

# Black Earth Farming Ltd Interim Report

1 January – 30 September 2016



**BLACK  
EARTH  
FARMING LTD.**



## Harvest 75% complete. Lower harvest prices and wheat quality drive 9M16 net loss of USD -3,3mn (6.9)

Sunflower yields are averaging 1.8 t/ha. with approximately 78% harvested. Corn yields to date are at 5.3 t/ha with 36% harvested. Domestic prices for all crops declined steeply YOY since Q2 and wheat quality is much lower than normal. Net profit decrease of USD 10.3 mn, to USD -3.3mn in 9M15 (6.9) is primarily driven by negative revenue variance partially offset by positive FX income and stronger G&A performance. Excluding exceptional positive effect from land SWAP in 2015 of USD 7.1 mn Net profit decreased by USD 3.1 mn y-o-y from USD -0.2 mn to USD -3.3mn. The company remains in discussions with potential buyers regarding a substantial land and asset sale.

### 9M 2016 Highlights (vs. 9M 2015)

- Total revenue and gains of USD 64.7 mn (55.3)
- Sales volume of 317.7 kt (181.6)
- Average sales price after distribution cost per tn of USD 124 per ton (149)
- Gross profit after distribution costs of USD 8.3 mn (24.1)
- EBIT of USD 0.7 mn (5.1 excluding swap effect)
- FX income of USD 4.6 (-6.6)
- Net loss of USD -3.3 mn (-0.2 Net loss excluding swap)
- Earnings per share of USD -0.02 (-0.00 excluding swap effect)

### Q3 2016 Highlights (vs. Q3 2015)

- Total revenue and gains of USD 10.8 mn (21.1)
- Sales volume of 89.5 kt (41.1)
- Average sales price after distribution cost per tn of USD 77 per ton (142)
- Gross profit after distribution costs of USD -2.5 mn (15.1)
- EBIT of USD -7.3 mn (3.0)
- FX income of USD 0.9 (-8.2)
- Net loss of USD -8.5 mn (2.2)

### 2016 harvest Progress

Wheat, barley and potatoes are fully harvested, Sunflowers are 78% harvested with yields of 1.8 t/ha. Corn is 36% harvested with yield of 5.3 t/ha.

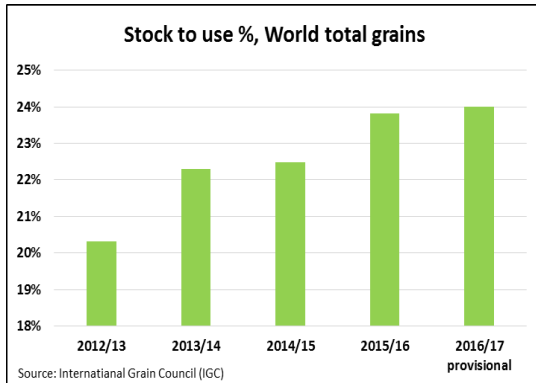
CEO Comment Highlights (p.2)	Financial Overview (p.5)					
	USD million	Q3 '16	Q3 '15	9M '16	9M '15	9M '15 Excl. <sup>1</sup> SWAP
• Market Development						
• 2016 Harvest Progress						
• 2016 Crop Sales						
• 9M Results 2016						
• Risks						
• Potential land & asset sale						
• Summary						
	Crop Volumes Sold (ktons)	89.5	41.1	317.7	181.6	181.6
	<b>Total Revenue &amp; Gains</b>	<b>10.8</b>	<b>21.1</b>	<b>64.7</b>	<b>55.3</b>	<b>55.3</b>
	Gross Profit after Distribution	(2.5)	15.1	8.3	24.1	24.1
	G&A	(5.2)	(5.7)	(12.1)	(14.4)	(14.4)
	<b>EBITDA</b>	<b>(5.8)</b>	<b>4.1</b>	<b>5.9</b>	<b>16.3</b>	<b>9.2</b>
	<b>EBIT</b>	<b>(7.3)</b>	<b>3.0</b>	<b>0.7</b>	<b>12.2</b>	<b>5.1</b>
	FX income	0.9	(8.2)	4.6	(6.6)	(6.6)
	<b>Net profit</b>	<b>(8.5)</b>	<b>2.2</b>	<b>(3.3)</b>	<b>6.9</b>	<b>(0.2)</b>

<sup>1</sup> The Company completed swap of Lipetsk-Tambov land and storage capacity in Q2 2015. Q3 2015 is not affected.

## Market Development

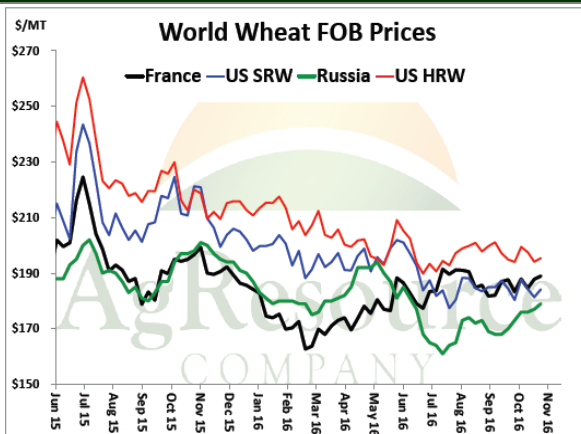
A fourth year of record world grain production has pushed international grain markets to ten-year lows and stocks to multi year highs.

### Stock to use %, World total grains



In Russia there has also been another record year with the grain harvest estimated at 111mmt, higher by 8mmt than the 2015 harvest. Domestic prices for wheat and sunflowers are down 15% in dollar terms y-o-y. A wet and delayed harvest is adding to pressure on prices and has affected wheat quality in particular. Russian wheat FOB prices are the lowest in the world. Sunflower prices are expected to firm once past the harvest position due to strong domestic demand from a domestic crushing capacity in excess of the crop.

### World Wheat FOB Prices



## 2016 Harvest Progress and Crops

Rainfall in 2016 has been exceptional. 2016 crops have received to the end of October 64% more rainfall than the prior 5-year average. This has driven higher wheat and corn yields but also delayed harvest and affected quality.

### Net Crop Yield Development

(tons/hectare)	2013	2014	2015	2016E	2010-2014	2015 to Av.%
Winter wheat	3.3	4.0	3.5	4.3	3.1	40.6%
Spring wheat	1.9	3.6	2.3	n/a	2.4	
Spring barley	2.6	3.6	3.2	2.2	2.7	-19.3%
Corn maize	4.3	3.5	5.3	5.3 <sup>2</sup>	4.6	13.6%
Winter rape	n/a	0.7	n/a	n/a	0.7	n/a
Spring rape	0.9	1.4	n/a	n/a	1.2	n/a
Sunflower	2.0	1.9	2.2	1.8 <sup>3</sup>	2.0	-6.3%
Soya	0.9	0.5	0.6	n/a	0.8	n/a
Sugar beet	24.3	n/a	n/a	n/a	25.1	n/a
Potatoes	33.9	31.0	35.9	34.2	33.5	2.1%
Carrot	n/a	n/a	n/a	58.1	58.1	n/a
Onion	n/a	n/a	n/a	22.6	22.6	n/a
<b>Average Blended Yield ex SB &amp; Pot</b>	<b>2.6</b>	<b>2.8</b>	<b>3.8</b>	<b>3.6<sup>4</sup></b>	<b>2.7</b>	<b>33.5%</b>
<b>Average Blended Yield</b>	<b>3.5</b>	<b>2.9</b>	<b>3.9</b>	<b>3.8</b>	<b>3.1</b>	<b>22.6%</b>

In particular, rainfall of more than double the five year average in August caused chitting and yield losses in standing wheat crops, which dramatically reduced quality and prices by circa 20 – 25%. Whilst 4.3t per ha is the highest wheat yield the company has achieved, at least 10% of yield was lost due to bad weather. Corn yields, subject to successful harvesting could also beat historical levels. Whilst the sunflower crop has always looked promising, it looks likely to yield below expectations. Barley yielded poorly, also affected somewhat by the wet August conditions. Potatoes have yielded 34 t/Ha, which is similar to last year and whilst quality is much better, prices are very low.

The wet weather has also meant crops are being harvested at much higher moistures than in the prior two years, which is increasing drying costs, transportation and third party costs.

### BEF Farms Harvest Moisture

Crop	Average moisture, %	
	2014-15	2016 Notes
Wheat	13,09	14,85 Final
Barley	12,60	14,78 Final
Corn	22,25	27,63 To date
Sunflowers	9,47	15,62 To date

Source: Internal data

<sup>2</sup> 36% of area harvested as of November 10, 2016

<sup>3</sup> 78% of area harvested as of November 10, 2016

<sup>4</sup> Average yield is average weighted, based on total hectares under Crop

## 2016 Crop Sales

262kt of 2016 harvest have been sold to date. 67 kt has been sold at 30<sup>th</sup> of September. All low quality wheat is sold. Only 14% of sunflowers are sold.

### BEF Wheat Quality & Market Prices

Wheat	2013-2015		2016	
	Average quantity	Price, USD	Average quantity	Price, USD
C3	20%	226	2%	151
C4	29%	212	20%	138
C5	45%	200	23%	129
Unclass	6%	136	54%	75

Source: Internal data, ProZerno prices (CBS)

### % price difference per CBE crop in USD 2016\* vs 2015

	Nov 16 on Nov 15	Sep 16 on Sep 15
	% change	% change
Wheat	-15%	-7%
Corn	4%	11%
SF	-15%	-10%
<b>Average</b>	<b>-14%</b>	<b>-5%</b>

\* At spot 8 Nov spot rate of 63,85

Source ProZerno

## 9M Results 2016

1Q results are typically driven by sales of the prior year crop against the inventory valuation at the end of the prior year. In 2Q, the remainder of the prior year crop is sold and the spring planting campaign is undertaken. In 3Q, the company's biological asset is revalued through sales, as inventory or in field. Early spring crops are harvested and stored or sold, while the late spring crops mostly remain in field. Winter crops are also sown in 3Q.

On 30 September, we report results of sales of prior year crop in 1H and current year crop in 3Q. We value crop in inventory at contract or market prices and crop in field at market prices. The revaluation of biological assets is sensitive to yield and price assumptions and includes a completion factor that aims to capture our progress on the current year harvest and that moderates the crop value we recognize at the reporting date. The 2016 revaluation methodology is consistent with that of 2014/15.

9M 2016 Revenue and gains of USD 64.7 mn (55.3) has increased by 17.0% y-o-y. While Revenue was up by USD 18.3 mn or 58%, it was largely the effect of 75 % higher physical volume sold in 9M16 of 317.7 kt (181.6) by 75%. At the same time average selling price decreased by 8%.

Gain from biological assets revaluation decreased from USD 23.3 mn in 9M15 to USD 14.4 mn in 9M16

due to delayed harvest progress, lower price level and significant quality impact on winter wheat prices and the lower crop footprint

While cost of sales grew by 75% in line with volume sold, negative top line effect and a more costly sales profile from more exports led to a decline of USD 20.3M in Gross profit after distribution to USD 8.3 mn in 9M16 vs USD 28.6 mn in 9M15.

Driven by a number of cost saving initiatives in 9M16, G&A expenses declined by USD 2.2 mn or 15.7%. Other income and expenses in 9M16 are USD 9.7 mn lower than in 9M15 largely due to the positive land swap effect in 2015 of USD 9.1 mn.

As closing RUR has noticeably strengthened vs USD and SEK since the beginning of the year, the Company booked foreign exchange income in 9M16 of USD 4.6 mn (-6.6).

Net profit decreased to USD -3.3 mn (-0.2 excluding swap effect) primarily due to the negative influence of market prices and wheat quality.

As of September 30 2016 the Company accumulated USD 26.1 mn (18.1) on its' accounts out of which 94% is held as hard currency.

## Transactions

In October 2016 the Company signed a sales and Purchase agreement to sell 13k ha of mostly fallow land in the Samara region. The land has been held as investment property for over 3 years and has never been part of the company's operations.

A net loss of USD 0.6mn was recognized in 9M16 as a result of revaluing this land plot to sales price.

## 2017 crops

44k Ha of winter wheat were seeded by early September and are in excellent condition. The crop footprint for 2017 is expected to be broadly similar to 2015 with a similar mix of corn, sunflowers, barley, winter wheat and rotational fallow. The Company has made good progress on cultivations for the 2017 crop.

## Risks

While the Company's business is not directly impacted by the conflict in Eastern Ukraine or the related geopolitical tensions, the Group is indirectly exposed to changes in its operating and financial environment. Sanctions on Russian companies and individuals could negatively impact the Russian economy, affecting demand and the Company's financial 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.

## **Potential land and asset sale in Russia**

The company's overall focus is on shareholder value. In a press release on the 9<sup>th</sup> August the company in response to market speculation announced that as a result of approaches made to the company, that the company is in talks with a number of potential buyers regarding a substantial land and asset sale. Discussions remain ongoing. It remains uncertain whether the discussions will result in a transaction.

## **Summary**

There are still 25k hectares of corn and 8k hectares of sunflowers left to harvest. Subject to these crops being successfully harvested at current yields the Company should achieve good productivity levels with an overall blended yield likely to be similar to last year's record level. Prices are however sharply down YOY and since Q2, wheat quality is much lower and revenues are lower from the reduced crop area. This is further exacerbated by the wet and delayed harvest, which is not only weighing on prices but also driving harvesting and processing costs higher. It is however generally expected that sunflowers in particular will firm once harvest pressure is relieved.

Overall a disappointing quarter characterized by weak new crop harvest prices, difficult weather impacting on quality and harvest mitigated somewhat by the yields of wheat and potentially corn, some cost economies and foreign exchange income. Our focus is firmly on securing a challenging harvest, and delivering on a successful transaction.

11 November 2016  
Richard Warburton CEO and President

# Q3 2016 Financial Review



## Note on foreign exchange

Consistent with previous reporting periods, the Company applies quarterly average exchange rates to convert results from its ruble functional currency. Respective rates applied in 2016 reporting were 1Q16 74.63 (63.19), 2Q16 65.88 (52.77) and 3Q 64.62 (63.00).

On average ruble continued to depreciate in 2016 vs 2015, while strengthened in 3Q16.

Opening (72.88) and closing (63.16) RUR/USD rates have been used to translate the balance sheet in 9M16.

The Company uses the official rate of the Central Bank of Russia as reference.

RUR/USD fluctuations 2014-2016



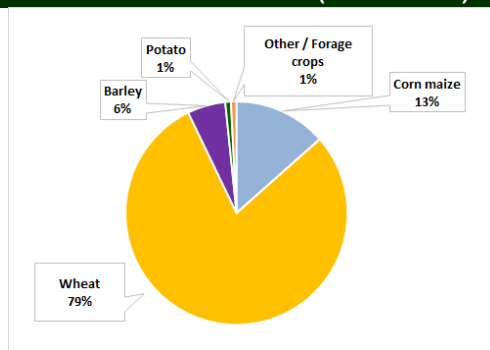
## Revenue and Gains

Total Revenue and gains increased by USD 9.4 mn from USD 55.4 mn in 9M15 to USD 64.7 mn in 9M16. While revenue has improved by USD 18.3 mn, gains from revaluation of biological assets dropped by USD 8.9 mn.

## Revenue

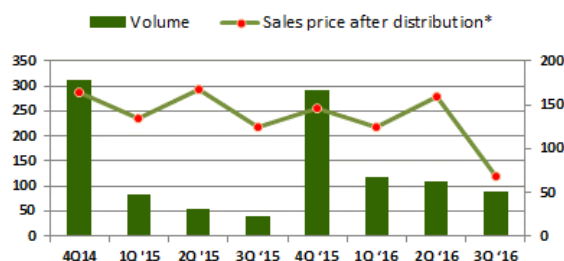
Revenue increase was driven by higher sales from previous year harvest of USD 42.8 mn (23.5), as the Company stored much higher inventory in the end of 2015 compared to end of 2014.

3Q 2016 Sales Mix (% of volumes)



9M16 revenue from current year harvest slightly declined to USD 6.4 mn (6.6), despite significantly higher volume of current harvest sold 79.4 kt (41.2). Key factors of low revenue from current harvest year sales were different sales mix and low prices for winter wheat. Winter wheat represents 87% (64%) of current harvest revenue in 9M16. Average price for winter wheat sales in 2016 decreased to 78 USD/tn (133), driven by overall price decrease due to very strong harvest as well as by quality problems (higher share of low class wheat). Estimated impact of winter wheat lower quality on Revenue and financial result amounts to USD -3.8 mn.

Sales Volumes & Price USD per Ton

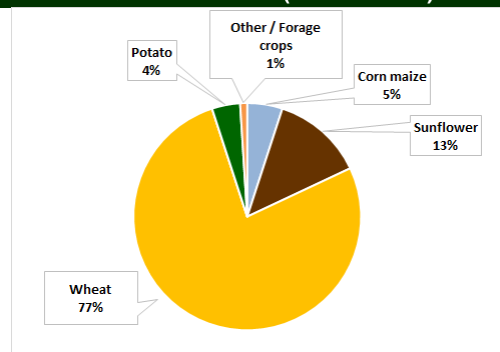


## Inventory & Gain/Loss on Revaluation

At 30 September, the Company had biological assets (2016 crop in field still to be harvested) estimated at a fair value of USD 34.2mn (34.5). See page 8 for more detail regarding the accounting treatment of biological assets. The revaluation of the Company's biological assets resulted in a 9M16 gain of USD 14.4mn (23.3). Decline vs. previous year is caused by 12% lower market prices for corn, decrease in yield for sunflower from 2.2 to 1.8 t/ha and slower harvest progression.

At the reporting date, the Company held 144 kt (187) of 2016 crops in inventory, of which 59% of the volumes consisted of wheat, 5% sunflower, 23% barley and 5% corn. Market prices (excluding 10% VAT) detailed on page 7 and, where applicable, contract prices were used to estimate a net realizable value of finished goods of USD 17.6 mn (27.3).

3Q 2015 Sales Mix (% of volumes)



# Q3 2016 Financial Review



## Result

Cost of sales grew to USD 28.8 (16.5) or 74% y-o-y in line with sales volume increase of 75%, from 182 in 9M15 to 318 in 9M16.

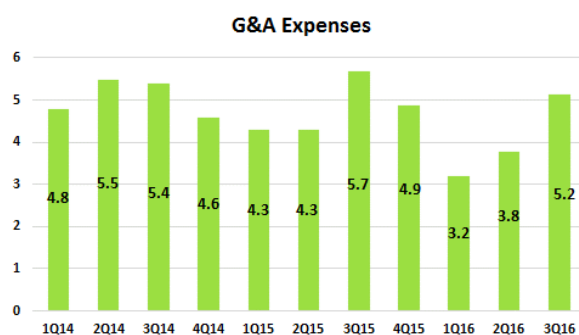
As a result of decreased prices and lower quality of winter wheat 9M16 Gross Profit after Distribution costs declined to USD 8.3 mn (21.4). G&A costs improved to USD 12.1 mn (14.3), 16% reduction y-o-y. Key factor to G&A decrease has been cost of personnel to the large extent due to Moscow office closure.

Other income and expenses in 9M16 of USD 0.6 mn (10.3) includes USD 1.8mn (1.1) income on grain hedges, whereas 9M15 held positive result from land swap of USD 9.1mn.

Closing Ruble rate appreciation from December 31 2015 to Sept 30 2016 vs USD (by 16.4%) and vs SEK (by 18.4%) resulted in 9M16 FX income of

### Quarterly Development of G&A Expenses (MUSD)

USD 4.6 mn (-6.6).



In 9M16 the company booked Net loss of USD -3.3 mn (-0.2 excluding swap effect). Negative income result was primarily caused by overall commodity price decrease and negative impact lower quality of winter wheat on revenue.

## Financial Position

The Company's non-current assets of USD 91.9 mn comprise of buildings (mainly storage facilities), land (229k Ha) of owned and co-owned land), as well as machinery and equipment used in crop production. At 30 September 2016, finished goods include crops harvested in 2016 and valued at a net realisable value of USD 17.6 mn (27.3). Raw materials of USD 12.6 mn (9.1) include inputs to the 2017 crop.

Biological assets of USD 44.0 mn (41.0) mostly consists of crop in field, valued at current prices less cost to point of sales. Please see page 8 or

note 4 in the condensed consolidated interim financial statements for more information on how biological assets are valued and recorded. At 30 September 2016, the Company had USD 26.1mn (18.1) in cash and equivalents. Interest bearing debt stood at USD 56.4mn (59.7) included bond debt of USD 48.3 mn and VTB working capital loan of USD 7.9 mn. The Company's bonds carry 9.4% annual coupon rate and mature in October 2017. As of 30 September 2016, the Company had a net debt position of USD 30.3 mn (41.6). Total debt to total equity ratio stood at 46% (53%).

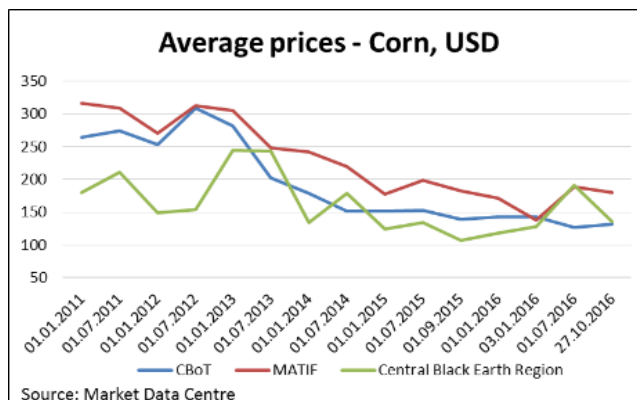
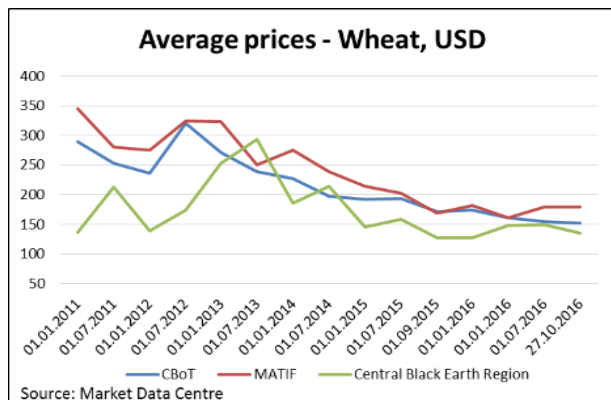
Statement of Financial Position				
Erate	RUR million		USD million	
	30-Sep-16	30-Sep-15	63.16	66.24
Land	2,160	2,133	34.2	32.2
Buildings	1,787	1,755	28.3	26.5
Equipment & other	1,655	1,848	26.2	27.9
Investment property	120	159	1.9	2.4
Other	82	98	1.3	1.5
<b>Total Non-current assets</b>	<b>5,804</b>	<b>5,993</b>	<b>91.9</b>	<b>90.5</b>
Cash	1,645	1,199	26.1	18.1
Finished goods	1,111	1,808	17.6	27.3
Raw materials and consumables	796	603	12.6	9.1
Bio assets & cultivation	2,779	2,716	44.0	41.0
Receivables	594	782	9.4	11.8
Promissory note	-	-	-	-
Assets held for sale	-	86	-	1.3
Other	(6)	-	(0.1)	-
<b>Total Current Assets</b>	<b>6,919</b>	<b>7,194</b>	<b>109.6</b>	<b>108.6</b>
<b>Total Assets</b>	<b>12,723</b>	<b>13,187</b>	<b>201.5</b>	<b>199.1</b>
Total Debt	(3,562)	(3,954)	(56.4)	(59.7)
Trade and other payables	(1,440)	(1,729)	(22.8)	(26.1)
Other Liabilities	(22)	(26)	(0.4)	(0.4)
Equity	(7,699)	(7,478)	(121.9)	(112.9)
<b>Total Equity &amp; Liabilities</b>	<b>(12,723)</b>	<b>(13,187)</b>	<b>(201.5)</b>	<b>(199.1)</b>

## Cash Flow

During 9M16, the Company generated USD 3.8mn (-8.7) net cash flow from operating activities. Cash used in investing activities reduced from USD -6.1 mn in 9M15 to USD -3.0 mn in 9M16, primarily due to decreased capital expenditures investment in Root Crop project. Strong cash flow from operations and decreased capex allowed to reduce borrowing by USD 3.3 mn and significantly improve Net debt position.

## International

Record high yields of both corn & soya are being recorded in the US as the last major Northern Hemisphere 2016 harvest nears completion. A fourth year of record world grain production, added to already multi-year high stocks, has pushed the international markets to 10-year lows on the benchmark Chicago Board of Trade futures market.



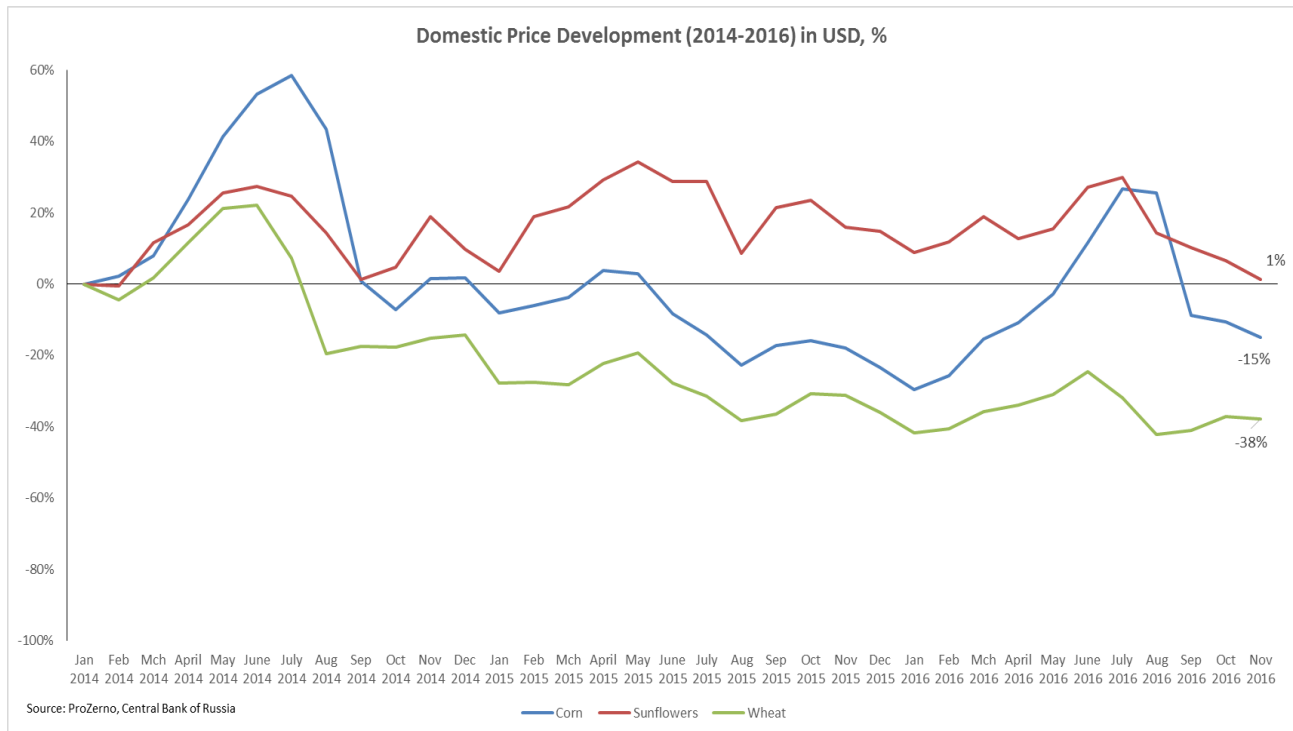
**Grains** - The International Grains Council (IGC) in their latest report, flag rising world grain stocks despite a disappointing harvest of the European Union's cereals crop. IGC forecast record total global grain production at an all-time high of 2,069mmt. Despite predicted growth in demand of 3-4% for the 2015/16 marketing year, led by strong growth in animal feed use, grain stocks are set to expand again. Available supplies in the major exporting countries are expected to be at the highest level in seven years with world stocks at the end of the 2016/17 marketing year reaching 498mmt, a rise of 23mmt year on year. Two major aspects have highlighted this year's global crop, continued high grain yields and a dramatic fall in wheat and barley quality in some of the major producer and exporter countries. France, one of the world's biggest milling wheat exporters, is virtually absent from the market following the disastrous harvest and US wheat, for the first time in 5 years, is successfully competing for business to traditional EU & Black Sea export markets where attention is now focused on feed & low grade milling to Africa & Asia. Milling wheat and malting barley premiums are high whilst feed grain prices remain at their lowest since 2006.

**Oilseeds** - 2016/17 output is estimated at 540mmt, an increase of 4% y-o-y and highest ever crop, including soya up 6% y-o-y at 333mmt, also a record high. The continued growth in current usage of soya could however result in a marked reduction in oilseed stocks prior to the 2017 harvest with US domestic consumption & exports currently up 9% at the highest level for 6 years. This highlights the importance of the soya crop in the oilseed complex and current planting conditions in Brazil & Argentina, any crop concerns will support prices. The decision by Argentina not to reduce soya export tax as proposed could result in lower soya plantings in favour of corn and sunflower seed.

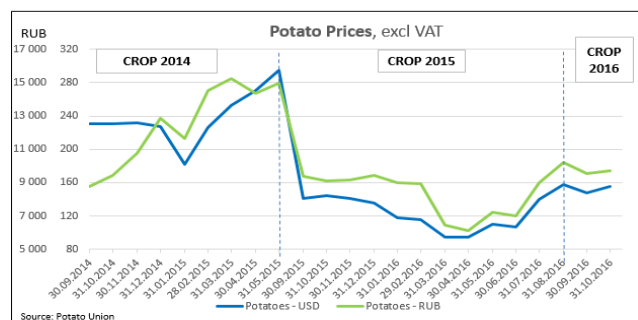
## Russia

**Grains** - This year's record grain harvest at an estimated 111mmt is higher by 8mmt than last year's previous record crop. Harvest was interrupted by wet conditions reducing both yield slightly and quality greatly but at 70mmt this year's wheat crop still exceeds last year's by 7mmt and corn is expected to be up a 1mmt at 14mmt. Barley was lower at 17mmt and the percentage of malting quality reduced. Generally, wheat quality was lower with protein 1% down, reducing the available volume of standard Russian export wheat of 12.5% protein, and lower gluten from 24 to 22%. From mid-August, the wheat harvest in the Central Black Soil (CBS) regions was severely disrupted by prolonged periods of rain, approx. double the normal rainfall in August & September, delaying completion of harvest by 4 weeks compared to previous years. This delay caused sprouting resulting in quality quickly deteriorating reducing potential milling quality to un-classified wheat. An estimated 4-5mmt of the crop was effected in the CBS/Central regions of Russia, which produces 20% of the total Russian wheat crop. Prices soon collapsed as sellers discounted the feed price by as much as 40% in order to make sales of sprouted grain. At the same time, the premium for milling quality increased faced with supply shortages. The corn harvest is similarly being delayed at 35% completed to date compared with 53% & 88% in the previous two years. The record large crop increases the exportable grain surplus to 40mmt, up from 35mmt a year earlier; however, exports to date are running at 6% behind last year leading to concerns of a build-up of stocks at the end of the season and lower prices. Year on year domestic grain prices according to ProZerno in the CBS/Central regions are currently lower by 18% for feed wheat, 13% for milling and +4% for corn in both ruble & dollar terms. The correlation between International & Russian export prices show that both have declined 10% y-o-y for standard milling but due the generally lower wheat quality in Russia a bigger percentage of export wheat is of low milling and feed where prices have declined 15% y-o-y.

**Oilseeds** - There is a potential increase in sunflower production following a 5% increase in the area planted. Sunseed plantings were later than normal by circa 3 weeks due to the wet spring and there may be issues with crops maturing late and potentially lower yields as harvest progresses. Harvest is currently 23% behind last year, which was completed in the 3<sup>rd</sup> week of October. The crop is expected to increase from 9.3mmt last year to just under 10mmt but at the same time, the processing capacity has increase by 1mmt. Combined with strong vegetable oil prices worldwide the prospects are for prices to rise from the current low harvest prices in the next few months, however, year on year prices are currently 15% lower according to ProZerno.



**Vegetables** – Potato planted area was unchanged y-o-y despite over production last year and low prices. Harvest prices were unchanged from the previous year but the onset of the earlier winter has resulted in prices improving 12% during the end of October for quality potatoes. Carrot prices are lower by 20% y-o-y as supply increased 12%, mainly in the southern regions where the carrot crop failed the year before. Onion prices were also lower by 18%, even though the planted area was lower by 7%, due to producers selling early.





# Sales Development & Crop Inventory



The Company values its inventory of finished goods at net realisable value to reflect the market value as at the end of the reporting period. Contract or market prices are used to estimate net realisable value. A change in net realisable value affects total revenue and gains in the statement of income. In addition, cost of goods sold represents the carrying value of inventory as at the previous reporting date. The table below provides a breakdown of inventories as of 30 September 2016 as well as the development of crop sales during 2016 and 2015. Note that all recorded prices exclude 10% VAT and estimated distribution expenses.

## Quarterly Sales Volume & Crop Inventory

	Quarterly Sales									Crop Inventory		
	9M '16	9M '15	3Q '16	2Q '16	1Q '16	4Q '15	3Q '15	2Q '15	1Q '15	30 Sep '16	31 Dec '15	31 Sep '15
<b>Volume, k tons</b>												
<i>Wheat</i>	108.5	64.8	71.0	18.9	18.6	51.0	31.5	11.1	22.2	84.6	38.7	87.1
<i>Barley</i>	18.5	40.2	5.0	5.9	7.6	12.4	-	30.8	9.4	33.5	18.1	30.4
<i>Corn</i>	149.3	44.0	12.1	57.9	79.3	170.8	2.0	2.6	39.4	7.0	129.2	29.5
<i>Rape</i>	-	4.6	-	-	-	-	-	4.6	-	-	-	-
<i>Sunflower</i>	28.4	19.8	0.2	18.5	9.7	49.7	5.5	1.6	12.7	7.8	28.3	33.5
<i>Soya</i>	-	0.1	-	-	-	-	0.1	-	-	-	-	0.0
<i>Potato</i>	11.3	7.1	0.7	7.6	3.0	6.5	1.7	4.9	0.5	10.4	12.3	5.7
<i>Other</i>	1.8	0.3	0.5	0.5	0.8	1.4	0.3	-	-	0.8	0.9	0.2
<b>Total Tons</b>	<b>317.7</b>	<b>181.0</b>	<b>89.5</b>	<b>109.3</b>	<b>118.9</b>	<b>292.5</b>	<b>41.1</b>	<b>55.7</b>	<b>84.2</b>	<b>144.1</b>	<b>227.5</b>	<b>186.5</b>
<b>Price, USD/ton</b>												
<i>Wheat</i>	93	152	78	125	116	147	133	166	172	92	117	127
<i>Barley</i>	143	148	131	156	142	155	-	155	124	137	132	156
<i>Corn</i>	174	144	175	181	168	141	122	227	140	102	114	111
<i>Rape</i>	-	326	-	-	-	-	-	326	384	-	-	-
<i>Sunflower</i>	336	288	345	346	316	324	344	466	242	306	340	313
<i>Soya</i>	-	381	-	-	-	-	381	-	-	-	-	333
<i>Potato</i>	51	117	117	45	49	29	103	118	157	66	94	112
<i>Other</i>	48	92	41	53	49	159	92	-	71	44	88	-
<b>Average Price</b>	<b>154</b>	<b>167</b>	<b>95</b>	<b>188</b>	<b>166</b>	<b>171</b>	<b>160</b>	<b>181</b>	<b>162</b>	<b>113</b>	<b>143</b>	<b>162</b>

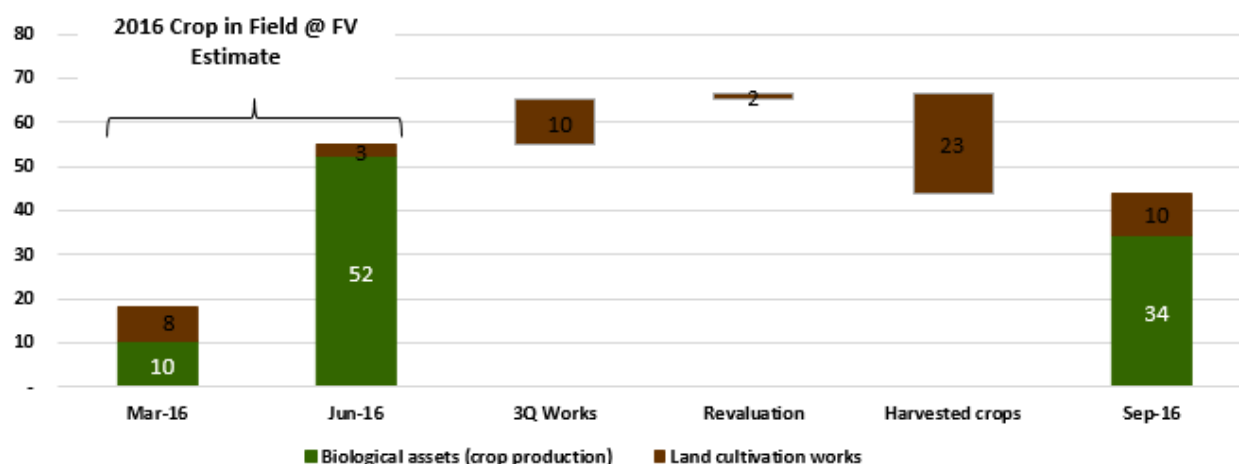
As at 30 September 2016, the Company recorded inventories at a total value of USD 30.1mn in the balance sheet. Total inventory include finished goods, i.e. crops harvested in 2016 and held for sale, as well as raw materials to be used in production.

# Biological Assets



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

## 2016 Crop Value in Statement of Financial Position



Black Earth Farming values crops in the fields at incurred costs up until 30 June each year. At that point, sufficient germination (biological transformation) has occurred to enable estimates of crop yields and market prices less point-of-sale costs to determine a fair value at the time of harvest. The initial revenue estimate is modified by a completion factor in the range of 50-80% as of 30 June, depending on crop and the incurred vs forecasted expenses, as significant risks to crop yield and price remains. At 30 September, average completion typically moves towards 70-90%. After harvest, the crops are transferred to finished goods inventory, where they are recorded at net realisable value determined by market prices or, where available, contracted prices.

The Group estimates fair value on the most relevant and reliable market information available, applying 2016 harvest current prices to estimate the value of its 9M16 biological assets. The Group applies historical and current yield estimates in its valuation of its biological assets. Where harvest progress is low (less than 25%) and visibility on yield is poor, the Company uses five-year average historical yields. For the crops that are currently being harvested, the Company uses current average harvested yields, potentially moderated by the historical average if harvest completion is low and where greater uncertainty therefore remains. For details on prices and yields used in 9M16 and 9M15 biological asset valuations, please refer to the below table. 2016 crop yields used for biological asset valuation can also be compared to currently harvested average yields on page 9.

Biological assets valuation 9m16vs. biological assets valuation 9m15						
Crops	9m 2016			9m 2015		
	Yield	Price, net VAT, USD	Average completion*	Yield	Price, net VAT, USD	Average completion*
Corn maize	5,24	119		5,2	117	
Sunflower	1,84	305	95%	2,2	335	76,3%
Potato	34,21	95		29,3	132	
<b>Total Biological assets and Land cultivation works (USD mn)</b>			<b>43,981</b>	<b>41,015</b>		

\* Weighted average of per crop completion rates

# Production Overview



**BLACK  
EARTH  
FARMING LTD.**

<b>Crop Area Breakdown</b>						
<b>(thousand hectares)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016 9M</b>
Winter wheat	93.6	73.9	73.7	30.2	34.1	38.4
Spring wheat	13.1	4.4	3.4	6.1	3.8	n/a
Spring barley	26.5	22.7	21.9	16.1	9.5	17.5
Corn maize	6.1	26.0	36.8	55.3	61.1	39.7
<b>Total Grains</b>	<b>139.4</b>	<b>127.0</b>	<b>135.8</b>	<b>107.8</b>	<b>108.5</b>	<b>95.6</b>
Winter rape	n/a	n/a	n/a	0.1	n/a	n/a
Spring rape	33.5	36.6	31.4	18.1	n/a	n/a
Sunflower	46.5	33.2	29.0	37.5	40.0	37.9
Soya	7.9	18.2	18.7	16.9	0.2	n/a
<b>Total Oilseeds</b>	<b>87.9</b>	<b>88.0</b>	<b>79.1</b>	<b>72.6</b>	<b>40.1</b>	<b>37.9</b>
Sugar Beet	1.6	5.1	8.8	n/a	n/a	n/a
Potatoes	n/a	0.1	0.2	0.9	0.6	0.6
<b>Total Commercial Area</b>	<b>228.9</b>	<b>220.1</b>	<b>223.9</b>	<b>181.3</b>	<b>149.2</b>	<b>134.1</b>
<i>Other / Forage crops</i>	<b>2.0</b>	<b>1.7</b>	<b>2.0</b>	<b>2.9</b>	<b>0.1</b>	<b>0.0</b>
<b>Total harvest area</b>	<b>230.9</b>	<b>221.8</b>	<b>225.9</b>	<b>184.2</b>	<b>149.3</b>	<b>134.1</b>

<b>Average Net Crop Yields</b>						
<b>(tons/ha)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016 9M</b>
Winter wheat	2.4	2.1	3.3	4.0	3.5	4.3
Spring wheat	1.6	2.6	1.9	3.6	2.3	n/a
Spring barley	1.9	2.4	2.6	3.6	3.2	2.2
Corn maize	4.9	5.1	4.3	3.5	5.3	5.3 <sup>5</sup>
Winter rape	n/a	n/a	n/a	0.7	n/a	n/a
Spring rape	1.1	1.3	0.9	1.4	n/a	n/a
Sunflower	2.0	1.9	2.0	1.9	2.0	1.8 <sup>6</sup>
Soya	0.9	1.2	0.9	0.5	0.6	n/a
Sugar beet	25.6	25.3	24.3	n/a	n/a	n/a
Potatoes	n/a	33.2	33.9	31.0	35.9	34.2

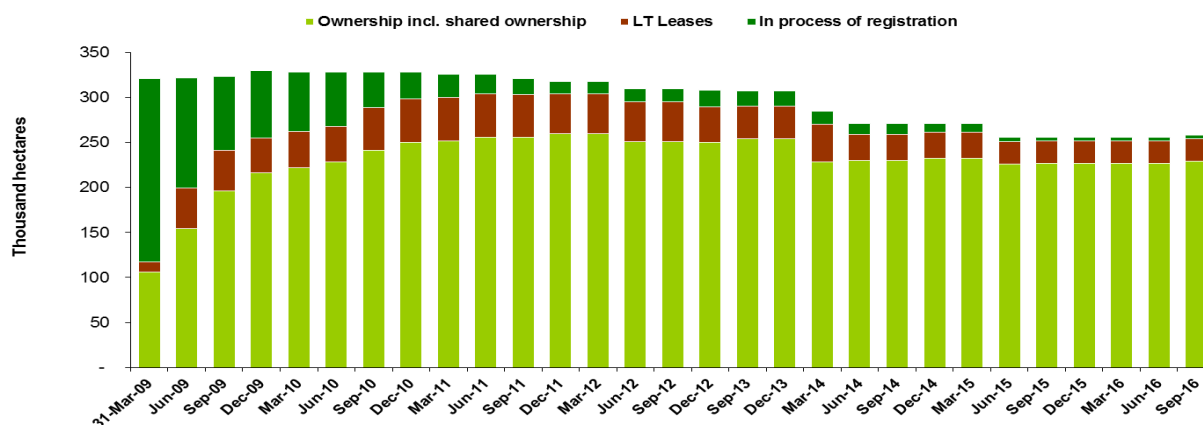
<b>Net Harvest Volumes</b>						
<b>(tons)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016 9M</b>
Winter wheat	220.6	157.6	243.2	121.2	119.1	84.6
Spring wheat	21.2	11.5	6.6	22.4	8.6	n/a
Spring barley	49.2	55.1	56.6	57.5	30.3	14.5
Corn	30.0	132.8	159.0	195.7	321.9	7.0
<b>Total Grains</b>	<b>321.0</b>	<b>357.0</b>	<b>465.4</b>	<b>396.8</b>	<b>479.9</b>	<b>106.1</b>
Winter rape	n/a	-	-	0.1	n/a	n/a
Spring rape	36.9	46.1	28.3	26.1	n/a	n/a
Sunflower	92.8	62.8	58.0	70.9	83.2	7.8
Soya	7.1	22.4	16.0	9.1	97.0	0.0
<b>Total Oilseeds</b>	<b>136.8</b>	<b>131.2</b>	<b>102.3</b>	<b>106.2</b>	<b>83.3</b>	<b>7.8</b>
Sugar beet	41.5	128.4	214.7	n/a	n/a	n/a
Potatoes	n/a	3.3	6.6	27.4	21.3	10.4
<b>Total Commercial Crops</b>	<b>499.3</b>	<b>617.6</b>	<b>789.0</b>	<b>530.4</b>	<b>584.4</b>	<b>124.3</b>
<i>Other/Forage crops</i>	<b>14.6</b>	<b>13.2</b>	<b>13.2</b>	<b>19.6</b>	<b>3.4</b>	<b>0.8</b>
<b>Total Output</b>	<b>513.9</b>	<b>630.8</b>	<b>802.3</b>	<b>549.9</b>	<b>587.8</b>	<b>125.1</b>

<sup>5</sup> 36% of area harvested as of November 10, 2016

<sup>6</sup> 78% of area harvested as of November 10, 2016

As of 30 September 2016, Black Earth Farming held 229k Ha of owned and co-owned land, corresponding to 89% of the total controlled land bank of 258k Ha. 25k Ha were leased and 4k Ha were in the process of registration. 13k Ha in Samara, where operations have ceased, are leased to third parties and are classified as investment property in the balance sheet and held at a fair value of USD 1.9 mn which equals to selling price stated in the sales and purchase agreement concluded after reporting date (as of 30 September 2015: 2.4). Consolidation and further improvement of the operational efficiencies in and around the most efficient and profitable farm clusters remains a key objective to the Company in terms of its land holdings.

## 229 Thousand Ha in Ownership (89% of total controlled land)



Russian agricultural land is in the Company's view still undervalued, both in comparison with land of similar quality in other countries and in relation to its inherent production potential, especially in the fertile Black Earth Region. Black Earth Farming holds the 198k Ha of land that is not leased at acquisition cost of USD 26mn (less Samara and certain Lipetsk and Tambov land after swap), as recorded in the statement of financial position as property, plant and equipment, which translates into a per hectare value of USD 131. 13k Ha in Samara are held at a fair value of USD 1.9mn, which translates into a per hectare fair value of USD 149. 22k Ha in Lipetsk and Tambov are held at a fair value of USD 8.2mn, which translates into a per hectare value of USD 375.

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

## Risks and Uncertainties

Risks and uncertainties are described in the annual report for 2015. The risks can be summarised as Risks relating to the Company, Risks relating to the Company's business and Risks relating to Russia. Risks and uncertainty factors that existed on 31 December 2015 also exist on 30 September 2016.

## Outstanding shares

As of 30 September 2016 the amount of outstanding shares was 210,426,241.

In June 2015, 2,756,796 new shares were issued as a result of the Company's management incentive program. The share-based incentive program remains open and outstanding as described in note 23 (c) in the 2015 Annual Report. The market capitalisation as of 30 September 2016 was approximately SEK 871 mn or USD 102mn.

## Shareholders

The total number of shareholders, as of 30 September 2016, amounted to approximately 12,500.

## Compiled SDR information

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

## Trading data for 1 Jan 2016 – 30 September 2016

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
1,212,983	314,423	92

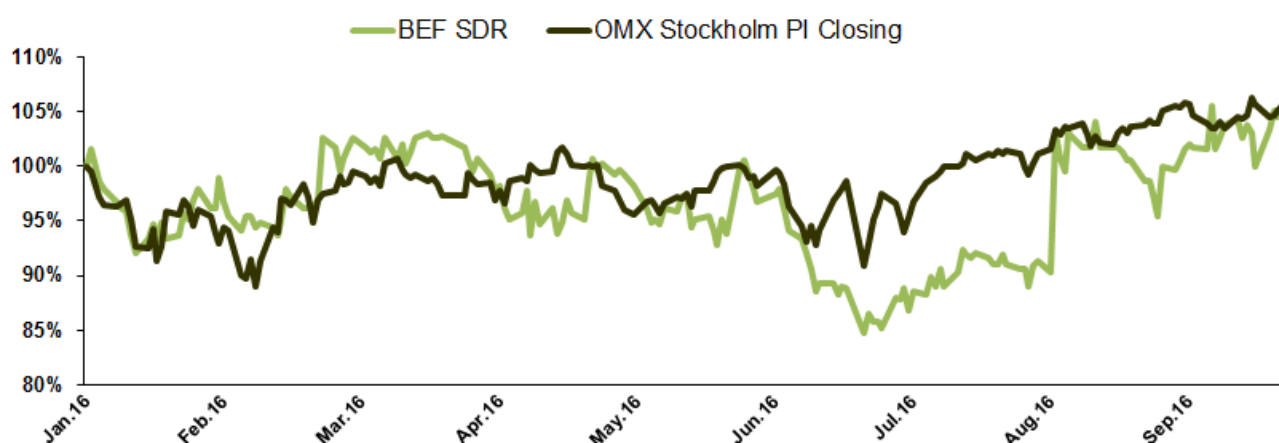
Source: NASDAQ OMX

## Top 5 shareholders as of 30 September 2016

Owner	% of votes & capital
AB INVESTMENT KINNEVIK	24.62%
GOMOBILE NU AB	12.33%
ALECTA PENSION FUNDS	9.68%
AVANZA PENSION	4.34%
TIMBER HILL EUROPE AG	2.46%

Source: Euroclear Sweden share registry & shareholders' reference

## Share Performance vs. OMX Stockholm index



## Black Earth Farming SDR

Price SEK/SDR 30 Sep 2016	Change 1 Month	Change 3 Months	52 Week High
	8.09%	22.85%	4.22
	Change 6 Months	Change 1 Year	52 Week Low
	5.88%	40.34%	3.04

**4.14**

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

*In thousands of US Dollars*

	Notes	Nine months ended		Three months ended	
		30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
Revenue	3	49,976	31,644	9,296	7,267
Gain on revaluation of biological assets	4	14,350	23,298	1,521	13,812
Change in net realisable value of agricultural produce after harvest		329	335	-	-
<b>Total revenue and gains</b>	5	<b>64,655</b>	<b>55,277</b>	<b>10,817</b>	<b>21,079</b>
Cost of sales	6	(28,819)	(16,488)	(9,330)	(4,541)
Effect of revaluations (revaluation of biological assets to agricultural produce and change in net realizable value of agricultural produce after harvest)		(16,893)	(10,175)	(1,604)	30
<b>Gross profit/(loss)</b>		<b>18,943</b>	<b>28,614</b>	<b>(117)</b>	<b>16,568</b>
Distribution expenses	7	(10,626)	(4,514)	(2,364)	(1,435)
General and administrative expenses		(12,106)	(14,351)	(5,155)	(5,726)
Taxes other than income		(842)	(1,157)	(302)	(167)
State grants and subsidies		780	1,075	33	194
Crop insurance net of insurance grants		(598)	(1,097)	(271)	(353)
Other income and expenses, net	8	578	10,314	(53)	2,210
<b>Operating (loss)/profit</b>		<b>(3,871)</b>	<b>18,884</b>	<b>(8,229)</b>	<b>11,291</b>
Financial income		271	237	40	120
Financial expenses		(3,914)	(3,336)	(1,196)	(810)
Foreign exchange gain/(loss)		4,591	(6,624)	931	(8,213)
<b>(Loss)/profit before income tax</b>		<b>(2,923)</b>	<b>9,161</b>	<b>(8,454)</b>	<b>2,388</b>
Income tax expense		(375)	(2,244)	(32)	(140)
<b>(Loss)/profit for the period</b>		<b>(3,298)</b>	<b>6,917</b>	<b>(8,486)</b>	<b>2,248</b>
(Loss)/earnings per share, basic and diluted, in USD	11	(0.02)	0.03	(0.04)	0.01

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

<i>In thousands of US Dollars</i>	Notes	Nine months ended		Three months ended	
		30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
<b>(Loss)/profit for the period</b>		<b>(3,298)</b>	<b>6,917</b>	<b>(8,486)</b>	<b>2,248</b>
<b>Other comprehensive income/(loss)</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Translation difference		16,287	(19,539)	1,969	(20,459)
<b>Other comprehensive income/(loss) for the period</b>		<b>16,287</b>	<b>(19,539)</b>	<b>1,969</b>	<b>(20,459)</b>
<b>Total comprehensive income/(loss) for the period attributable to owners of the parent</b>		<b>12,989</b>	<b>(12,622)</b>	<b>(6,517)</b>	<b>(18,211)</b>

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2016**

*In thousands of US Dollars*

	Notes	<u>30 Sep 2016</u>	<u>31 Dec 2015</u>
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment		88,730	78,146
Intangible assets		66	105
Biological assets (livestock)	4	483	327
Other non-current assets		538	115
Deferred tax assets		169	322
Investment property		1,933	2,164
<b>Total non-current assets</b>		<u><b>91,919</b></u>	<u><b>81,179</b></u>
<i>Current assets</i>			
Finished goods		17,566	32,765
Raw materials and consumables		12,572	9,562
Biological assets (crop production)	4	34,242	8,277
Land cultivation works		9,739	6,677
Trade and other receivables		9,370	10,737
Cash and cash equivalents		26,116	31,959
<b>Total current assets</b>		<u><b>109,605</b></u>	<u><b>99,977</b></u>
<b>Total assets</b>		<u><b>201,524</b></u>	<u><b>181,156</b></u>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity attributable to owners of the parent</i>			
Share capital		2,105	2,105
Share premium		525,904	525,904
Reserves		4,699	4,249
Accumulated deficit		(221,392)	(218,516)
Translation reserve		(189,375)	(205,662)
<b>Total equity</b>		<u><b>121,941</b></u>	<u><b>108,080</b></u>
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Non-current loans and borrowings	9	46,375	51,058
Lease payables		-	111
Deferred income		125	-
Deferred tax liabilities		263	253
<b>Total non-current liabilities</b>		<u><b>46,763</b></u>	<u><b>51,422</b></u>
<i>Current liabilities</i>			
Current loans and borrowings	9	9,865	12,064
Trade and other payables		22,766	9,356
Lease payables		189	234
<b>Total current liabilities</b>		<u><b>32,820</b></u>	<u><b>21,654</b></u>
<b>Total liabilities</b>		<u><b>79,583</b></u>	<u><b>73,076</b></u>
<b>Total equity and liabilities</b>		<u><b>201,524</b></u>	<u><b>181,156</b></u>



**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

<i>In thousands of US Dollars</i>	Share capital	Share premium	Share- based payments reserve	Accumula- ted deficit	Trans- lation reserve	Total equity attributable to owners of the parent
<b>Balance as at 1 January 2015</b>	<b>2,077</b>	<b>524,771</b>	<b>4,868</b>	<b>(232,853)</b>	<b>(174,914)</b>	<b>123,949</b>
Profit for the period	-	-	-	6,917	-	6,917
<b>Other comprehensive loss</b>						
Translation differences	-	-	(764)	-	(19,539)	(20,303)
<b>Total comprehensive income/ (loss)</b>	<b>-</b>	<b>-</b>	<b>(764)</b>	<b>6,917</b>	<b>(19,539)</b>	<b>(13,386)</b>
Recognition of share-based payments	-	-	2,259	-	-	2,259
Shares issued	28	1,133	(1,058)	-	-	103
<b>Balance as at 30 September 2015</b>	<b>2,105</b>	<b>525,904</b>	<b>5,305</b>	<b>(225,936)</b>	<b>(194,453)</b>	<b>112,925</b>
<b>Balance as at 1 January 2016</b>	<b>2,105</b>	<b>525,904</b>	<b>4,249</b>	<b>(218,516)</b>	<b>(205,662)</b>	<b>108,080</b>
Loss for the period	-	-	-	(3,298)	-	(3,298)
<b>Other comprehensive income</b>						
Translation differences	-	-	-	-	16,287	16,287
<b>Total comprehensive income/ (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,298)</b>	<b>16,287</b>	<b>12,989</b>
Reclassification from Share-based payments reserve to Accumulated deficit	-	-	(422)	422	-	-
Translation differences	-	-	(164)	-	-	(164)
Recognition of share-based payments	-	-	1,036	-	-	1,036
<b>Balance as at 30 September 2016</b>	<b>2,105</b>	<b>525,904</b>	<b>4,699</b>	<b>(221,392)</b>	<b>(189,375)</b>	<b>121,941</b>

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

*In thousands of US Dollars*

	<b>Nine months ended</b>	
	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit for the period	(3,298)	6,917
<i>Adjustments for:</i>		
Income tax expense	375	2,244
Depreciation, amortization and impairment	5,219	4,173
Change in allowance for doubtful debts	138	90
(Gain)/loss on foreign exchange differences	(4,591)	6,624
Interest income	(271)	(237)
Interest expense	3,914	3,336
Gain on disposal of property, plant and equipment	(249)	(94)
Non-cash gain on the land swap deal	8	(9,080)
Loss on revaluation of investment property	551	-
Long-term employee benefits	1,036	2,362
Change in value of biological assets and agricultural produce	(14,679)	(23,633)
Effect of revaluations on cost of goods sold	16,893	10,175
	<b>5,038</b>	<b>2,877</b>
<b>Movements in working capital:</b>		
Decrease in inventories	1,076	4,447
Increase in biological assets	(12,103)	(30,080)
Decrease in trade and other receivables	2,837	1,238
Increase in trade payables and other short-term liabilities	11,312	18,172
<b>Cash generated from/(used in) operations</b>	<b>8,160</b>	<b>(3,346)</b>
Interest paid	(4,083)	(3,994)
Income tax paid	(272)	(1,331)
<b>Net cash generated from/(used in) operating activities</b>	<b>3,805</b>	<b>(8,671)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	271	237
Acquisition of land plots	(253)	(296)
Acquisition of property, plant and equipment	(3,476)	(6,927)
Proceeds from disposal of property, plant and equipment	530	1,308
Acquisition of intangible assets	(92)	(193)
Acquisitions of subsidiaries, net of cash acquired	-	(190)
<b>Net cash used in investing activities</b>	<b>(3,020)</b>	<b>(6,061)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payment of short-term borrowings	(11,789)	-
Proceeds from borrowings	8,246	4,376
Repurchase of bonds	(3,276)	(654)
Settlement of obligations under finance lease agreements	(273)	(125)
<b>Net cash from/(used in) financing activities</b>	<b>(7,092)</b>	<b>3,597</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,307)</b>	<b>(11,135)</b>
Cash and cash equivalents at the beginning of the period	31,959	32,888
Currency translation differences on cash and cash equivalents	(2,674)	(673)
Effect of foreign currency exchange differences	3,138	(3,030)
<b>Cash and cash equivalents at the end of the period</b>	<b>26,116</b>	<b>18,050</b>

## **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 and dairy produce and the distribution of related products in the Russian Federation and exporting to other countries. The Group commenced operations in 2005.

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

### **(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 the period 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.

### **(c) Seasonality**

Agricultural sector exhibits obvious seasonal behavior. During the period from December to March, the organic growth of the crops is minimal and no major inputs are made in the production. During the summer period the Group sold all of its previously harvested grain, which led to significant decrease of finished goods in stock. Accounts payable are significantly higher in comparison with December because of significant purchases not yet paid for agricultural inputs such as seeds, fertilizers, fuel and other.

## **2. BASIS OF PREPARATION**

### **(a) Statement of compliance and basis of preparation**

These condensed consolidated interim financial statements for the nine months ended 30 September 2016 have been prepared in accordance with IAS 34, “Interim financial reporting”. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs.

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**2. BASIS OF PREPARATION (CONTINUED)**

**(b) Significant accounting policies**

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

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

**(c) Functional and presentation currency**

Functional currency of the Group entities is considered 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 Managements considers most representative for the users of these condensed consolidated interim financial statements. All the financial information in these condensed consolidated interim financial statements, including comparative information, has been translated from RUB into USD using the exchange rates set by the Central Bank of the Russian Federation, as follows:

- Assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;
- Share capital and other equity components are translated at historic rates;
- Income and expenses are translated at exchange rates at the dates of the transactions (or at average exchange rates that approximate the translation using the rate of the actual transaction dates);
- All resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity.

Due to the volatility of the RUB exchange rate, quarterly exchange rates were used to translate income and expenses of all subsidiaries with the Russian rouble as a functional currency for the period ended 30 September 2016. The average rates for the first quarter 2016 was USD 1 = 74.6283 RUB, for the second quarter was USD 1 = RUB 65.8883 and for the third quarter was USD 1 = 64.6245.

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

	<u>2016</u>	<u>2015</u>
RUR/USD for the nine months period ended 30 September	68.3667	59.6290
RUR/USD as at 30 September 2016 (31 December 2015)	70.8823	66.2367
RUR/SEK for the nine months period ended 30 September	8.1482	7.0850
RUR/SEK as at 30 September 2016 (31 December 2015)	<u>7.3692</u>	<u>7.8687</u>

**3. SEGMENT INFORMATION**

The operating segments definitions were developed by senior management in order to enable effective and efficient operating performance based on the geographic and sub-climatic split of the cropped areas in the four Black Earth regions: Voronezh, Kursk, Lipetsk and Tambov. The Group also has one operating entity in Samara region 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.

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**3. SEGMENT INFORMATION (CONTINUED)**

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 30 September 2016 and 31 December 2015, are located in Samara region and attributed to Tambov segment.

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**

	<b>Nine months ended 30 September 2016</b>			
<i>In thousands of US Dollars</i>	<b>Revenue from external sales</b>	<b>Inter- segment revenue</b>	<b>Depreciation and amortization</b>	<b>Net result</b>
Agricultural companies				
– Voronezh region	9,329	179	539	
– Kursk region	13,701	225	1,479	
– Lipetsk region	12,528	3,171	1,222	
– Tambov region	14,321	108	1,126	
Elevators	97	2,022	750	
<b>Total</b>	<b>49,976</b>	<b>5,705</b>	<b>5,116</b>	<b>5,552</b>
Central administrative costs and director's salaries				(10,001)
Other income and expenses				578
Financial expenses, net				948
<b>Loss before income tax</b>				<b>(2,923)</b>

	<b>Nine months ended 30 September 2015</b>			
<i>In thousands of US Dollars</i>	<b>Revenue from external sales</b>	<b>Inter- segment revenue</b>	<b>Depreciation and amortization</b>	<b>Net result</b>
Agricultural companies				
– Voronezh region	3,679	926	318	
– Kursk region	10,973	822	875	
– Lipetsk region	9,343	952	949	
– Tambov region	7,524	295	358	
Elevators	125	1,084	1,548	
<b>Total</b>	<b>31,644</b>	<b>4,079</b>	<b>4,048</b>	<b>20,668</b>
Central administrative costs and director's salaries				(12,098)
Other income and expenses				10,314
Financial expenses, net				(9,723)
<b>Profit before income tax</b>				<b>9,161</b>

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

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**3. SEGMENT INFORMATION (CONTINUED)**

**(b) Segment assets**

<i>In thousands of US Dollars</i>	<u>30 Sep 2016</u>	<u>31 Dec 2015</u>
Agricultural companies		
– Voronezh region	19,248	15,401
– Kursk region	46,247	37,089
– Lipetsk region	44,112	43,758
– Tambov region	32,331	32,455
Elevators	16,794	16,986
<b>Total segment assets</b>	<b>158,732</b>	<b>145,689</b>
Corporate assets	42,792	35,467
<b>Consolidated total assets</b>	<b>201,524</b>	<b>181,156</b>

**(c) Revenues from major products**

<i>In thousands of US Dollars</i>	<b>Nine months ended</b>	
	<u>30 Sep 2016</u>	<u>30 Sep 2015</u>
Corn	26,256	6,245
Wheat	10,136	9,779
Sunflowers	9,638	5,675
Barley	2,686	5,828
Potatoes	581	819
Spring rape seed	-	1,554
Soya	-	105
Other and Waste grains	88	32
Milk and meat	430	497
Other goods and services	161	1,110
	<b>49,976</b>	<b>31,644</b>

**(d) Geographical information**

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

**4. BIOLOGICAL ASSETS**

In accordance with IAS 41 "Agriculture" biological assets related to agricultural activity are measured at fair value less estimated point-of-sale costs, with any changes in fair value recognized in profit or loss. The fair value is determined based on a methodology that applies quoted or other relevant prices to estimated yields for the respective grain and oilseeds production in the Company's crop portfolio. The following key estimates significantly impact the above balance as well as the gain/(loss) on revaluation of biological assets: 1) expected crop yield; 2) percentage of biological transformation of the crops; 3) future selling price based on the current market price plus expected movements; and 4) selling expenses to be incurred. These estimates are based on management's experience and other inputs, including expectations of future events that are believed to be reasonable under the circumstances.

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**4. BIOLOGICAL ASSETS (CONTINUED)**

***Biological assets – Crop production***

<i>in thousands of US Dollars</i>	<b>Nine months ended</b>	
	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>
At the beginning of the period	8,277	6,066
Increase due to cost inputs	31,841	49,860
Change in fair value less estimated point-of-sale costs	14,212	23,228
Harvested crops transferred to finished goods	(22,703)	(40,167)
Effect of foreign exchange differences	2,615	(4,470)
<b>At the end of the period</b>	<b>34,242</b>	<b>34,517</b>

***Biological assets – Livestock***

<i>in thousands of US Dollars</i>	<b>Nine months ended</b>	
	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>
At the beginning of the period	327	431
Increase due to cost inputs	443	59
Change in fair value less estimated point-of-sale costs	138	(109)
Sales	(479)	70
Effect of foreign exchange differences	54	(67)
<b>At the end of the period</b>	<b>483</b>	<b>384</b>

If selling prices or expected crop yield deviated by 10% from management's estimates, the gain on revaluation of biological assets in the statement of income for the period would deviate by USD 3,884 thousand.

**5. REVENUE AND GAINS**

<i>in thousands of US Dollars</i>	<b>Nine months ended</b>	
	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>
Revenue from sales of crop production	49,385	30,037
Revenue from sales of milk and meat	430	497
Revenue from sales of other goods and services	161	1,110
Gain on revaluation of biological assets	14,350	23,298
Change in net realizable value of agricultural produce after harvest	329	335
	<b>64,655</b>	<b>55,277</b>

**6. COST OF SALES**

<i>in thousands of US Dollars</i>	<b>Nine months ended</b>	
	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>
Materials	19,037	10,228
Depreciation and amortization charge	4,145	3,018
Salary and social taxes	3,129	1,775
Third party crop handling services	586	495
Crops not harvested due to damages on fields	458	300
Operating leasing	229	153
Taxes	214	201
Repair expenses	179	141
Other expenses	842	177
	<b>28,819</b>	<b>16,488</b>

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**7. DISTRIBUTION EXPENSES**

*in thousands of US Dollars*

	<b>Nine months ended</b>	
	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>
Transportation and delivery services	5,648	1,958
Storage and other elevator's services	2,626	725
Depreciation and amortization charge	880	925
Personnel expenses	650	553
Materials	318	228
Other services	504	125
	<b>10,626</b>	<b>4,514</b>

**8. OTHER INCOME AND EXPENSES, NET**

*in thousands of US Dollars*

	<b>Nine months ended</b>	
	<b>30 Sep 2015</b>	<b>30 Sep 2015</b>
Income on grain hedge	1,794	1,143
Loss on revaluation of investment property	(578)	-
Result on disposal of plant, property and equipment	249	94
Change in allowance for doubtful debts	(138)	(90)
Write-off accounts receivable or payable	(98)	(20)
Fines and penalties received	(79)	2
Losses related to disposal of other assets	(73)	(162)
Gain related to land swap deal	-	9,080
Other income and expenses	(499)	267
	<b>578</b>	<b>10,314</b>

***Land swap deal***

On 17 March 2015, the Group announced that it had agreed to swap the 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 Group's existing operations at Morshansk (Tambov segment). The deal was finalised in June 2015.

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

*In thousands of US Dollars*

Fair value of property, plant and equipment and other assets received	12,771
Cash received	1,099
Carrying value of property, plant and equipment disposed	(4,790)
<b>Result before tax</b>	<b>9,080</b>

The income tax related to these transactions amounted to USD 1,690 thousand.

**9. BORROWINGS**

*In thousands of US Dollars*

	<b>30 Sep 2016</b>	<b>31 Dec 2015</b>
<b>SEK bonds</b>		
Non-current	46,375	51,058
Current	1,922	1,578
	<b>48,297</b>	<b>52,636</b>
<b>Other borrowings - current</b>		
Bank VTB	7,943	10,486
	<b>7,943</b>	<b>10,486</b>
<b>Total borrowings</b>	<b>56,240</b>	<b>63,122</b>



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**9. BORROWINGS (CONTINUED)**

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

Up to 30 September 2016, the Group repurchased SEK 338 million (USD 48,603 thousand) of bonds in order to manage interest expense and foreign exchange exposure.

In May 2016, the Group signed a credit facility agreement with Bank VTB for up to RUB 300 million with an interest rate of 12.9%. The credit facility has to be used to finance working capital and is available for a period of up to twelve months. At 30 September 2016, USD 7,871 thousand (RUB 497,118 thousand) had been drawn under this credit facility. The Group has committed to pledge certain assets as collateral under the terms of the agreement.

As at 30 September 2016 the Group is in compliance with all covenants stipulated in the bond and loan agreements.

**10. DIVIDENDS**

During the nine months period ended 30 September 2016 the Board of Directors proposed no dividends to be paid or declared.

**11. (LOSS)/ EARNINGS PER SHARE**

*In US Dollars*

	<b>Nine months ended</b>	
	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>
(Loss)/profit for the period	(3,298,000)	6,917,000
Weighted average number of ordinary shares	210,426,241	208,652,567
Basic and diluted (loss)/earnings per share	(0.02)	0.03

**12. RELATED PARTY BALANCES AND TRANSACTIONS**

*In thousands of US Dollars*

	<b>Nine months ended</b>	
	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>
<b>Purchase of services from related parties</b>		
TerraVost Ltd (formerly KinnAgri Ltd)	665	960
KCM International Ltd	1,522	1,494
	<b>2,187</b>	<b>2,454</b>
<b>Less: subcontracted to third parties</b>		
TerraVost Ltd (formerly KinnAgri Ltd)	(104)	-
KCM International Ltd	(5)	-
	<b>(109)</b>	<b>-</b>
<b>Purchase of services from related parties, net of subcontractors</b>		
TerraVost Ltd (formerly KinnAgri Ltd)	561	960
KCM International Ltd	1,517	1,494
<b>Total</b>	<b>2,078</b>	<b>2,454</b>
	<b>30 Sep 2016</b>	<b>31 Dec 2015</b>
<b>Accounts payable to related parties</b>		
TerraVost Ltd (formerly KinnAgri Ltd)	92	404
KCM International Ltd	69	401
	<b>161</b>	<b>805</b>

## **12. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)**

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.

For contracts with the related parties a review of alternative options and arm's length pricing was conducted by three members of the Board of Directors, including Chairman of Audit Committee, in November 2015 and terms of the contracts found to be satisfactory. KCM and TerraVost contracts were reviewed, renewed and signed in 2Q16.

## **13. 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 condensed consolidated interim financial statements.

### **(b) Tax contingencies**

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

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Starting from 1 January 2015, the "de-offshorisation law" came into force introducing broader rules for determining the tax residency of legal entities, which may have an impact on the Group's operations. In particular, more specific and detailed rules were put in place for establishing when foreign entities can be viewed as managed from Russia and consequently can be deemed Russian tax residents. Russian tax residency means that such a legal entity's worldwide income will be taxed in Russia.

**13. CONTINGENCIES AND COMMITMENTS (CONTINUED)**

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profit tax, as they do 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 may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk 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; however, it may be significant to the financial position and/or the overall operations of the Group.

As at 30 September 2016, 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.

**14. SUBSEQUENT EVENTS**

In October 2016, the Group entered into a sale and purchase agreements with a third parties for sale of investment property in Samara Region. The total price of all objects that are being sold is RUB 122,102 thousand (or USD 1,933 thousand at the exchange rate of the reporting date).

Black Earth Farming Ltd. is a leading farming company, publicly listed on Nasdaq OMX Stockholm and operating in Russia. It acquires, develops and farms agricultural land assets primarily in the fertile Black Earth region in southwest Russia. The Company has gained a strong market position in the Kursk, Tambov, Lipetsk and Voronezh regions, controlling some 258,000 Ha of what perhaps is the world's most fertile soil.



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

Jersey, 11 November 2016

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Per Åhlgren, Chairman

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Camilla Öberg, Non-executive Director

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Dmitry Zavgorodniy, Non-executive Director

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Franco Danesi, Non-executive Director

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Poul Schroeder, Non-executive Director

This report has not been subject to review by the Group's auditors

**Financial calendar:**

4Q/FY 2016 Year-end report  
2016 Annual report  
1Q 2017 interim report  
Annual General Meeting  
2Q/1H 2017 report  
3Q/9M 2017 report

24 February 2017  
7 April 2017  
19 May 2017  
20 May 2017  
11 August 2017  
10 November 2017

**For further information, please contact:**

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

## **NOMINATION COMMITTEE FOR THE 2017 ANNUAL GENERAL MEETING**

In accordance with the resolution of the 2016 Annual General Meeting, a Nomination Committee has been convened consisting of members representing the three largest shareholders in Black Earth Farming.

St Helier, Jersey, 2016-10-05 08:00 CEST (GLOBE NEWSWIRE) -- The Nomination Committee is comprised by Joakim Andersson appointed by Kinnevik AB, Per Åhlgren appointed by GoMobile Nu AB, and Ramsay Brufer appointed by Alecta. The members of the Nomination Committee will appoint its Chairman at the Committee's first meeting.

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

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

For additional information, please contact:

Rostislav Samotsvetov, Chief Financial Officer, Black Earth Farming Ltd., tel.: +7(473) 2065630, +7(910)246 7800

# Non-IFRS performance measure



In addition to IFRS performance measures, Black Earth Farming Ltd. presents a number of financial performance measures that are outside IFRS definitions (Alternative performance measures, according to ESMA's guidelines) with the aim of enabling effective evaluation of the company's financial position and performance for investors and for the company's management. This means that these measures are not always comparable with measures used by other companies and shall therefore be considered as a complement to measures defined according to IFRS. The Company applies these alternative performance measures consistently over time. Definitions are provided below of how the Company's key ratios are calculated.

<b>Non-IFRS performance measure</b>	<b>Description</b>
Average sales price after distribution cost per ton	Revenue by crops divided by tons sold during the period minus distribution expenses divided by total tons sold during the period
Gross profit after distribution cost	Gross profit minus distribution expenses
EBIT	Profit (loss) before financial income/(expenses) and income taxes.
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.
Cash from operations less investments (FCF)	Net cash generated from/ (used in) operating activities less cash flows from investing activities
Net debt position	Consists of the Group's interest-bearing liabilities including accrued interest and finance lease liabilities, less cash and cash equivalents
Debt/Equity Ratio	Total amount of long-term borrowings divided by total shareholders' equity.
Equity/Assets Ratio	Equity expressed as a percentage of total assets
Numerous ratios excluding SWAP	These ratios represent measures defined in IFRS or APMs described above minus net result from swap deal (as this deal is non-recurring event). For instance EBIT excluding swap effect represents EBIT minus effect from swap deal which is presented in note 8 « Other income and expenses, net ».

## 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.

## “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, and Turkmenistan (associated Member), Ukraine and Uzbekistan.

## “Crop year”

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

## “EU-27”

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

## “Fallow land”

Land which is not being cultivated.

## “FOB”

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

## “Grains”

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

## “Grain elevator”

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

## “Land in ownership”

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

## “Land under control”

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

## “Oblast”

An administrative region of Russia.

## “Oilseeds”

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

## “OOO”

“Closed joint stock company”, the Russian equivalence to a limited liability company.

## “Pai”

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

## “SDR”

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

## “VPC”

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

## “Öhman”

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