery and equipment	Vehicles	Fixtures and fittings	Construction in progress	Total
Cost							
As at 1 January 2014	54,947	85,110	109,377	12,028	1,323	3,945	266,730
Additions	573	1,924	6,856	1,665	29	9,294	20,341
Disposals	(4,908)	(11,507)	(1,211)	(170)	(147)	(2,039)	(19,982)
Transfers between categories	18	2,636	214	78	7	(2,953)	-
Effect of foreign exchange differences	(21,349)	(32,543)	(48,005)	(5,628)	(523)	(3,680)	(111,728)
As at 31 December 2014	**29,281**	**45,620**	**67,231**	**7,973**	**689**	**4,567**	**155,361**
Additions	9,940	2,090	1,623	300	17	5,066	19,036
Disposals	(1,779)	(3,283)	(646)	(128)	(56)	(131)	(6,023)
Transfers between categories	46	2,164	331	13	35	(2,589)	-
Effect of foreign exchange differences	(8,022)	(10,563)	(15,549)	(1,849)	(157)	(1,426)	(37,566)
As at 31 December 2015	**29,466**	**36,028**	**52,990**	**6,309**	**528**	**5,487**	**130,808**
Accumulated depreciation and impairment							
As at 1 January 2014	(208)	(19,132)	(60,354)	(9,339)	(953)	-	(89,986)
Depreciation charge	-	(3,842)	(10,801)	(1,063)	(115)	-	(15,821)
Adjustment to depreciation of disposed fixed assets	-	2,715	1,286	95	131	-	4,227
Effect of foreign exchange differences	87	8,253	28,406	4,219	394	-	41,359
As at 31 December 2014	**(121)**	**(12,006)**	**(41,463)**	**(6,088)**	**(543)**	**-**	**(60,220)**
Depreciation charge	-	(2,491)	(6,292)	(482)	(55)	-	(9,320)
Adjustment to depreciation of disposed fixed assets	-	1,026	636	104	53	-	1,819
Reversal of impairment of land	112	-	-	-	-	-	112
Effect of foreign exchange differences	9	2,978	10,384	1,451	126	-	14,948
As at 31 December 2015	**-**	**(10,493)**	**(36,735)**	**(5,015)**	**(419)**	**-**	**(52,662)**
Net book value							
As at 1 January 2014	54,739	65,978	49,023	2,689	370	3,945	176,744
As at 31 December 2014	29,160	33,614	25,768	1,885	146	4,567	95,141
As at 31 December 2015	**29,466**	**25,535**	**16,255**	**1,294**	**109**	**5,487**	**78,146**

Included in property, plant and equipment are assets held under finance leases with a carrying value of USD 471 thousand (31 December 2014: USD 1,041 thousand). Refer to Note 26.

The Group capitalised borrowing costs in the amount of USD 755 thousand (2014: USD 496 thousand) arising on financing directly attributable to the construction of buildings. In 2015, the capitalisation rate was 10.47% (2014: 10.47%).

Land

As at 31 December 2015, the Group had effective control over 256 thousand hectares of land (31 December 2014: 271 thousand hectares).

Thousand hectares of land	31 Dec 2015	31 Dec 2014
Land in registered ownership	227	232
Land under long-term lease agreements	25	29
Land in the process of ownership registration with the relevant relevant authorities	4	10
	256	**271**

18. INTANGIBLE ASSETS

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Cost		
Balance at the beginning of the year	926	945
Additions	303	41
Disposals	(1)	(45)
Effect of foreign currency exchange differences	(7)	(15)
Balance at the end of the year	**1,221**	**926**
Accumulated amortization and impairment		
Balance at the beginning of the year	(902)	(636)
Amortization expense	(207)	(287)
Disposals	8	45
Effect of foreign currency exchange differences	(15)	(24)
Balance at the end of the year	**(1,116)**	**(902)**
Net book value		
At the beginning of the year	24	309
Balance at the end of the year	**105**	**24**

Intangible assets mainly comprise computer software and construction licenses. The estimated useful lives used in the calculation of amortization vary from one to three years.

19. BIOLOGICAL ASSETS

Biological assets – Crop production

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
At the beginning of the year	6,066	7,468
Increase due to cost inputs for current year harvest	51,460	65,654
Increase due to cost inputs for winter wheat	1,460	2,124
Change in fair value less estimated point-of-sale costs	44,970	22,673
Harvested crops transferred to inventories	(94,558)	(88,327)
Effect of foreign exchange differences	(1,121)	(3,526)
At the end of the year	**8,277**	**6,066**

Biological assets – Livestock

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
At the beginning of the year	431	674
Increase due to cost inputs	177	241
Sales	(129)	(144)
Change in fair value less estimated point-of-sale costs	(52)	(49)
Effect of foreign exchange differences	(100)	(291)
At the end of the year	**327**	**431**

Current biological assets comprise the winter wheat crop of 2016 and unharvested corn crop of 2015. The 2016 crop was seeded during September-November 2015 and is currently undergoing biological transformation, which is a process that runs until the spring/summer of 2016. Due to the fact that little biological transformation of this winter crop has taken place as of 31 December, this "planned harvest" is currently valued on the basis of actual incurred costs.

The level 3 approach was used to determine fair value of the Group's biological assets apart from winter wheat.

20. TRADE AND OTHER RECEIVABLES

in thousands of US Dollars	31 Dec 2015	31 Dec 2014
Trade receivables	3,844	6,071
Advances paid for goods and services	2,678	5,170
VAT receivable	1,612	3,230
Income tax receivable	170	1,009
Other prepayments and receivables	3,023	1,400
Allowance for doubtful debts	(590)	(1,276)
	10,737	**15,604**

The average credit period on sales of goods is 8 days (2014: 7 days). No interest is charged on trade receivables.

Before accepting a new customer, the Group runs a background check to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed on a case-by-case basis.

Trade receivables that are over 180 days past due date are provided for based on an estimation of unrecoverable amounts determined by reference to past default experience.

Movement in the allowance for doubtful debts:

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
At the beginning of the year	1,276	934
Impairment losses recognized on receivables	363	1,334
Amounts written off during the year as uncollectible	(139)	(86)
Impairment losses reversed	(706)	(182)
Foreign exchange difference	(204)	(724)
At the end of the year	**590**	**1,276**

21. CASH AND CASH EQUIVALENTS

in thousands of US Dollars	31 Dec 2015	31 Dec 2014
Bank balances, USD denominated accounts	17,957	20,359
Bank balances, EUR denominated accounts	12,287	9,691
Bank balances, RUB denominated accounts	1,537	448
Bank balances, SEK denominated accounts	72	252
Petty cash	5	3
Bank balances, GBP denominated accounts	1	253
Restricted cash	100	282
Call deposits, overnight RUB denominated at 5.5% – 5.9% per annum	-	1,600
	31,959	**32,888**

22. INVESTMENT PROPERTY

Investment property comprises 13 thousand hectares of land in Samara region measured at fair value.

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
At the beginning of the year	2,792	4,305
Revaluation gain (Note 13)	12	498
Effect of foreign exchange differences	(640)	(2,011)
At the end of the year	**2,164**	**2,792**

The Group recognised the following amounts in profit and loss related to the investment property:

in thousands of US Dollars	Year ended 31 Dec 2015	31 Dec 2014
Rental income from investment property	-	218
Land tax expenses	(23)	(107)
	(23)	**111**

23. EQUITY

(a) Share capital

The Group has only one class of share, namely ordinary shares. Each share is entitled to one vote at the annual general meeting and carries an equal right to the Group's assets and profits. The shares are denominated in USD and have a nominal value of USD 0.01 per share. As at 31 December 2015 and 2014 the total authorised number of ordinary shares is 500,000,000 shares. There are no unpaid shares.

On 22 December 2007, the Company's shares were listed in the form of Swedish Depository Receipts ("SDR") on the First North market place in Stockholm. On 22 June 2009, trading in the SDRs was transferred from NASDAQ OMX First North to the Mid Cap segment on NASDAQ OMX Stockholm. From 2 January 2015, the SDRs are traded in the Small Cap segment on NASDAQ OMX Stockholm.

In June 2015, 2,756,796 new shares were issued as a result of the Company's long-term management incentive program which led to an increase in the share capital of USD 28 thousand and in share premium of USD 1,133 thousand. As at 31 December 2015, the total number of ordinary shares issued was 210,426,241 (31 December 2014: 207,669,445).

(b) Dividends

In accordance with the Jersey legislation, the Company's distributable reserves are limited to the balance of the Company's stand-alone retained earnings.

For the years ended 31 December 2015 and 2014 the Board of Directors proposed no dividends to be paid or declared.

(c) Share-based payments reserve

in thousands of US Dollars	31 Dec 2015	31 Dec 2014
Warrants	2,048	3,361
Executive share option plan	2,201	1,507
	4,249	**4,868**

Warrants

The Group grants its key members of management warrants that may be converted into ordinary shares of the Company. All current warrants have the following vesting schedule: 33% of the number of warrants granted vests in one year after the grant date, another 33% - in two years, and the remaining 34% - in three years after the grant date. The right to exercise current warrants expires between 3.3 and 4 years after the grant date, the exercise price being set separately for each warrant issue. The general vesting condition requires continued employment with the Group. In the event that the warrant holder is no longer connected to the Group before the vesting date, warrants that are due to vest are cancelled.

During 2015 and 2014 no warrants were exercised. The Group granted 4,100,000 warrants to key management during 2015 (2014: 900,000 warrants).

The number and weighted average exercise prices of the warrants are as follows:

	Year ended 31 Dec 2015		Year ended 31 Dec 2014	
in thousands of US Dollars	Weighted average exercise price	Number of warrants, in thousands	Weighted average exercise price	Number of warrants, in thousands
	USD 2.42	223	USD 7.64	1,137
	SEK 13.29	4,906	SEK 15.15	4,066
Balance at the beginning of the year		5,129		5,203
Forfeited during the year	USD 5.89	(223)	USD 2.57	(914)
Forfeited during the year	SEK 3.87	(1,056)	SEK 4.09	(60)
Expired during the year	SEK 11.03	(450)		-
Granted during the year	SEK 3.65	4,100	SEK 7.45	900
At the end of the year		**7,500**		**5,129**
Including:	SEK6.55	7,500	USD 2.42	223
			SEK 13.29	4,606
Exercisable at the end of the year			USD 10.60	119
Exercisable at the end of the year	SEK 9.43	2,517	SEK 15.46	2,117
		2,517		**2,236**
Weighted average contractual life and expected life (years)		3.44		3.36

The fair value of services received in return for warrants granted is based on the fair value of warrants, measured at the grant date using the Black-Scholes model.

The significant inputs into the valuation model:

Inputs into the model	Granted in 2015	Granted in 2014	Granted in 2013	Granted in 2012
Fair value at grant date	SEK 1.28	SEK 4.39	SEK 4.48	SEK 3.46
Share price at grant date	SEK 2.97	SEK 7.39	SEK 8.85	SEK 8.50
Average exercise price	SEK 3.65	SEK 7.45	SEK 8.72	SEK 11.24
Expected volatility (i)	43%	122%	89%	80%
Expected dividends (ii)	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	0.68%	1.95%	0.97%	0.94%

(i) Volatility is a measure of the tendency of investment returns to vary around a long-term average rate. The expected volatility used was based on the Company's historical share price volatility since the start of trading.

(ii) The Company has never declared nor paid any dividends on its shares and does not anticipate paying dividends in the foreseeable future. Consequently, the expected dividend assumption is set at zero.

Executives share option plan (ESOP)

In 2012, the Group implemented an ESOP for its senior executives. In order to participate in the ESOP, the participants have to purchase shares in the Company (in the market, in the form of SDRs). For each share held under the plan, the Group grants the participant free of charge rights to receive additional shares (in the form of SDRs) free of charge upon vesting, which occurs after the release of the interim report for the period January – March in the third financial year following the grant of the rights. The general vesting condition requires the participants to maintain their personal investment and the employment by the Group during the vesting period.

For each share purchased and held under the plan, the Group grants up to five rights to the participant, one for each of one retention and four performance conditions that is met. The retention condition is that the participant must still be an employee of the Group at the vesting date. The performance conditions relate to three-year development of certain performance indicators of the Group, including return on capital, profitability, revenue per hectare and blended yields of crops.

Every year, new rights are granted to the participants of the plan, the number of rights depending on the number of shares held but not more than the maximum stipulated by the terms of the plan.

The fair value of services received in return for rights granted under the ESOP is based on the fair value of the shares to be obtained by the participants upon vesting, measured at the grant date, with the number of such shares estimated with reference to the probability of meeting the vesting conditions.

During 2015, the Group made a modification to the plan in respect of the rights granted in 2012-2014 to adjust for the 2:3 December 2012 rights issue. As a result, for each of the conditions met, the participants will receive 1.67 shares (SDRs) in the Group, instead of one share.

At the 2015 AGM, following the completion of participation in the 2012-2014 program, a new three-year program was approved. The 2015-2017 program is structurally the same as the previous program, although the performance criteria have been revised to reflect the results achieved by the Group over the life of the previous program. The 2015-2017 plan will comprise up to 2,100,000 shares held by the employees entitling them to an allotment of up to 10,500,000 rights, based on retention and 4 conditions met.

As at 31 December 2015, the following rights were outstanding but not exercisable under the ESOPs:

		31 Dec 2015		31 Dec 2014	
Grant date	Vesting date	Expected number of options to vest	Average fair value at the grant/modification date, SEK	Expected number of options to vest	Average fair value at the grant date, SEK
2012	15/05/2015	-	-	1,092,506	9.47
2013	15/05/2016	1,622,023	7.12	556,122	8.94
2014	15/05/2017	1,365,963	5.07	520,914	5.71
2015	20/05/2018	3,675,000	4.03	-	-
		6,662,986		**2,169,542**	

The movements in the total expected number of options to vest were as follows:

	Year ended	
in thousands of US Dollars	31 Dec 2015	31 Dec 2014
At the beginning of the year	2,169,542	2,614,796
Granted during the year	3,675,000	520,914
Cancelled during the year	(76,000)	-
Exercised during the year	2,756,796	-
Effect of the reassessment of the probability of meeting performance conditions	1,724,067	(966,168)
Effect of the plan modification	1,927,173	-
At the end of the year	**6,662,986**	**2,169,542**

(e) Earnings per share

	Year ended	
in thousands of US Dollars	31 Dec 2015	31 Dec 2014
Profit/(loss) for the period	14,314,000	(17,437,000)
Weighted average number of ordinary shares	209,100,858	207,669,445
Basic and diluted earnings/(loss) per share (USD/share)	0.07	(0.08)

24. BORROWINGS

in thousands of US Dollars	31 Dec 2015	31 Dec 2014
SEK bonds		
Non-current	51,058	58,819
Current	1,578	1,380
	52,636	**60,199**
Other borrowings - current		
Bank VTB	10,486	-
	10,486	**-**
Total borrowings	**63,122**	**60,199**

On 30 October 2013, 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 9.4% 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.

Up to 31 December 2015, the Group repurchased SEK 309 million (USD 36,995 thousand) of bonds in order to manage interest expense and foreign exchange exposure. Gain on repurchase of bonds for the year ended 31 December 2015 was USD 499 thousand (2014: USD 791 thousand).

In August 2015, the Group agreed a credit facility agreement with Bank VTB for up to RUB 800 million with an interest rate of 14.3%. The credit facility is intended 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 major covenants for bonds are as follows:

- The Debt to Equity ratio does not exceed 75%;
- No market Loan should be incurred if such market loan has a final redemption date, early redemption dates or instalment dates which occur before the final maturity date of bonds;
- The Group should not distribute any funds to shareholders in excess of 30% of the Group's consolidated net profit for the previous fiscal year.

The major covenant for the Bank VTB agreement is that Debt to EBITDA ratio does not exceed 2.

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

25. TRADE AND OTHER PAYABLES

in thousands of US Dollars	31 Dec 2015	31 Dec 2014
Trade payables	3,910	2,576
Taxes other than on income payable	1,730	1,134
Payables to personnel	1,586	744
Advances received	421	3,351
Income tax payable	85	17
Other payables	1,624	1,199
	9,356	**9,021**

The average credit period on purchases of goods is 28 days (2014: 25 days). No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

26. FINANCE LEASE LIABILITIES

The Group holds certain machinery under finance lease agreement. The lease term is 3 years. The interest rate underlying all obligations under finance leases is fixed at the respective contract dates at 12%. Minimum lease payments under finance leases and their present values are as follows:

	31 Dec 2015		
in thousands of US Dollars	Due in 1 year	Due between 1 and 5 years	Total
Minimum lease payments at 31 December 2015	262	114	376
Less: future finance charges	(28)	(3)	(31)
Present value of minimum lease payments at 31 December 2015	**234**	**111**	**345**

	31 Dec 2014		
in thousands of US Dollars	Due in 1 year	Due between 1 and 5 years	Total
Minimum lease payments at 31 December 2015	354	502	856
Less: future finance charges	(84)	(41)	(125)
Present value of minimum lease payments at 31 December 2015	**270**	**461**	**731**

27. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

in thousands of US Dollars	31 Dec 2015	31 Dec 2014
Financial assets		
- Cash and cash equivalents	31,959	32,888
- Trade and other monetary receivables	6,424	7,207
Total	**38,383**	**40,095**
Financial liabilities		
- Loans and borrowings	63,121	60,198
- Financial lease liabilities	345	731
- Trade and other payables	4,760	3,621
Total	**68,226**	**40,095**

(b) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Trade and other receivables. Most of the domestic sales are made on a prepayment or cash on delivery basis. By contrast, export sales are usually made on credit terms. The Group is not significantly exposed to credit risk in relation to receivables.

Cash and cash equivalents. The credit risk on liquid funds is considered limited as the Group diversifies its liquid assets among a number of high quality counterparties and as the counterparties are banks with credit-ratings assigned by international credit-rating agencies.

Risk concentration. The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Concentration of credit risk related to the largest customer did not exceed 10% of gross monetary assets at any time during the year.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The ageing analysis of trade and other receivables is presented in the table below:

	31 Dec 2015		31 Dec 2014	
in thousands of US Dollars	Gross amount	Allowance	Gross amount	Allowance
Current:	6,233	-	7,062	(221)
Past due:				
less than six months	186	(2)	184	-
over six months	311	(304)	100	(100)
	6,730	(306)	7,346	(321)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2015

in thousands of US Dollars	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Total
Fixed interest rate instruments				
Unsecured SEK bonds	6,541	57,763	-	64,304
Other unsecured borrowings	11,021	-	-	11,021
Financial lease liabilities	262	114	-	376
Non-interest bearing				
Trade and other payables	4,760	–	–	4,760
	22,584	**57,877**	**-**	**80,461**

31 December 2014

in thousands of US Dollars	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Total
Fixed interest rate instruments				
Unsecured SEK bonds	5,704	5,704	66,385	77,792
Financial lease liabilities	354	502		856
Non-interest bearing				
Trade and other payables	3,621	–	–	3,621
	9,679	**6,206**	**66,385**	**82,270**

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group is exposed to currency risk on borrowings and bank balances that are denominated in currencies other than the Russian Ruble (RUB), primarily on SEK bonds.

The Group does not hedge its currency risk. The Group however selectively uses available cash resources to repurchase bonds in order to manage its interest payment obligations and currency exposure.

The Group's exposure to currency risk, determined as the net monetary position in currencies other than RUB, was as follows:

	Year ended	
in thousands of US Dollars	31 Dec 2015	31 Dec 2014
USD	18,041	20,454
EUR	14,484	14,503
GBP	(837)	-
SSEK	(52,568)	(59,942)

The following significant exchange rates applied during the year:

	Rate at 31 Dec 2015	Average rate for the year 2015	Rate at 31 Dec 2014	Average rate for the year 2014
RUB/USD	72.8827	60.9579	56.2584	38.6025
RUB/EUR	79.6972	67.7767	68.3427	50.9928
RUB/GBP	107.9830	93.2634	87.5451	63.3269
RUB/SEK	8.7260	7.2434	7.2021	5.5950

Foreign currency sensitivity analysis

A 30% weakening of the RUB against the above currencies at 31 December 2015 would have increased/(decreased) equity and profit (31 December 2014: increased/(decreased) equity and decreased/(increased) loss) by the amounts shown below. This analysis assumes that all other variables remain constant.

in thousands of US Dollars	Equity	Profit or loss
2015		
USD	5,412	6,471
EUR	4,345	5,195
SEK	(15,770)	(18,855)
GBP	(251)	(300)
2014		
USD	6,126	8,929
EUR	3,333	4,857
SEK	(18,265)	(26,619)

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group adopts a policy of limiting its exposure to changes in future cash flows by borrowing ona fixed rate basis.

Fair value sensitivity analysis for fixed rate instruments

The Group currently does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not have affected profit or loss.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of Directors monitors the return on capital.

There were no changes in the Group's approach to capital management during the year.

The capital structure of the Group consists of debt (Note 24), cash and cash equivalents (Note 21) and equity, comprising issued capital, reserves and retained earnings (Note 23).

The company and its subsidiaries are subject to capital requirements stipulated in the bond agreement (Note 24).

(f) Fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of trade and other receivables approximates their carrying amount due to their short maturity.

Non-derivative financial instruments

Fair value for loans and borrowings (Note 24), which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date and approximates their carrying amount.

28. OPERATING LEASES

Non-cancellable operating lease commitments are as follows:

	Year ended	
in thousands of US Dollars	31 Dec 2015	31 Dec 2014
Not later than one year	455	681
Later than 1 year and not later than 5 years	1,644	2,197
Later than 5 years	9,390	10,479
	11,489	**13,357**

The Group leases a number of land plots under operating leases. The lease term is typically for an initial period of 49 years. During the current year, USD 417 thousand

2014: USD 845 thousand)of rent expense was recognized in profit and loss in respect of operating leases.

29. CONTINGENCIES AND COMMITMENTS

(a) Legal proceedings.

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

(b) Taxation 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 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 authorities is increasingly vigilant, amongst other on tax transactions without a clear business purpose or with counterparties that are not tax incompliant. Authorities can challenge tax filings of up to three calendar years preceding the year of review. Under certain circumstances, tax 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 certain 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 could have an impact on the Group's operations. In particular, more specific and detailed rules were put in place for establishing when foreign entities can be viewed as managed from Russia and consequently can be deemed Russian tax residents. Russian tax residency implies that such a legal entity's worldwide income should be taxed in Russia.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group were determined on the assumption that these companies were not subject to Russian profit tax, as 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 the relevant legislation in regard to the Group companies incorporated outside of Russia could be challenged. The impact of any such challenge cannot be reliably estimated currently. 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 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 of an outflow of resources, should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated. It may be significant to the financial position and/or the overall operations of the Group.

As at 31 December 2015, management believes that its interpretation of the relevant legislation is appropriate and that the Group`s tax, currency and customs positions are appropriate and can be sustained.

(c) Risks relating to the Group

Agricultural market risk

As a rule, grain prices exhibit rather high seasonal fluctuations. As a general trend, prices tend to be lower in autumn, mainly due to the increased supply. Market prices of agricultural commodities are also influenced by a variety of unpredictable factors which are beyond the control of the Group, including weather, planting intentions, government (Russian and foreign) farm programs and policies, changes in global demand resulting from population growth and higher standards of living and global production of similar and competing crops.

Poor or unexpected weather conditions

Weather conditions are a significant operating risk affecting the Group. Poor weather conditions (whether too dry or too wet) and unpredictable climate changes may adversely affect farm output which, in turn, may negatively affect the Group's business.

(d) Commitments for expenditure

in thousands of US Dollars	31 Dec 2015	31 Dec 2014
Commitments for acquisition of materials	1,434	5,892
Commitments for acquisition of plant, property and equipment	-	195
	1,434	**6,087**

30. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

	Year ended	
in thousands of US Dollars	31 Dec 2015	31 Dec 2014
Purchase of services from related parties		
TerraVost Ltd (formerly KinnAgri Ltd)	1,269	1,258
KCM International Ltd	1,802	1,330
	3,071	**2,588**
Less: subcontracted to third parties		
TerraVost Ltd (formerly KinnAgri Ltd)	(188)	-
KCM International Ltd	(16)	-
	(204)	**-**
Purchase of services from related parties, net of sub-contractors		
TerraVost Ltd (formerly KinnAgri Ltd)	1,081	1,258
KCM International Ltd	1,786	1,330
Total	**2,867**	**2,588**

in thousands of US Dollars	31 Dec 2015	31 Dec 2014
Accounts payable owed to related parties		
TerraVost Ltd (formerly KinnAgri Ltd)	404	209
KCM International Ltd	401	186
	805	**395**

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.

In December 2014, KinnAgri Ltd completed a buyback of the shares of Investment AB Kinnevik in KinnAgri Ltd. Investment AB Kinnevik fully exited the shareholder structure of KinnAgri Ltd, which was subsequently renamed TerraVost Ltd. As a result of the transaction, Richard Warburton, the CEO of the Group, became the majority shareholder of TerraVost Ltd.

In November 2015, a review of alternative options and arm's length pricing for the contracts with the related parties was conducted by 3 Board members, including the Chairman of the Audit Committee. As a result terms of the contracts were found to be satisfactory. Termination notice was given to KCM International's contract for further revision in 2016.

Salaries and other remuneration for Directors and other senior executives

	Year ended 31 Dec 2015		Year ended 31 Dec 2014	
in thousands of US Dollars	Board of directors (5 positions)	Senior executives (8 positions)	Board of directors (5 positions)	Senior executives (8 positions)
Salaries, bonuses and non-monetary benefits (mobile, flat rent, medical insurance)	467	2,625	399	2,353
Share-based payments	-	726	-	1,484
Contribution to the Social Security	-	280	-	377
Total	**467**	**3,631**	**399**	**4,214**

31. SIGNIFICANT SUBSIDIARIES

The Group has 35 subsidiaries at 31 December 2014 (31 December 2014: 35 subsidiaries). The list of significant subsidiaries is presented below.

	Country of incorporation	Ownership and voting interest		Principal activity
		31 Dec 2015	31 Dec 2014	
Planalto Enterprises Limited	Cyprus	100%	100%	Management
Black Earth Trading International	Guernsey	100%	–	Trading
OOO Management Company Agro-Invest	Russia	100%	100%	Management
OOO Nedvizhimost	Russia	100%	100%	Elevators
OOO Agroterminal	Russia	100%	100%	Elevators
ZAO Dmitriev Agro-Invest	Russia	100%	100%	Agriculture
OOO Sosnovka Agro-Invest	Russia	100%	100%	Agriculture
OOO Stanovoje Agro-Invest	Russia	100%	100%	Agriculture
ZAO Kastornoje Agro-Invest	Russia	100%	100%	Agriculture
OOO Agrolipetzk	Russia	100%	100%	Agriculture
OOO Novokhopersk Agro-Invest	Russia	100%	100%	Agriculture
OOO Morshansk Agro-Invest	Russia	100%	100%	Agriculture

32. SUBSEQUENT EVENTS

As at 1 April 2016, the Group has repurchased an additional SEK 29 million (USD 3,415 thousand) of bonds and repaid the full amount of borrowings from Bank VTB.

Board, Management and Auditors

BOARD OF DIRECTORS

Per Åhlgren,Chairman of the Board
Swedish citizen, born in 1960
Principal education: M.Sc. in Business and Economics from Stockholm School of Economics.
Work experience: Mr. Åhlgren is the co-founder and Chairman of Mangold Fondkommission, an independent broker specialized in small and medium-sized listed companies that provides services within corporate finance, equities, market making, securities issuance and asset management. Mr. Åhlgren's previous experience includes, among others, ten years in London working for Salomon Brothers, Bear Stearns and Deutsche Morgan Grenfell. Furthermore, he is currently Chairman of Runaware Holding AB.
Shareholdings: 25,532,924 SDRs*

Franco Danesi, Non-executive Director
Italian citizen, born in 1972
Principal education: Master's degree in Engineering from Politecnico di Milano and MBA with distinction from London Business School.
Work experience: Mr. Danesi is Investment Director at Investment AB Kinnevik and member of the Board ofMetro International and G3 Good Governance Group. Mr. Danesi was Head of Investment Management at QInvest and Executive Director at Goldman Sachs International.

Camilla Öberg, Non-executive Director and Chairman of Audit Committee
Swedish citizen, born in 1964
Principal education: Camilla Öberg holds a Degree in Economics and Business Administration from the Stockholm School of Economics.
Work experience: Camilla Öberg served as CFO of the IT-company Logica Sweden AB from 2007. Between 1998 and 2006, Camilla Öberg was employed at WM-data, where she worked as head of IR and Group Treasury. Before her time at WM-data, she worked as CFO of Integro AB, as CFO of Lexicon and in accounting and external reporting at SEB. Camilla Öberg is currently CFO for Cybercom Group AB as well as Board member of several subsidiaries in the Cybercom Group AB. She is also a Board member of RusForest AB.
Shareholdings: 1,500 SDRs

Poul Schroeder, Non-executive Director and Chairman of Operations Committee
Danish citizen, born in 1944
Principal education: Mr. Schroeder is a graduate in economics from the Aarhus Business School and has completed the International Senior Management Program at Columbia University.
Work experience: Mr. Schroeder is an independent consultant and has been active in the international agricultural industry since 1966, among others, within the Continental Grain Company and Bunge. Mr. Schroeder is Chairman of the Board of Dan Store.
Shareholdings: 350,000 SDRs

Dmitry Zavgordniy, Non-executive Director
Russian citizen, born in 1970
Principal education: Mr. Zavgorodniy is a graduate from the Pedagogical University, Omsk, and holds Master degrees from Sorbonne and University of Oriental Studies, Paris.
Work experience: Mr. Zavgorodniy has been General Manager for the food companies McCain LLC and EcoFrie LLC and CEO of United Meat Group LLC. Mr. Zavgorodniy is Managing Director of Tata Global Beverages Eastern Europe.

GROUP MANAGEMENT

Richard Warburton, Chief Executive Officer
British citizen, born in 1966
Principal education: Mr. Warburton holds a Bachelor of Science degree in Agriculture from the University of Newcastle as well as an MBA.
Work experience: Mr. Warburton was a Board member of the Company from 2010 to 2013. He is CEO and Majority Shareholder of TerraVost Limited. He is a Director of KCM International and formerly at Rolnyvik Sp. z.o.o. Mr. Warburton was previously head of agriculture at Investment AB Kinnevik. He has also been Equity Partner and Head of BidwellsAgribusiness 1999–2010 and a Director of British Field Products 1994–1998.
Shareholdings: 3,190,333 SDRs
Warrants: 1,727,886

Fraser Scott, Chief Operating Officer
British citizen, born in 1961
Principal education: Mr. Scott holds a Bachelor of Science in Agriculture from Newcastle University.
Work experience: Mr. Scott has more than 20 year experience of large scale corporate farm management, most recently as head of arable and potato operations on 20 thousand hectares of arable farming and food operations at the Co-operative farms in the UK. He has also been involved in several large scale agribusinesses as farm and operations manager at Booker, Broad Oak and the Co-operative farms in the UK.
Shareholdings: 870,780 SDRs
Warrants: 500,000

* SDRs held via an insurance policy

Rostislav Samotsvetov, Chief Financial Officer
Russian citizen, born in 1979
Principal education: Mr. Samotsvetov holds a BA in Economics and Accountancy from Voronezh state University and MA in Economics from Central European University
Work experience: Mr. Samotsvetov has over 14 years of experience in various financial and senior management roles with P&G, Danone, Walgreens, Avito.ru and others.
Warrants: 200,000

Richard Willows, Commercial Director
British citizen, born in 1953
Mr. Willows has a background in trading of agricultural commodities, specialising in the marketing of quality assured grains and oil seeds for the food industry including direct exporting to key customers in the Baltic States and Europe. He has more than 15 years of experience working in Russia and prior to Black Earth Farming Richard held the position of General Director of OOO Heartland Farms in the Penza region of Russia. Established in 2002 it was one of the first foreign investors in Russian farming.
Shareholdings: 149,303 SDRs
Warrants: 500,000

Victoria Fletcher, Business Development Director
British citizen, born in 1981
Principal education: Ms. Fletcher holds a Master of Science in agricultural management from Reading University.
Work experience: Ms. Fletcher joined the Group in 2012 and has 8 years' experience in Supplying major British supermarkets with fresh food, most recently as Business Unit Director for a rapidly growing fresh produce business. Her function included procurement from Africa and across the world and management of production and logistics. She also has been involved in business development in Central Asia.
Shareholdings: 281,000 SDRs
Warrants: 550,000

AUDITORS

PriceWaterhouseCoopers
Principal auditors:

Bo Lagerström, Group Audit Partner
Mr. Lagerström is a Swedish citizen, born in 1966.
PricewaterhouseCoopers are the appointed auditors since 2014. Bo currently serves listed clients Scandinavian Standard, Intellecta, RusForest and Swedol. Bo has served several midsized and large listed as well as large private owned clients including Niscayah, Rottneros, SCA, Celsius, Thomas Cook Northern Europe, Toyota Industries Europe and Pomonagruppen. Mr. Lagerström is an Authorized Public Accountant and member of the Institute for the Accounting Profession in Sweden (FAR). He has no engagements in entities related to the main owners of Black Earth Farming Ltd. or the CEO of Black Earth Farming Ltd.

Alexei Ivanov
Mr. Ivanov is a citizen of Russia, born in 1969.
Alexei has served a significant list of clients including YugRusi, Russkaya Zemlya, Agro-Belogorie, Sodruzhestvo, Ilim Group, SCA, Smurfit Kappa, Protek, Euroset, Ford, Philip Morris, and others. Alexei is a UK qualified Chartered Accountant (ACA, 1997), registered also as a recognised auditor in Jersey, and Russian Certified Auditor (1998). He has no engagements in entities related to the main owners of Black Earth Farming Ltd. or the CEO of Black Earth Farming Ltd.

Board of Directors' report on internal control

The Board is responsible for the Company's organisation and the administration of the Company's activities, which includes internal control. Internal control in this context regards those measures taken by Black Earth Farming Limited's ("Black Earth Farming" or the "Company") Board of Directors, management and other personnel, to ensure that bookkeeping and the Company's economic condition in general are controlled and reported upon in a reliable fashion and in compliance with relevant legislation, applicable accounting standards and requirements related to the Company's market listing. Black Earth Farming has appointed an Audit Committee, consisting of two members of the Board, charged with the special responsibility to review and discuss internal and external audit and control matters.

This report has been established in accordance with the Swedish Code of Corporate Governance, which governs internal control over the financial reporting, and with the guidance provided by FAR, the institute for the accounting profession in Sweden, and the Confederation of Swedish Enterprise. This report does not constitute part of the formal Annual Report and has not been reviewed by the Company's auditors, nor does it include a statement by the Board as to how well the internal control has functioned during the year.

The system of internal control is normally described in terms of five different areas, which form part of the internationally recognised framework as introduced in 1992 by The Committee of Sponsoring Organizations in the Treadway Commission (COSO). These areas, described below, are control environment, risk assessment, control activities, information and communication and monitoring.

Management continuously monitors the Company's operations in accordance with the guidelines set out below. A thorough internal audit and review of the Company's operations was conducted with focus areas and implementation plans in 2012. The objective of the audit was to uncover weaknesses and enhance control and oversight of the Company's processes and protocols. The process has since continued on an annual basis with special focus on one or a few areas of particular importance.

Control environment

The control environment forms the framework for internal controls that ultimately translates into financial reporting of the Company's financial position. This environment, to a meaningful extent rests on the core values that the Board and senior communicates, acts upon and work embody in systems and processes. Black Earth Farming's ambition is that values such as precision, professionalism, trust, efficiency and integrity should permeate the organization. To project these principles and exert control, it is critical that organisational structure, chain of command and authority are well defined and clearly communicated. Accountability should follow responsibility and structure should follow strategy in the Company. This is achieved through a combination of written instructions and formal routines on one hand and informal processes and a sound corporate culture on the other. The Board establishes the general guidelines for the Group's activities in internal policies and codes. Management should then implement such directions in financial and operational processes and instructions as well as by example.

Risk assessment

The Board of Directors of Black Earth Farming is responsible for the identification and management of significant risks of errors in the financial reporting. The risk assessment specifically focuses on risks for irregularities, unlawful benefit of external part at the Company's expense, and risks of loss or embezzlement of assets.

It is the ambition of Black Earth Farming to minimize the risk of errors in the financial reporting by continuously identifying the safest and most effective reporting process. The Board puts effort into ensuring the reliability of those processes, which are deemed to hold the greatest risk for error, alternatively whose potential errors would have the most significant negative effect. Among other things, this includes establishing clearly stated requirements for the classification and description of statement of income and balance sheet items according to generally accepted accounting principles, given the relevant legislation. The Company is also taking steps to automize the reporting process to contain the risk of manual errors or fraud.

The Company's Chief Financial Officer is responsible for the control and reporting of the Company's consolidated economic position to management and Board. In this capacity, the Chief Financial Officer also prepares a review of potential weaknesses in internal processes and controls to the Audit Committee and makes a recommendation to the committee on areas that could be the focus of internal audit work in the future. Based on this recommendation, as well as its own observations, the Audit Committee may choose to appoint an independent third party expert to conduct an audit of one or a few areas in the Company. In 2014, the focus of the Company's Internal Audit was on the Company's IT systems and infrastructure. A special report on this area was prepared in 2014. In 2015, an internal audit of the procurement function was launched. As procurement was moved from Moscow to Voronezh with the close of the Moscow office in the second half of 2015, it was however decided to roll the audit forward to allow the new team to settle before proceeding with the audit. Broader internal audit work continues outside such focus areas. The external auditor also reviews the control environment as part of its general audit procedures.

Control activities

Risk assessment identifies risk areas. The Company thereafter establishes a number of control activities to verify the Company's compliance and integrity in such risk areas. The purpose of the control activities is to detect, prevent and rectify any weaknesses and deviations in the Company's processes and financial reporting. Control activities also include routines for the presentation and reporting of company accounts, for example monthly cash flow reports and budget follow ups. Special controls are in place to ensure that processes for the accounting function, including consolidation of accounts and creation of interim and full year reports, comply with pertinent legislation as well as with generally accepted accounting principles. Controls are carried out to ensure that the IT and computer systems involved in the reporting process have a sufficiently high dependability for its task. The tender and approval process in connection with large procurement transactions is another important control area.

Information and communication

The Company has invested in advanced technical applications and designed robust processes to facilitate fast and reliable communication throughout the organisation. Internal policies and general guidelines for financial reporting are communicated between the Board of Directors, management and other personnel through regular meetings and e-mails.

The Company is committed to provide accurate, reliable and timely information, and to abide by the regulations applicable to a company listed on Nasdaq OMX Stockholm. To ensure high quality of the external reporting, the Company has adopted an information strategy that starts from the internal reporting and regulates the flow of data to the external information. The strategy applies to all parts of the organisation and includes principles for all means of communication, including website postings, press releases, interim and annual reports, prospectuses, public conference calls, interviews to specialised and general media and market analysts, as well as participation in public meetings. In order to ensure reliability and consistency of information provided, only corporate staff designated as spokespersons for Black Earth Farming are authorised to speak to the media on behalf of the Company.

All reports and press releases are published on the Company's website at www.blackearthfarming.com immediately after publication through the Company's main news distribution channel on NASDAQ OMX.

Black Earth Farming is fully committed to communicate in a transparent way. The Company will not restrict public disclosure of information unless the information is of a commercially sensitive or confidential nature.

Monitoring

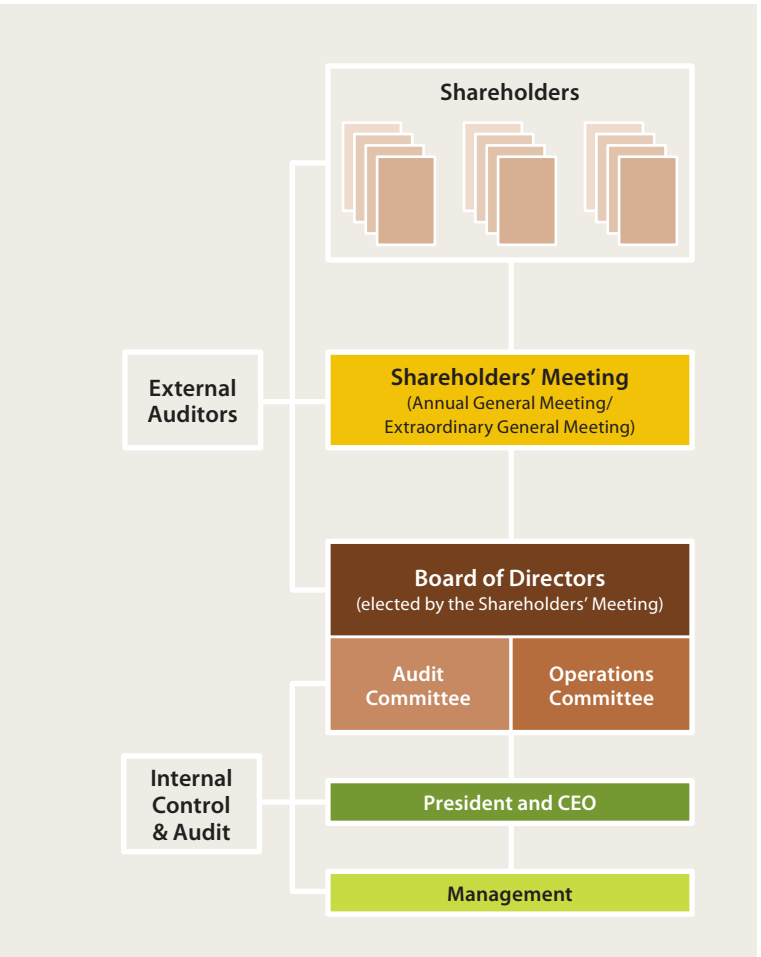
The Company's financial situation and strategy, and any weaknesses or significant changes in the operations and financial position are discussed at Board meetings. The Company prepares interim reports four times annually, which are reviewed by the Board. Management reports on operations and financials are however prepared and distributed to the Board more frequently. The Audit Committee has a particular responsibility to review and bring any weaknesses in internal control procedures to the Board's attention. Potential shortcomings are addressed by management and the Audit Committee. Thorough reviews of the Company's accounts are performed together with the external Auditor in connection with semi-annual review and the annual audit.

Corporate Governance Report

Introduction

Black Earth Farming is a limited liability company registered in Jersey. The Board of Directors (the "Board") takes great emphasis on sound corporate governance. In the absence of a Jersey Code of Corporate Governance, Black Earth Farming applies the Swedish Code of Corporate Governance ("the Code"), as is also required by Nasdaq OMX Stockholm, the regulated stock exchange where the depository receipts of the Company's shares and its bonds are traded. The Company endeavours to apply the Code in full or, where applicable, explain deviations from it. Establishment of this Corporate Governance report is part of the Code's requirements. The principles of corporate governance in Black Earth Farming are described below and governed by its Articles of Association, applicable laws, exchange requirements and praxis including the Swedish Code of Corporate Governance. This report has not been subject for review by the Company's auditors.

Black Earth Farming's articles of association as well as a reproduction of this report and additional Corporate Governance information, such as outtakes of important corporate policies are available on the Group's website www.blackearthfarming.com.



Shareholders meetings

The Annual General Meeting ("AGM") is the highest decision-making body of Black Earth Farming, in which all shareholders are entitled to attend in person or by proxy to cast their votes on important Company matters. Subject to the provisions of the Companies (Jersey) Law 1991 as amended ("Law"), an Annual General Meeting shall be held in Sweden or in such other place as may be determined by the Board and at such time and place as the Board may determine, in the Swedish and English language, once per year, no later than six months after the end of the financial year.

The regular business that is to be transacted at an Annual General Meeting is the receipt and consideration of the annual accounts, the reports of the Directors and the Auditors and any other document required to be annexed to the annual accounts, the declaration of dividends, the election or re-election of Directors, the appointment or re-appointment of the Auditors and the fixing of the remuneration of the Auditors or the determination of the manner in which such remuneration is to be fixed.

In 2015, Black Earth Farming held the Annual General Meeting on Wednesday 20 May 2015 at 09.00 CET at Näringslivets Hus, Storgatan 19 in Stockholm, Sweden. As per the published agenda and minutes, the AGM adopted the consolidated profit and loss statement for the period 1 January to and including 31 December 2014, as well as balance sheet and the consolidated balance sheet as of 31 December 2014. The AGM resolved upon the election of the Board of Directors and Auditors. After six years with Deloitte, it was decided to change Auditors to PriceWaterhouseCoopers. The AGM resolved upon principles for compensation to Board, Auditors, senior management. A new long-term incentive program for senior management was approved. It was resolved not to pay any dividends for 2014.

Appointment and remuneration of the Board and Auditors

Shareholders in the Company have the right to nominate members of the Board of Directors, and Auditors, to the Annual General Meeting. The AGM elects members of the Board of Directors for a term of one year and Auditors for a period of one year. The shareholders also propose remuneration for the Board of Directors and Auditors, which is to be resolved by the AGM. In accordance with the Code, the Company has a Nomination Committee which prepares proposals for the election and remuneration of members of the Board of Directors and auditors for the AGM.

In accordance with the resolution of the 2015 Annual General Meeting, a Nomination Committee consisting of members representing the three largest shareholders in the Company per the last business day in August 2015 was appointed. The Nomination Committee for the 2016 AGM is comprised of Joakim Andersson, on behalf of Investment AB Kinnevik, Ramsay Brufer, on behalf of Alecta Pension, and Per Åhlgren, on behalf of Gomobile Nu AB. The Company considers it appropriate for the

major shareholders to propose the board composition and items related to the Nomination Committee's mandate for the Annual General Meeting. JoakimAndersson, of Investment AB Kinnevik, is the current Chairman of the Nomination Committee. At the time of its formation, the Nomination Committee represented approximately 46% of the shares in Black Earth Farming.

The Board of Directors

The 2014 Board of Directors

The Articles of Association stipulate that there shall be no maximum number of Directors unless and, until otherwise determined by the Company in a General Meeting by ordinary resolution. However, the minimum number of Directors (other than any alternate Directors) shall be two. At the AGM 2015 it was resolved that the Board, until next AGM, shall consist of 5 members.

At the 2015 AGM, it was resolved to re-elect Poul Schroeder, Camilla Öberg and Dmitry Zavgorodniy and to elect Franco Danesi and Per Åhlgren as Directors of the Company. VigoCarlund and Anders Kronborg declined re-election to the Board. Further, it was resolved to appoint Per Åhlgren as Chairman of the Board of Directors.

For a more detailed profile of the current Board, until the AGM 2016, see section "Board, Management and Auditors" of this annual report. The Code states that it is possible for major shareholders of Swedish companies to appoint a majority of members with whom they have close ties. Black Earth Farming views positively active and responsible ownership, which is also expressed in the preparatory documents to the Swedish Companies Act. Given Black Earth Farming's line of business, stage of development and general environment, the elected Board represents a suitable composition with versatility and breadth in terms of the Directors' qualifications, experience and background.

Board meetings

The Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it sees fit. The Board of Directors considers it suitable to meet at least twice a year in person and more frequently when appropriate. At least four more meetings are to be held by telephone. Additional meetings, in person or by telephone, can be called as and when needed. The CEO has regular contact with the Chairman and other members of the Board. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the Chairman of that meeting shall have a second or casting vote.

During the financial year that ended 31 December 2015, nine Board meetings were held, whereof four were held with personal attendance, the rest were held by means of telephone conferencing.

Each Board meeting was governed by an approved agenda, supporting documentation for the items on the agenda as well as protocol from last meeting for follow up discussions.

As and when deemed suitable by the Board, certain members of senior management, but not members of the Board, have been invited to attend meetings for in depth reviews and discussions of their respective business areas or current projects. In connection with the Annual Audit of the Company's accounts, the Auditors are always requested to attend a meeting to report their observations from the annual audit.

Work and Responsibilities

The Board of Directors adopts decisions on overall issues affecting the Black Earth Farming Group. However, the Board of Directors' primary duties shall be the organization of the Company and the establishment of overall goals and strategy relating to the Company's operations including:

- Decisions regarding business strategy and adoption of Company policies;
- Supply of capital;
- Appointment and regular evaluation of the work of the CEO and Company management;
- Approval of the reporting instructions for the Company management;
- Ensuring that the Company's external communications are open, objective and appropriate for target audiences;
- Ensuring that there is an effective system for follow-up and control of the Company's operations and financial position vis-à-vis the established goals;
- Follow-up and monitoring that the operations are carried out within approved internal limits and in compliance with local and international laws, regulations, stock exchange rules, and customary practice on the securities market;
- Keeping of minutes for written Board resolutions;
- Determining of the appropriate minimum number of Board meetings as well as when and where they are to be held;
- Appointment of Audit-, Operations- and Remuneration Committee Chairs and members as well as identification of their major tasks;
- Determining what issues always require a Board decision or an application to the Board, such as quarterly reports, major investments, changes of legal structure, certain management appointments and financial guarantees/pledges.

During 2015, the Board has continuously reviewed the strategic direction, the financial performance, and the initiatives to reach profitability as well as sustain growth longer term. No dissenting opinions in relation to decisions have been reported in the minutes during the year. However, the Board has at times tabled an issue until a later meeting, for which more supporting documentation or a more in-depth review of an issue should be produced. An annual evaluation of the Board's work was performed in order to develop the Board's working methods and efficiency.

Chairman of the Board of Directors

The Nomination committee proposes a Chairman of the Board to be elected by the AGM. The Chairman shall not be employed by the Company. Per Åhlgren was elected Chairman of the Board at the AGM held on 20 May 2015. The Chairman shall lead the Board discussion at each Board meeting. In the case of an equality of votes, the Chairman shall have a second or casting vote.

Sub Committees of the Board

Pursuant to the Articles of Association, the Board may delegate any of its powers, authorities and discretions to any committee consisting of one or more Directors. In pursuit of an efficient and reliable corporate governance structure, the Board in 2007 established two subcommittees in the Audit Committee and the Investment Committee. As the Company has evolved from being focused on putting an asset platform in place to efficiently exploiting and operating that platform, the Investment Committee was replaced by an Operations Committee in 2010 with primary focus on Sales and Marketing decisions and company hedging program

Audit committee

The Audit Committee is charged with the responsibility of reviewing the system of internal controls, management and reporting of financial risks and the audit process. When relevant and appropriate, the Chief Financial Officer and the Company's Auditors are invited to attend the meetings, including a yearly meeting for planning before the Audit and a meeting on reporting after the audit. Other Directors may also be invited to attend. At least once a year, the Audit Committee should meet the Company's external Auditors without any management being present.

The tasks of the Audit Committee include consideration of matters relating to the appointment of external Auditors for Black Earth Farming and its main subsidiaries, the independence of the Company's Auditors as well as review of the audit fees. The Audit Committee shall also review the integrity of the Company's annual and interim reports, preliminary results' announcements, certain press-releases and any other formal announcements relating to the Company's financial performance and situation.

The Chairman of the Committee must have significant knowledge and experience in accounting in general, and the accounting principles applicable to the Company in particular.

The Audit Committee shall meet as regularly as deemed necessary by the Board, but it should be at least four times a year, in connection with the release of the Company's interim and full year financial statements.

Audit committee in 2015

The Audit Committee consists of two of the board members, namely Camilla Öberg, as Chairman, and Franco Danesi. This is a deviation from the Swedish Code of Corporate Governance, which requires at least three Board members on the Audit Committee. The Board however decided that, given the close work between the Audit Committee and the overall Board, two members would be appropriate. Former Auditor and Company Secretary Christopher Leck is a specially invited observer on the Committee. In 2015, five meetings, of which two in person, were held by the Audit Committee, addressing the Company's financial reporting and progress. There were also several update conference calls between the Committee Chairman and members of the Company's senior management.

Operations committee in 2015

The Operations Committee consists of three board members, namely Poul Schroeder as Chairman, Per Åhlgren and Dmitry Zavgorodniy. In 2015, monthly (or sometimes more frequent) telephone conference calls were held to discuss the Company's operational progress, its sales and marketing plan and, in that context, its grain hedging activities.

Remuneration committee

The function of a specific Remuneration Committee, as per the Code's guidelines, is to develop proposals on remuneration and other terms of employment for the executive management. The Remuneration Committee consists of two Board members, namely Per Ahlgren and Franco Danesi, who prepare proposals on remunerations for adoption by the whole board. The guiding philosophy of the Board in determining compensation for executives is the need to provide a compensation package that is competitive and motivating, that will attract and retain qualified executives, and that encourages and motivates performance.

Group management

The CEO of Black Earth Farming is elected by, and works on behalf of the Board of Directors and shall implement the decisions made by the Board and prepare for decisions to be considered by the Board. The CEO shall also oversee compliance with the objectives, policies and strategic plans for the Company that the Board has established and ensure that these objectives, policies and strategic plans are submitted to the Board for updating or revision as and when necessary. The CEO is responsible for the operational management of the Company, including the recruitment of a qualified senior management team, usually in discussion with the Board of Directors for the most senior positions. The CEO shall ensure that the Company fulfils its obligations regarding disclosure of information and observes other regulations with which the Company is required to comply. The CEO is responsible for ensuring that obligations, agreements or other legal contracts that the Company enters into are correctly documented and do not conflict with any of the Company's applicable binding statutes.

The Company has put in place an instruction that outlines the key responsibilities and obligations of the CEO, details the reporting process of the CEO, and defines the limits of the CEO's authority and power of attorney to represent the Board and the Company.

The persons listed and presented below (as well as in the section "Board, Management and Auditors" of the annual report) constitute the Company's current senior Group management team. As individuals with important managerial roles and responsibility for certain key functions, they are identified for disclosure with certain details of their professional duties as recommended by the Code and for the benefits the Company's shareholders. For a detailed presentation of the senior management, see section "Board, Management and Auditors" in this annual report.

Name	Title	Born	Nationality	Elected	Connection to the company	Audit com-mittee	Board meeting attend-ance	SDR holdings	Warrant holdings	Board fee, TEUR
Per Åhlgren	Chairman of the board	1960	Swedish	2015	Main owner		9	25,532,924	–	70
FrancoDanesi	Non-executive Director	1972	Italian	2015	Independent	Member	8	-	–	40
Poul Schroder	Non-executive Director	1944	Danish	2010	Independent		9	350,000	–	60
Dmitry Zavgorodniy	Non-executive Director	1970	Russian	2014	Independent		9	–	–	40
Camilla Öberg	Non-executive Director	1964	Swedish	2013	Independent	Chairman	9	1,500	–	60
Number of meetings in 2015						**5**	**9**			

* SDRs held via an insurance policy

Compensation to the Board and management

Principles

The Chairman of the Board, the Operations Committee and the Audit Committee each receive EUR 60,000 per annum in compensation. Other Directors on the Board, who do not chair any committee, receive an annual Board fee of EUR 30,000 per annum. An additional EUR 10,000 per annum is paid for work on the committees of the Board.

Remuneration for the senior executives consists of fixed salaries, certain other benefits and an annual bonus. The annual bonus depends on both Company and individual performance over the year. The bonus is individual but is capped at up to 50% of an employee's annual income. In addition, certain Company directors, senior executives and other key personnel within the Group are holders of warrants as part of the established incentive program. The guiding philosophy of the Board in determining compensation for executives is the need to provide a compensation package that is competitive and motivating, that will attract and retain qualified executives, and encourage and motivate performance. As stated in Note 30 to the Consolidated Financial Statements, in 2015 total fixed salaries and bonuses to senior executives amounted to USD 2,625 thousand (excluding pensions and termination payments), of which USD 942 thousand to the Company's CEO.

Incentive programme

As part of the Company's efforts to attract and retain qualified personnel, Black Earth Farming created a warrant incentive program. The warrant program was regulated by an agreement dated 11 August 2005, but was subsequently amended by addendums dated 15 November 2007, 25 May 2012 and 15 May 2013. The original program was open to up to 30 employees and comprised of 2,059,000 warrants to subscribe for shares. Each warrant entitles the holder to exchange one warrant for one share. The number of warrants within the program was thereafter increased from 2,059,000 to 10,000,000 warrants at the AGM held on 5 July 2007. 15 May 2013, the AGM approved to increase the maximum number of participants from 30 to 50. As of 31 December 2015, 7,500,161 of these warrants had been issued for nil consideration to Directors, senior executives and other key personnel.

All qualifying participants are allotted a certain number of warrants, of which a proportionate part is vested annually over the number of years set out in each participant's warrant certificate. Warrants with a lower subscription price shall vest prior to warrants with a higher subscription price. Decision on allocation of warrants is at the discretion of the Board. The subscription price will be affected by the time of allocation of the warrants. In the event where a warrant holder is no longer employed by the Company by the vesting date, warrants that are due to vest are cancelled.

Executives share option plan (ESOP)

At the AGM on 25 May 2012, a three-year performance based incentive plan for senior executives was approved. In order to participate in the 2012-2014 plan, the participants should purchase shares (in the form of SDRs) in the Group. For each share purchased and held under the plan, the Group will grant up to five rights to the participant, one for each of five criteria to be met under the program. The criteria's relate to the three-year development of certain performance indicators for Black Earth Farming, and specifically its return on capital, profitability, revenue growth and average crop yields. The 2012 plan originally comprised of up to 1,050,000 shares (depending on employee share purchases and participation) held by the employees, entitling to allotment of up to 5,250,000 shares. The initial program was subsequently adjusted 2:3 to account for the rights issue in December 2012. In deciding on whether performance criteria were met and any program adjustments, the Board has discretion. At the end of May 2015, the first three year period of the program ended. As a result of the program, 2,756,796 shares, or 1.33% of the Company's total outstanding shares at the time, were granted to three 2012

Name	Born	Nationality	Employed	Function	SDR holdings	Warrant holdings	Average strike price
Richard Warburton	1966	British	2011	Chief Executive Officer	3,190,333	1,727,886	SEK 7.63
Fraser Scott	1961	British	2011	Chief Operating Officer	870,780	500,000	SEK 5.43
RostislavSamotsvetov	1979	Russian	2015	Chief Financial Officer	0	200,000	SEK 3.65
Richard Willows	1953	British	2011	Commercial Director	149,303	500,000	SEK 5.43
Victoria Fletcher	1981	British	2012	Business Development Director	281,000	550,000	SEK 5.73

participants in the program. Following the share issue, the Company's outstanding number of shares increased to 210,426,241, with one vote for each share. At the 2015 AGM, following the completion of participation in the 2012-2014 program, a new three-year program was approved. This 2015-2017 program is structurally the same as the previous program, although the performance criteria have been revised to reflect the results achieved by the Company over the period of the previous program. The 2015-2017 plan will comprise of up to 2,100,000 shares held by the employees, entitling to allotment of up to 10,500,000 rights. For further details on the Executives share option plan, please refer to note 23c) in the Consolidated Financial Statements of the 2015 Annual Report. As at 31 December 2015, 1,562,226 shares have been purchased by participants within the two programs, which may result in an expected 9,518,551 shares being issued in case of fulfilment of the all the five aforementioned criteria. 1,050,000 shares remains to be taken up by participants in 2016 and 2017.

Termination of employment

In general, there is a mutual six months' notice period between the senior executives and the Company. Thereafter the senior executives are entitled to receive monthly salary during two additional months. However, the Company can in some cases agree with a senior executive that he or she should immediately leave his or her position with a compensation that, on mutual agreement, reflects the notice period and other relevant considerations. The Company has not set aside or accrued any amount to provide additional funds for pension, retirement or similar benefits to any Directors or senior executives. In addition, none of the Directors or senior executives has any service contracts with the Company providing for benefits upon termination of his or her respective appointment.

Conflict of interests

The Group has in 2015 employed services from TerraVost Ltd and KCM ltd. KCM ltd is a 50:50 Joint Venture between TerraVost Ltd and a company called CMI Ltd. Black Earth Farming's CEO, Richard Warburton, has a majority interest in TerraVost and therefore, indirectly, an interest in KCM, both of which therefore constitute related parties. Transactions with related parties are scrutinized for arm's length and approved by members of the Board of Directors of the Company.

Up until December 2014, Investment AB Kinnevik was also a major shareholder of TerraVost Ltd, which at that point was called KinnAgri Ltd.In December 2014, KinnAgri Ltd completed a buyback of the shares held by Investment AB Kinnevik. As Investment AB Kinnevik fully exited the shareholder structure of KinnAgri Ltd, the Company was renamed TerraVost Ltd. As a result of the transaction, Richard Warburton, the CEO of Black Earth Farming, reverted back to being the majority shareholder of TerraVost Ltd.

Poul Schroeder is Chairman, but not a shareholder, of Dan Store, a Company involved in grain storage and a supplier to the Company.

Outside these transactions, to the best of the Company's knowledge, none of the members of the Board of Directors or the Management of the Company has a private interest that may be in conflict with the interest of the Company.

Auditors

At the AGM on 14 May 2014, the Company changed Auditor from Deloitte to PriceWaterhouseCoopers, with Bo Lagerström as Auditor in charge. At the AGM on 20 May 2015, PriceWaterhouseCoopers, with Bo Lagerström as auditor in charge, was reappointed as Auditors of the Company.

PriceWaterhouseCoopers

Principal auditors:

Bo Lagerström

Group Audit Partner

Mr. Lagerström is a Swedish citizen, born in 1966.

PriceWaterhouseCoopers are the appointed auditors since 2014. Bo currently audits listed clients Scandinavian Standard, Intellecta and Swedol. Bo has audited several mid-sized and large listed as well as large privately owned clients including Niscayah, Rottneros, SCA, Celsius, Thomas Cook, Aurubis, and Pomonagruppen. Mr. Lagerström is an Authorized Public Accountant and member of the Institute for the Accounting Profession in Sweden (FAR). He has no engagements in entities related to the main owners of Black Earth Farming Ltd. or the CEO of Black Earth Farming Ltd.

Alexei Ivanov

Mr. Ivanov is a citizen of Russia, born in 1969.

Alexei has audited a significant list of clients including YugRusi, Russkaya Zemlya, Agro-Belogorie, Sodruzhestvo, Ilim Group, SCA, Smurfit Kappa, Protek, Euroset, Ford, Philip Morris, and others. Alexei is a UK qualified Chartered Accountant (ACA, 1997), registered also as a recognised auditor in Jersey, and Russian Certified Auditor (1998). He has no engagements in entities related to the main owners of Black Earth Farming Ltd. or the CEO of Black Earth Farming Ltd.

Sustainability

There is a significant challenge to feed the world's increasing population in a sustainable way that does not deplete the earth of its resources for the future. Sustainable agriculture integrates three main goals; environmental conservation, social benefits for workers and local communities, and economic profitability.

Black Earth Farming shares the view that current needs must be met without compromising the ability to meet the requirements of future generations. The Company's ability to generate long-term and sustainable shareholder returns is dependent on this balance. This includes the consideration of social responsibilities such as working conditions of employees and support to local rural communities as well as employee health and safety. It entails maintaining and enhancing land as a natural resource for the long term by optimal management of inputs, minimum tillage and employing a crop rotation system that minimizes erosion and conserves soil and water resources. All this requires good and efficient overall management with sound financial planning and efficient risk management practices.

Black Earth Farming's Social Responsibility

Since inception, Black Earth Farming has brought an estimated 260 thousand hectares of fallow land into production. The Company effectively taps unused resources for food production, which is a necessity to meet the demand from the world's increasing population. Social responsibility entails caring for external stakeholders as well as internal. Black Earth Farming strives to conduct business in a way that not only safeguards employees, customers and community neighbourhoods but that also helps them develop together with the Company. The focus on development of fallow land creates new job opportunities with stable and relatively high means of income. Employee safety is of high concern and training sessions are conducted regularly. The Company contributes to local communities both through its economic development, which helps bring commerce and tax revenues to the local administrations, but also by financial support to many local activities and social projects. In 2015, the Company raised its compensation to workers, made further improvements in health and safety and intensified training programs. Employee turnover continued to drop in the reporting period. In 2015, Black Earth Farming engaged in local communities by giving musical equipment to a cultural center, helping to repair cultural monuments and supporting World War II veterans and their families in all our regions. The Company also invested in playgrounds, sports equipment and school supplies for children. It provided Christmas gifts for local village children, food to homeless and supported the local Charity "The World of Childhood".

Black Earth Farming's Environmental Responsibility

Preserving the planet's limited resources is a vital concern and is the responsibility of all people. As a Company, Black Earth Farming seeks to take extra responsibility to motivate and stimulate environmental thinking in respect to our activities.

The world's forests and other natural ecosystems must be conserved but at the same time feed an increasing population. To achieve this, the productivity of current arable land resources needs to increase. This will reduce the pressure to clear forestland in other places and help to preserve the planet's green lungs. Measured use of mineral fertilizers and chemicals will help to increase crop yields sustainably and use existing agricultural land more efficiently without exerting stress on the soil. Without the addition of nutrients and minerals, the soil would be depleted of its natural content of such substances over time.

Black Earth Farming is committed to cultivating its land in an environmentally responsible way that ensures the long term health of the soil and minimizes the impact on surrounding ecosystems. To a large extent this comes from minimizing unnecessary cultivation and optimizing application of fertilizer and other necessary agrochemicals.

A multi-year crop rotation mix is chosen for long term sustainability of the soil as well as for maximum productivity over time. The Company puts great emphasis and makes every effort to ensure the correct handling and storage of pesticides, fertilizer and other chemical compounds. The company has developed environmentally sustainable irrigation licences with respect to all its water resources.

Black Earth Farming's Economic Responsibility

Through its operations and business activities, Black Earth Farming support several stakeholders economically. The Company provides offtake to suppliers, salaries to employees, goods to customers, tax revenues to local districts and federal authorities, while also striving to create value for its shareholders. To a large extent, the economic sustainability of the business is only possible through mutually beneficial relationships with stakeholders that grow and prosper together with the Company. Black Earth Farming aims to build long term relationships with counterparties and employees through a high level of professionalism, integrity and business ethics at all levels of the Company. Through high standards of corporate governance and transparent communication, the Company seeks to increase understanding and build trust from shareholders and counterparties alike.

APPENDIX

BLACK EARTH FARMING'S CROPS

Black Earth Farming grows three classes of crops; cereal grains, oilseeds, and potatoes and other field grown vegetables. Crop mix decisions should be based on sound underlying science, supported by statistically significant data from well managed crop trials. Agronomic data is typically held in public institutions or, increasingly, with life science companies. Historical Russian data was however often derived for biological and quantitative rather than economic optimums. Meanwhile, the peculiarities of the seed licensing process has not incentivized private companies to engage in large scale and in-depth trials adapted to the specific soils and the climate in Black Earth Farming's regions. Black Earth Farming works with a world leading technical partner to build up this knowledge base and management capability internally and to support well researched and economically optimal crop growing decisions. Partly as a result of this research and driven by the local soil characteristics and geography, the Company has simplified its rotation and reduced the crop mix in its core business to focus on wheat, corn, barley and sunflower. In the vegetable crop segment, it launched pilot production of onions and carrots in 2015.

CEREALS (grains)

Cereal crops are members of the grass family where wheat, corn maize and rice are the most commonly farmed types worldwide and together account for approximately 85% of all grain production worldwide and 45% of all food calories.

Wheat

21% of 2015 crop production volume

Most wheat is consumed in the form of baked goods, mainly bread. Wheat grains must therefore be milled to produce flour prior to consumption. Wheat is also used as an ingredient in compound feedstuffs, starch production and as a feed stock in ethanol production. The harvest quality of wheat can vary widely from high protein milling quality commanding a price premium to low quality feed used as animal fodder.

Black Earth Farming uses a combination of different wheat varieties. Winter wheat (20% of 2015 crop production) is planted during the autumn with internally grown seeds and is, like other winter crop, higher yielding compared to the corresponding spring crop (1% of 2015 crop production) variety due to having more growing days to develop. Winter and spring wheat are harvested during the same period, generally commencing in mid-July.

Barley

5% of 2015 crop productionvolume

Barley is mainly used as a component in various foods and as base malt for brewing beer and other distilled beverages such as whiskey. Lower quality barley is used for animal fodder.Barley varies can vary between malting and feed quality, which has an effect on price. Black Earth Farming cooperates with local brewers and aspires to grow a high share of malting quality barley on a contract basis with harvest usually starting around early August.

Corn Maize

55% of 2015 crop production volume

Corn is a major food and feed grain grown throughout the world in temperate and warm climates. It is the most widely grown crop in the Americas, where a major part of the production is used for corn ethanol. The Company cultivates this grain primarily in the southern regions where rainfall is more limited and the summer temperature is higher. Corn is a late harvest crop and is generally planted in May and cut in late September into October-November.

OILSEED

Sunflower

14% of 2015 crop production volume

Sunflowers are primarily used in food products and oils as well as livestock feed. Due to the sunflower's drought resistant characteristics, it fills an important role in the overall crop mix. The crop is normally reaped a week or so after spring rape and just requires a simple addition to the combine header for harvesting, thus reducing additional capital expenditures.

Oilseed Rape (OSR)

0% of 2015 crop production volume

Rapeseeds are primarily used for producing vegetable oil and biodiesel. Winter rape generates a higher yield than spring rape due more growing days, yet carries a higher risk as the winter conditions can kill large parts of the seeded area. Rape characteristics enable a crop rotation system which ensures that winter wheat can be sown the following production year. The spring variety has lower risk than the winter variety but is also lower yielding.

Soybean

0% of 2015 crop production volume

Soybean is one of the most popular and widely grown oilseeds. The derived product Soybean meal is a primary, relatively low-cost, source of protein for animal feeds or rations. Soy vegetable oil is another valuable product of processing the soybean crop. Soybeans can produce at least twice as much protein per hectare than any other major vegetable or grain crop. Soybeans, like most legumes, also perform beneficial nitrogen fixation in the soil.

VEGETABLE CROPS

Potato

4% of 2015 crop production volume

Approximately two thirds of the global potato production is consumed directly by humans, either directly as fresh potatoes or for processing into French fries or potato chips or crisps. The rest are fed to animals or used for other industrial uses e.g. to produce starch. Only about 5% of the world's potato crop is traded internationally. To achieve acceptable quality levels for further processing, irrigation is usually employed in order to secure adequate water supply.

Carrots

<1% of 2015 crop production volume

Carrots are one of the ten biggest vegetable crops in the world, in value terms. Russia is the world's second largest producer of carrots and together with onions, cabbages and beetroot, they form an important part of the "Borsch mix" staple vegetable diet for many Russians. Almost all carrots are used for human consumption. They can be chopped, boiled, fried or steamed and are used in many processed food products. Carrots are usually irrigated and can be stored, but they are more perishable and difficult to store than potatoes. For this reason, from spring until harvest, most carrots in Russian retail stores are imported.

Onions

<1% of 2015 crop production volume

Russia is in the top ten of global producers of onions. Almost all onions are for human consumption for baking, boiling, grilling or frying. Onions can be produced from seed or from sets. In 2015, BEF produced them from sets. Onions can be stored in similar stores to potatoes. As with carrots, from spring onwards, Russia is mostly dependent on imported onions.

Terms and Definitions

Units
1 hectare (ha) = 2.47105 acres
1 hectare (ha) = 10,000 square meters
1 metric ton = 2,204.622 pounds (lb)
1 metric ton = 10 centners
1 metric ton of wheat = 36.74 bushels of wheat
1 metric ton of corn = 39.37 bushels of corn

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

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

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

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

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

"CBOT"
Chicago Board of Trade

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

CPT
Carriage Paid To – A trade term where the seller pays for carriage to the named place of destination. Risk transfers to the buyer upon handing goods over to the first carrier at place of shipment

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

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

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

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

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

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

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

EXW
Ex Works – A trade term requiring the seller to deliver goods at his or her own place of business. All other transportation costs and risks are assumed by the buyer.

"Fallow land"
Land which is not being cultivated.

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

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

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

"IGC"
International Grains Council

"IKAR"
The Russian Institute for Agricultural Market Studies.

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

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

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

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

"Operating Margin"
Operating income divided by net sales.

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

"USDA"
United States Department of Agriculture

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