

Black Earth Farming Ltd

Year End Report

1 January – 31 December 2009



Highlights for the twelve months reporting period

- Gross Commercial crop output increased by 21.5% from 437 thousand tons in 2008 to 531 thousand tons in 2009.
- **Sales volume** for the period 1 January to 31 December 2009 amounted to 617,360 tons, compared to 117,066 tons in corresponding period last year, a 427% increase.
- **Total revenue and gains** from continuing operations rose 168% to RUR 2,283,432 thousand (USD* 75,500 thousand) compared with RUR 851,568 thousand (USD* 28,157 thousand) same period previous year. Result on revaluation of biological assets and agricultural produce was negative in the amount of RUR 111,311 thousand (USD* 3,680 thousand), compared to positive contribution of RUR 152,663 thousand (USD* 5,048 thousand) in the same period last year. Average price received from sales of crops in twelve months 2009 was 32.1% lower than same period last year.
- **Loss before income tax from continuing operations** was RUR 1,305,904 thousand (USD* 43,179 thousand) compared to a loss of RUR 737,880 thousand (USD* 24,397 thousand) last year.
- **Loss for the period** was RUR 1,349,293 thousand (USD* 44,613 thousand) compared to a loss of RUR 733,623 thousand (USD* 24,257 thousand) last year.
- **Basic loss per share from continuing and discontinued operations** was RUR 10.83 (USD* 0.36) compared with a loss per share of RUR 5.91 (USD* 0.20) same period last year.
- **Net cash inflow from operating activities** was RUR 20,992 thousand (USD* 695 thousand) compared with an outflow of RUR -1,940,707 thousand (USD* -64,169 thousand) same period previous year.
- Total controlled land increased from 317 to 330 thousand hectares in 2009, of which land in registered ownership grew 127%, from 95 to 216 thousand hectares as of 31 December 2009.
- No dividend payment is proposed for the year

Significant events after the end of the reporting period

- Mr. Alexei Bnatov has been recruited as new General Manager of the Russian operating entity Agro-Invest, to become effective 1 March 2010. Mr. Bnatov has most recently held the position of Vice President & General Manager for CIS with the Russian subsidiary of Greif Inc.
- The newly recruited sales team executed the Company's first ever export deal in January 2010, with 35,000 tons of Barley.

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

Reporting period in figures

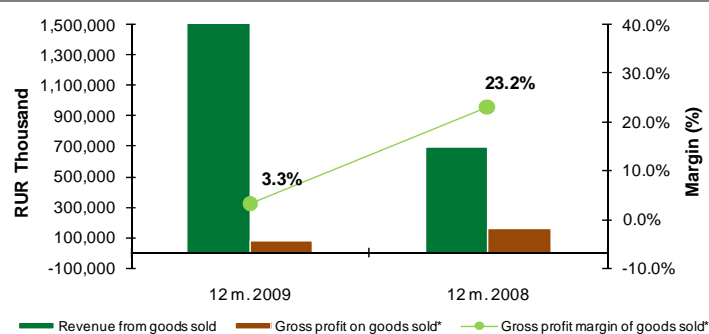
Result	RUR	RUR	Year-on-year	RUR	RUR	Year-on-year
<i>In thousands of</i>	12 m 2009	12 m 2008	change	4Q 2009	4Q 2008	change
Revenue	2,394,743	698,905	243%	896,875	193,359	364%
Total revenue and gains	2,283,432	851,568	168%	762,989	-86,222	-985%
Gross profit ¹	78,544	161,909	-51%	38,394	42,322	-9%
Gross margin ²	3.3%	23.2%	-86%	4.3%	21.9%	-80%
Operating loss	-1,161,209	-791,073	47%	-316,736	-621,906	-49%
Operating margin	Neg	Neg	n/a	Neg	Neg	n/a
Loss for the period from continuing operations	-1,291,797	-717,379	80%	-414,108	-596,812	-31%
Loss for the period from discontinued operations	-57,496	-16,244	254%	0	-10,386	-100%
Loss for the period	-1,349,293	-733,623	84%	-414,108	-607,198	-32%
Net margin in continuing operations	Neg	Neg	n/a	Neg	Neg	n/a
EBITDA	-776,471	-562,338	38%	-182,240	-573,779	-68%
EBITDA Margin	Neg	Neg	n/a	Neg	Neg	n/a

Result	USD*	USD*	Year-on-year	USD*	USD*	Year-on-year
<i>In thousands of</i>	12 m 2009	12 m 2008	change	4Q 2009	4Q 2008	change
Revenue	79,180	23,109	243%	29,654	6,393	364%
Total revenue and gains	75,500	28,156	168%	25,228	-2,851	-985%
Gross profit ¹	2,597	5,353	-51%	1,269	1,399	-9%
Gross margin ²	3.3%	23.2%	-86%	4.3%	21.9%	-80%
Operating loss	-38,394	-26,156	47%	-10,473	-20,563	-49%
Operating margin	Neg	Neg	n/a	Neg	Neg	n/a
Loss for the period from continuing operations	-42,712	-23,720	80%	-13,692	-19,733	-31%
Loss for the period from discontinued operations	-1,901	-537	254%	0	-343	-100%
Loss for the period	-44,613	-24,257	84%	-13,692	-20,077	-32%
Net margin in continuing operations	Neg	Neg	n/a	Neg	Neg	n/a
EBITDA	-25,673	-18,593	38%	-6,026	-18,972	-68%
EBITDA Margin	Neg	Neg	n/a	Neg	Neg	n/a

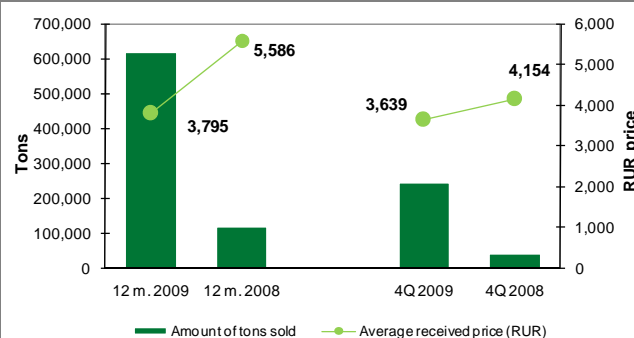
¹ Gross profit excluding Gain/loss on revaluation of biological assets and agricultural produce

² Gross profit margin on sold goods and services excluding gain/loss on revaluation of biological assets and agricultural produce

Revenue versus gross profitability



Sales volume versus average received price

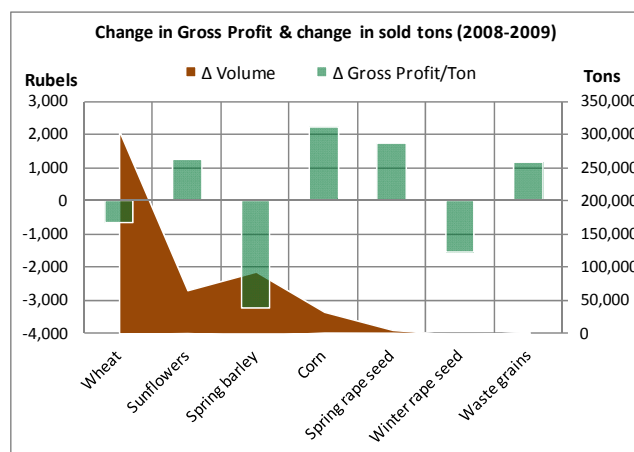
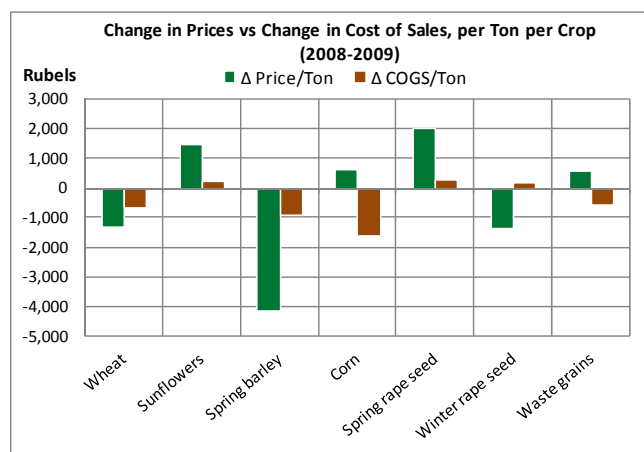


*Excluding Gain/loss on revaluation of biological assets and agricultural produce

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Reporting period in figures

Sales volume and price	4Q 2009	4Q 2008	2009	2008	2007
Amount of tons sold	243,540	40,499	617,360	117,066	58,274
Year-on-year change	501.3%	-	427.4%	100.9%	801.2%
Average received price per ton (RUR)	3,639	4,664	3,795	5,586	6,148
Year-on-year change	-22.0%	-	-32.1%	-9.1%	71.7%



Land holdings (hectares)	31-Dec-09	31-Dec-08	31-Dec-07	31-Dec-06
Land in the process of ownership registration with the relevant authorities	75	214	247	115
Land in registered ownership	216	95	29	7
Land under long-term lease agreements	39	8	13	7
Total amount of controlled land	330	317	289	129

Personnel	2009	2008	2007
Full-time employees at the end of the period	1,527	1,942	1,180
Average number of employees during the period	2,041	2,095	799

Operational Storage Capacity	31-Dec-09	31-Dec-08
Tons - on farm storage	204,000	82,000
Tons - Grain Elevator storage	100,000	80,000
Total capacity as % of gross commercial production	57%	37%

During 2009 the Company has continued to build out its own internal grain storage infrastructure. Total owned storage capacity (elevators + on-farm) has increased from 162 thousand to 304 thousand tons, an 88% growth year-on-year. Current tonnage capacity corresponds to more than 57% of 2009 gross harvest. The Company is currently constructing an additional three new grain elevators, two in the Voronezh region and one in the Kursk region, as well as adding storage capacity to its existing 60,000 ton elevator in Lipetsk. When finished these four projects will add an additional 145,000 tons of elevator capacity.

CEO'S COMMENT

2009 has been a challenging year for Black Earth Farming and the entire grain producing sector, as evident from the financial result and market developments. A fairly bountiful production year in our region is not a blessing when the regional and global stocks are near its historically high levels and the demand for grains is still trying to recuperate. The Company's average achieved yield also came in below our previous set target. However, today we stand strengthened by the challenges and have been implementing many necessary and due changes towards a more flexible, leaner and profitable Company.

Black Earth Farming has been actively selling its 2009 harvest resulting in revenue for FY2009 of \$79.2M versus \$23.1M for the same period last year representing 243% increase. Full year 2009 Gross Profit, excluding loss from revaluations, amounted to \$2.6M versus \$5.4M last year or a 51% decrease.

Primary reason(s) for the above decrease in Gross Profit are as follows; Whilst Cost of Goods Sold per ton has decreased by 15% year on year (from \$144/ton to \$122/ton, in 2008 and 2009, respectively), average selling price per ton has decreased by 32% in rubles year on year (from RUR 5,586/ton to RUR 3,795/ton, in 2008 and 2009, respectively) and by 34% in dollar terms for the same period (from \$190/ton to \$125/ton, 2008 versus 2009 prices). Sunflowers and Corn have been profitable crops this year while Barley has been extremely disappointing due to a 63% drop in prices year on year. Wheat, the Company's single largest crop could have tipped the balance in a positive way but the prices just could not find the final upward push needed, resulting in zero-to-slightly negative contribution.

Operating Loss for the 4Q and FY2009 amounted \$10.5M and \$38.4M, respectively; representing 96% improvement versus 4Q 2008 but a 47% decrease in operating profitability year-on-year as compared with FY2008 results; Loss from Continuing Operations for the 4Q and FY2009 amounted \$13.7M and \$42.7M, respectively; showing 44% improvement versus 4Q 2008 but a 80% negative increase in losses year-on-year as compared with FY2008 results.

The Company is aggressively pursuing multiple strategies in order to further improve efficiency and lower cost of production and overheads down to levels that will ensure Black Earth's position in the top quartile in terms of lowest cost producers worldwide. Full-time employee count (excl. temporary & seasonal staff) has decreased by 21.4% from 1,942 to 1,527 year on year; Quarter on Quarter the General and Administrative expenses were down USD 1.1 million or 15%, as the savings from earlier initiatives have begun to impact the bottom line. Further savings in General and Administrative expenses are expected from Q1 2010 and onwards. Furthermore, Distribution expenses in the fourth quarter were 28% lower than corresponding period in 2008, despite much larger volumes handled and stored. The Company's investment into own storage is showing effect by materially reducing the costs for external storage.

The newly hired team of grain sales professionals have already proven their proficiency while executing the Company's first ever export deal. Secondary trading opportunities will be considered once the Company has finished constructing its elevators. The closer interaction between the production and sales teams has already resulted in significant fine tuning in terms of spring crop production

These and other factors, allow me to look at 2010 with considerable optimism; namely, the majority of the land will have been cropped over two years, with commensurate improvement in soil conditions and further yield growth potential as a result. The title registration of our controlled land is coming to an end, over time we have identified and nurtured our internal talents, which enables us to successfully reorganize and consolidate the business into a smaller but more competent and experienced local organisation, with the newly appointed Alexei Bnatov to lead them. Given our continued emphasis on further lowering our costs, we shall be well prepared for continued depressed grain prices and garner additional income once soft commodity prices start rising again in the future.

On behalf of the Board - 26 February 2010
Sture Gustavsson
CEO and President

The Market

Main factors that affected the Russian market during the last part of 2009

- 1. Government intervention buying:** In 2009 the Russian government started its intervention purchases of crops in the month of November. In comparison with the intervention buying the previous marketing year 2008/2009 the overall scope of the interventions was reduced and they were performed as more targeted towards specific geographic production areas (e.g. Altai, Western Siberia, etc.). In the period from 2 November up until 24 December 2009 a total of 1,360 thousand tons of grain had been purchased, a sum that was increased further to 1,775 thousand tons in January 2010.
- 2. Another large grain harvest in 2009:** The grain harvest in 2009, despite being approximately 11% below the 2008 harvest. (in 2009 - 96.7 million tons, in 2008 - 108.2 million tons), it was at a historically very high level and ending stocks therefore swelled further from 2008.
- 3. Structure of grain harvest:** In 2009 the harvest of grain turned out to be of a higher quality than the 2008 harvest, the portion of milling wheat rose from 62.7% (of which third grade wheat 25.7% and fourth grade wheat 37%) for the 2008 harvest, to 72.9% milling wheat in 2009.
- 4. Quality of grain:** Given the generally high quality of the 2009 harvest, there was especially strong demand for grain which corresponded to export quality, with high gluten content and minimal bug damage (less than 1% bug damaged).
- 5. Slight drop in grain export:** In the third-fourth quarter of 2009 there was a slight drop in the export of grain compared to 2008. In the period from 1 July 2009 up until 17 January 2010 realized export volumes were 4% below the same period in the previous year (12.316 million tons versus 12.809 million tons).
- 6. Subsidized export of Kazakhstan grain through Russian territory:** In November 2009 the Government of Kazakhstan directed USD 33 million as subsidies for transit export of Kazakhstan, corresponding to 1.7 million tons, through the territory of the Russian federation. In case all of the USD 33 million will be successfully utilised, the Kazakhstan government is prepared to put forth another USD 66 million to subsidize transit of another 3.4 million tons.

Market influencing factors to keep an eye on for 2010

- 1. In Russia the amount of land planted with winter crops has increased:** For the 2009/2010 season the number of hectares planted with winter crops increased 5% compared to the 2008/2009 season. The condition of those winter crops and how much will be planted with spring crops, will determine if we are looking at another historically high output or not, bar any weather disasters between now and harvest.
- 2. High carryover stocks:** The left over stocks of grain at the end of 2009 amounted to 11.13 million tons (of which the Government intervention represented 8 million tons). As of now, the ending stocks for 2010 are expected another 0.75 million tons higher.
- 3. Expected increase in 2010 grain output in Russia:** The prognosis for 2010 harvest is as of now 98 million tons, which is 1.3% higher than 2009.
- 4. Expected increase in 2010 grain output in neighboring markets:** According to USDA forecasts, the wheat production in Kazakhstan will rise 4.5% in 2010 and 4% in Ukraine.
- 5. The end of intervention buying:** The Russian government concluded their intervention buying of grain for this season in January 2010, a drop in prices followed. The repetition of intervention buying in 2010 is uncertain, not the least because of the vast amounts that the Government needs to pay for storage of the grain that they have already acquired.
- 6. Plans of the Russian government to enter external markets:** In accordance with the statement by the first deputy Prime Minister Viktor A. Zubkov, Russia plans in the near future to be exporting as much as 30 million tons annually. Part of which will be realized through the newly founded and currently wholly state owned United Grain Company, it has already purchased the grains that were initially acquired by the Government Intervention Fund.

With the help of its sales team, the Company will closely monitor the market movements, and henceforth utilize either domestic or export markets, which ever provides the highest return, for a specific crop at a certain time, bar that, lowering your costs is always the prerogative in this commodity business.

Financial performance

Revenue

For the twelve months ended 31 December 2009 revenue from sales of goods and services increased significantly in comparison with the same period 2008, and amounted to RUR 2,394,743 thousand (USD* 79,180 thousand) up from RUR 698,905 thousand (USD* 23,109 thousand) for twelve months in 2008. Sales of crops constituted 97.8% of revenue.

Revenue from realisation of goods and services from continuing operations	RUR thousand 12 m. 2009	RUR thousand 12 m. 2008	Year on year change	RUR thousand 4Q 2009	RUR thousand 4Q 2008	Year on year change
Revenues from sales of crop production	2,342,684	653,948	258.2%	886,334	168,246	426.8%
Revenue from sales of milk and meat	26,514	19,387	36.8%	7,484	4,150	80.3%
Revenues from sales of other goods and services	25,545	25,570	-0.1%	3,057	20,963	-85.4%
Total	2,394,743	698,905	242.6%	896,875	193,359	363.8%

Revenue from realisation of goods and services	USD* thousand 12 m. 2009	USD* thousand 12 m. 2008	Year on year change	USD* thousand 4Q 2009	USD* thousand 4Q 2008	Year on year change
Revenues from sales of crop production	77,459	21,622	258.2%	29,306	5,563	426.8%
Revenue from sales of milk and meat	877	641	36.8%	247	137	80.3%
Revenues from sales of other goods and services	845	845	-0.1%	101	693	-85.4%
Total	79,180	23,109	242.6%	29,654	6,393	363.8%

The Company sold 243,540 tons during the fourth quarter 2009, which is 501% more than the 40,499 tons sold during the fourth quarter 2008, crops sold in the fourth quarter was predominantly from the new 2009 harvest but also some remains from the 2008 harvest. The large increase in sold volume year-on-year is due to much larger harvest in 2009 than 2008. Average local rouble prices received for crops sold in the fourth quarter 2009 were however 22.0% lower than same period 2008; the majority of crops sold in the fourth quarter were Wheat, Sunflowers, Barley and Corn. For twelve months 2009 revenues from sales of crop production increased 427% compared to 2008 and average received local rouble price was 32.1% lower year-on-year.

Financial performance

Revenue

Sales of crops Jan-Dec 2009	2008 harvest		2009 harvest		Total		Average price 2009	Average price 2008
	RUR thousand	Tons	RUR thousand	Tons	RUR thousand	Tons	(RUR/ton)	(RUR/ton)
Wheat	660,580	178,211	493,893	166,108	1,154,473	344,319	3,353	4,624
Sunflowers	194,909	22,496	381,450	45,598	576,359	68,094	8,464	6,976
Spring barley	255,747	100,434	72,622	39,406	328,369	139,840	2,348	6,435
Corn	65,298	19,454	57,904	14,981	123,202	34,435	3,578	2,949
Spring rape seed	23,166	2,988	49,819	7,868	72,985	10,856	6,723	4,689
Winter rape seed	-	-	71,948	10,757	71,948	10,757	6,688	8,002
Waste grains	3,390	2,064	11,958	6,995	15,348	9,059	1,694	1,079
Total	1,203,090	325,647	1,139,594	291,713	2,342,684	617,360	3,795	5,586

Sales of crops Jan-Dec 2009	USD*		USD*		USD*		Average price 2009	Average price 2008
	thousand	Tons	thousand	Tons	thousand	Tons	(USD/ton)	(USD/ton)
Wheat	21,842	178,211	16,330	166,108	38,172	344,319	111	157
Sunflowers	6,445	22,496	12,612	45,598	19,057	68,094	280	238
Spring barley	8,456	100,434	2,401	39,406	10,857	139,840	78	219
Corn	2,159	19,454	1,915	14,981	4,074	34,435	118	100
Spring rape seed	766	2,988	1,647	7,868	2,413	10,856	222	160
Winter rape seed	-	-	2,379	10,757	2,379	10,757	221	272
Waste grains	112	2,064	395	6,995	507	9,059	56	37
Total	39,779	325,647	37,680	291,713	77,459	617,360	125	190

Sales of crops Q4 2009	2008 harvest		2009 harvest		Total		Average price Q4 2009	Average price Q4 2008
	RUR thousand	Tons	RUR thousand	Tons	RUR thousand	Tons	(RUR/ton)	(RUR/ton)
Wheat	3,882	1,142	430,581	146,128	434,463	147,270	2,950	2,743
Sunflowers	-	-	313,207	37,849	313,207	37,849	8,275	5,686
Spring barley	6,544	2,391	71,242	38,227	77,786	40,618	1,915	7,082
Corn	20	5	57,772	14,951	57,792	14,956	3,864	6,976
Spring rape seed	-	-	3	14	3	14	214	2,961
Winter rape seed	-	-	-	-	-	-	-	2,323
Waste grains	1,119	800	1,964	2,033	3,083	2,833	1,088	841
Total	11,565	4,338	874,769	239,202	886,334	243,540	3,639	4,664

Sales of crops Q4 2009	USD*		USD*		USD*		Average price 2009	Average price 2008
	thousand	Tons	thousand	Tons	thousand	Tons	(USD/ton)	(USD/ton)
Wheat	128	1,142	14,237	146,128	14,365	147,270	98	91
Sunflowers	-	-	10,356	37,849	10,356	37,849	274	188
Spring barley	216	2,391	2,356	38,227	2,572	40,618	63	234
Corn	1	5	1,910	14,951	1,911	14,956	128	231
Spring rape seed	-	-	0	14	0	14	7	98
Winter rape seed	-	-	-	-	-	-	-	77
Waste grains	37	800	65	2,033	102	2,833	36	28
Total	382	4,338	28,924	239,202	29,306	243,540	120	154

Financial performance

Gain on revaluation (inventory)

As of 31 December 2009 the Company had about 203,401 tons of clean selling weight of harvested crops held in storage and recorded in inventory as finished product. About 4 thousand tons of Barley still remains from 2008 harvest.

Finished product/crops in inventory	31-Dec-09	31-Dec-08	31-Dec-07	31-Dec-06
Tons	203,401	335,600	42,459	1,828

For the period 1 January – 31 December 2009 the Company faced a Loss on revaluation of biological assets and agricultural produce in the amount RUR 111,311 thousand (USD* 3,680 thousand) compared with a Gain of RUR 152,663 thousand (USD* 5,048 thousand) same period previous year. For the fourth quarter the revaluation of biological assets and agricultural produce accounting adjustment item was a loss in the amount of RUR 133,886 thousand (USD* 4,427 thousand). The loss on revaluation of biological assets is mainly due to depressed prices compared to a year ago, as well as lower than expected yields and hence higher per unit production costs.

The revaluation of the biological assets and agricultural produce is done in accordance with the requirements of IAS 41 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. In accordance with the standard, gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs shall be included in the profit or loss for the period in which it arises. See the annual report 2008 Note 7 for more in depth description of Gain on revaluation of biological assets and agricultural produce calculation and other accounting principles.

When calculating fair value of crops in inventory and subsequently gain on revaluation of crop in inventory - market prices from the Chamber of Commerce and Industry as of the reporting date are used for the different crops and crop classes.

Balance value of crop production <i>In thousand of</i>	RUR	RUR	USD*	USD*
	31-Dec-09	30-Sep-09	31-Dec-09	30-Sep-09
Finished goods	594,008	1,184,098	19,640	39,151
Raw materials and consumables	254,915	247,697	8,429	8,190
Biological assets (no livestock only crops)	426,019	660,581	14,086	21,842
Total	1,274,942	2,092,376	42,155	69,183

Below are the prices used for valuing the inventory of the most important crops as of 31 December 2009 compared to 31 December 2008. As evident below, price base for valuation of crop inventory was lower than 2008 for all cultures except Corn and Sunflowers

Crop	RUR/ton 31 Dec 2009	RUR/ton 31 Dec 2008
Wheat-3 class	3,700	5,550
Wheat-4 class	3,300	4,550
Wheat-5 class/feed	2,800	3,400
Corn	4,500	3,200

Crop	RUR/ton 31 Dec 2009	RUR/ton 31 Dec 2008
Barley-Malting	3,500	3,300
Barley-Feed	2,100	2,600
Rape seed	6,700	7,400
Sunflowers	9,900	7,500

Financial performance

Costs

Cost of sales for continuing operations for the period 1 January to 31 December 2009 amounted to RUR 2,316,199 thousand (USD* 76,583 thousand) in contrast to RUR 536,996 thousand (USD* 17,755 thousand) for the same period in 2008. The large increase is driven off of the 427% increase in crops sold in the period. Below is a breakdown of accounting Cost of sales indicators per crop and ton. The cost of sales per ton for crops sold in twelve months 2009 was 15.1% lower than same period last year.

Cost of goods sold	RUR Thousand				USD Thousand*		Year on year change
	Harvest 2009	Harvest 2008	Jan-Dec 2009	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2008	
Sunflowers	546,661	645,287	1,191,948	161,057	39,411	5,325	640.1%
Wheat	250,333	148,767	399,100	16,288	13,196	539	2350.3%
Spring barley	119,637	295,726	415,363	179,429	13,734	5,933	131.5%
Corn	64,104	50,728	114,831	8,599	3,797	284	1235.4%
Spring rape seed	54,124	19,298	73,422	34,410	2,428	1,138	113.4%
Winter rape seed	78,376	-	78,376	95,615	2,591	3,161	-18.0%
Waste grains	5,008	2,102	7,111	8,199	235	271	-13.3%
Others	36,049		36,049	33,400	1,192	1,104	7.9%
Total	1,154,292	1,161,908	2,316,199	536,996	76,583	17,755	331.3%

Cost of goods sold indicators per crop per ton	RUR				USD*		Year on year change
	Harvest 2009	Harvest 2008	Jan-Dec 2009	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2008	
Sunflowers	3,291	3,621	3,462	4,095	114	135	-15.5%
Wheat	5,490	6,613	5,861	5,632	194	186	4.1%
Spring barley	3,036	2,944	2,970	3,846	98	127	-22.8%
Corn	4,279	2,608	3,335	4,936	110	163	-32.4%
Spring rape seed	6,879	6,459	6,763	6,468	224	214	4.6%
Winter rape seed	7,286	-	7,286	7,070	241	234	3.1%
Waste grains	716	1,019	785	1,308	26	43	-40.0%
Average	3,833	3,568	3,693	4,352	122	144	-15.1%

Distribution expenses increased 25% for twelve months ended 31 December 2009 compared to the same period 2008. The increase in distribution expenses is explained by the large increase in tons stored and handled compared to 2008. However, distribution expenses in the fourth quarter was 28% lower than corresponding period in 2008, despite much larger volumes handled and stored, the Company's investment into own storage is showing affect.

General and administrative expenses for continuing operations for twelve months ended 31 December 2009 increased 10% to RUR 849,202 thousand (USD* 28,078 thousand), in contrast to RUR 771,876 thousand (USD* 25,521 thousand) for the same period in 2008. The increase in general and administrative expenses is mainly driven by RUR 58,282 thousand (USD* 1,928 thousand) higher personnel expenses, which is the single largest item responsible for about 56% of General and administrative expenses. Also termination payments in the amount of RUR 53,173 thousand (USD* 1,758 thousand) connected with the Company's savings program drove the expenses higher. Other costs of a non-recurring nature included in General and administrative expenses for twelve months 2009 are costs directly related to the NASDAQ OMX listing in June 2009, in the amount of RUR 27,973 thousand (USD* 894 thousand). Quarter on Quarter the General and Administrative expenses in the fourth quarter 2009 were down USD 1.1 million or 15%, mainly due to reduction in personnel costs as well as other expense control initiative.

Financial performance

Assets

As of 31 December 2009 about 92.5% of the Company's non-current assets were made up of Property, Plant and equipment. The large increase in the value of Construction in progress is related to the Company's construction of three new elevators and the 41% increase in value of buildings stems from the completed construction of on farm infrastructure such as grain hangars, dryers, cleaners etc.

Property, plant and equipment 31 December 2009	RUR Thousand	USD* Thousand	Change from 31 Dec 08
Land	1,855,937	61,365	15%
Buildings	886,918	29,325	41%
Machinery, equipment	2,046,529	67,667	10%
Vehicles	236,663	7,825	26%
Fixtures and fittings	11,359	376	-46%
Construction in progress	560,123	18,520	546%
Total	5,597,529	185,078	27%

The Company had as of 31 December 2009 Cash and Cash equivalents in the amount of RUR 3,211,219 thousand (USD* 106,176 thousand) placed on deposit in different currencies with a variety of established banks. See annual report 2008 Note 30 for more in depth description of financial risks and management of the same.



Equity

Ratios	31-Dec-09	31-Dec-08	31-Dec-07
Equity ratio, percent	79%	80%	81%
Debt /Equity ratio, percent	21.0%	19.30%	19.70%

Share data	RUR	RUR	USD*	USD*
	31-Dec-09	31-Dec-08	31-Dec-09	31-Dec-08
Net asset value (Equity) thousands	8,743,931	10,054,557	289,112	332,446
Net asset value per Share	70.18	80.75	2.32	2.67
Basic profit/(loss) per Share	(10.83)	(5.91)	(0.36)	(0.20)

Operational Performance

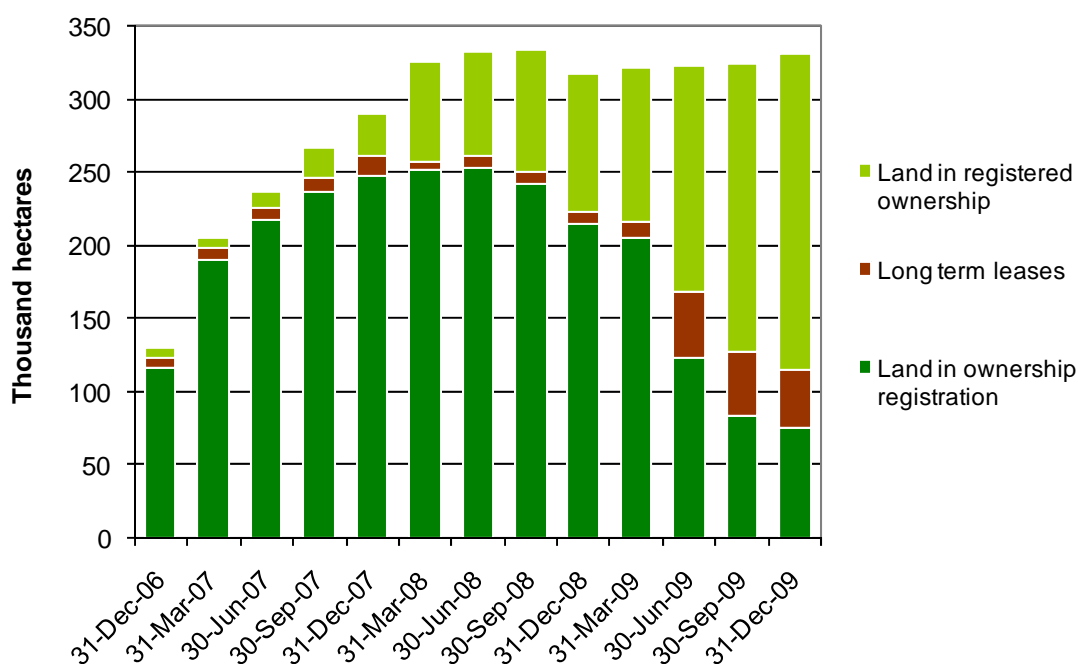
Land

Total land holdings increased somewhat between third and fourth quarter and amounted to 330 thousand hectares as of 31 December 2009. The amount of land in ownership increased 10.2% compared to 30 September 2009, to 216 thousand hectares. The amount of land in long term lease decreased somewhat as certain land was successfully converted into free holds. All in all a total of 121 thousand hectares were registered into ownership in 2009, which represents a 127% increase.

The process of obtaining the ownership rights to agricultural land in Russia is as previously described, complicated as well as time consuming and associated with certain risks. See risk section in Annual Report 2008 for a more comprehensive description of risk related to land acquisition and registration.

Consolidation and further improvement of the operational efficiencies in and around the existing farm blocks remains the Company's key targets. Divestment of some less beneficial land assets as well as potential swaps of land with other external parties is a possibility in the strife to improve the overall quality and value of the Company's asset base, which may result in inter-quarterly figures showing a reduction in the total figure for land.

Land holdings



Land holdings (thousand hectares)	31-Dec-07	31-Mar-08	30-Jun-08	30-Sep-08	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09
Land under control	289	325	331	333	317	321	322	323	330
Quarter-on-quarter change	8.6%	12.5%	1.8%	0.5%	-4.7%	1.2%	0.3%	0.3%	2.2%
Land in long term lease	12.8	5	8.1	8.1	8.1	11	45	45	39
Quarter-on-quarter change	28.0%	-60.9%	62.0%	0.0%	0.0%	35.8%	309.1%	0.0%	-13.3%
Land in registered ownership	29	69	71	83	95	106	154	196	216
Quarter-on-quarter change	45.5%	137.1%	2.9%	17.4%	14.0%	11.6%	45.3%	27.3%	10.2%

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

Operational Performance

Production

The Company started harvesting on 14 July 2009 and as of 4 November 2009 the Group had fully completed the 2009 harvest with a total of 531 thousand tons of gross commercial harvest gathered from 183 thousand hectares with a resulting average gross commercial crop yield, spread over all cultures of 2.9 tons per hectare. This figure was lower than last year's 3.1 ton average, and also lower than the 3.5 targeted gross average yield. Final clean weight of commercial crops has been determined at 511 thousand tons. The lower than 2008 experienced yields for some crops, was due to both less than optimal weather conditions in some areas, high weed competition in other previous fallow areas as well as some Company specific operational short comings. In general however the Company keeps growing and improving production. Gross commercial crop output increased 22% in 2009 compared to 2008, and has increased 384% since 2007. The bulk of the land, 260 thousand hectares has been taken out of fallow and is now in regular cultivation, and thereto, going into 2010 the majority of the land will have been cropped over two years, with commensurate improvement in soil conditions and yield potential as a result.

For 2010 about 82 thousand hectares of winter wheat has already been planted along with 8.5 thousand hectares of winter rape and some 1.6 thousand hectares of Triticale. The exact crop mix of the spring campaign is being fine tuned, in total the area to be planted and harvested for 2010 season is planned around 200 thousand hectares, which is approximately an 11 percent increase year-on-year.

All of the cultivation of the fields which are to be planted with spring crops was performed and expenses incurred already in October 2009, the bulk of the fertilizer for the spring application has also already been acquired, sourcing of seeds and fertilizer will be finished around end of February.

The Company is currently repairing and preparing the relevant machinery for the spring campaign, the Company's fleet of machinery is sufficient for production on the Company's existing footprint of controlled land, meaning the existing machinery can take care of cropping of up to 245 thousand hectares or about 75% of 330 thousand hectares.

The Company has a strong team of local and foreign farming specialists and are also looking to recruit a new wave of young local and foreign talented agronomists to constitute the second generation of farm managers, schooled in the art of large scale industrial farming in Russia's Black Earth.

Operational Performance

Production

Actual gross harvest figures for 2007-2009 are shown below.

Production expansion table

Planted area breakdown

(hectares)	2007	2008	2009
Winter wheat	16,805	48,636	84,698
Winter rape	5,005	875	7,045
Winter triticale	n/a	n/a	2,740
Total winter crops	21,810	49,511	94,483
Spring Barley	20,180	42,638	43,053
Spring wheat	n/a	4,339	3,824
Spring rape	7,035	13,149	7,132
Sunflower	2,541	19,378	26,466
Corn maize	1,215	9,950	8,084
Total spring crops	30,971	89,454	88,559
Total commercial crops	52,781	138,965	183,042
Forage crops	670	2,968	381
Total planted area	53,451	141,933	183,423

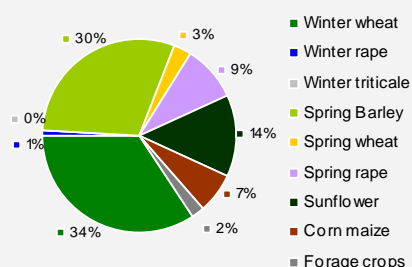
Average Gross Crop Yield

(ton/hectare)	2007	2008	2009
Winter wheat	3.3	4.3	3.5
Winter rape	1.3	1.8	1.6
Winter triticale	n/a	n/a	2.3
Spring barley	2	3.4	3.0
Spring wheat	n/a	2.9	2.3
Spring rape	0.9	1.4	1.4
Sunflower	2.4	1.4	1.8
Corn maize	5.5	2.6	3.4

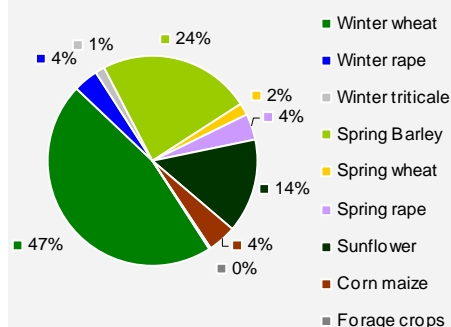
Gross harvest

(ton)	2007	2008	2009
Winter wheat	49,262	206,961	292,657
Winter rape	0	1,536	11,527
Winter triticale	n/a	n/a	6,432
Total winter crops	49,262	208,497	310,616
Spring barley	42,477	143,259	127,793
Spring wheat	0	12,779	8,764
Spring rape	12,859	18,761	9,708
Sunflower	3,815	27,742	46,602
Corn	1,311	26,088	27,823
Total spring crops	60,462	228,630	220,689
Total commercial crops	109,724	437,127	531,305
Forage crops	2,659	22,928	3,381
Total output	112,383	460,056	534,686

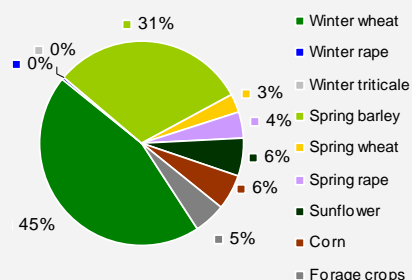
Breakdown of planted area 2008



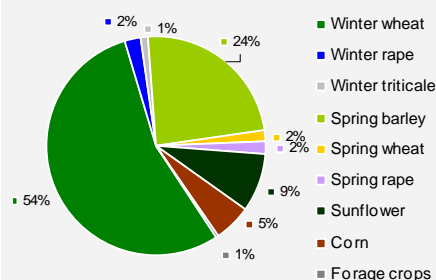
Breakdown of planted area 2009



Breakdown of gross harvest 2008



Breakdown of gross harvest 2009



The Share

Outstanding shares

As of 31 December 2009 the amount of outstanding shares was 124,601,667

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

Shareholders

The total number of shareholders, as of 31 December 2009, amounted to about 9,000.

Trade data for the period 1 Jan 2009 - 15 Feb 2010

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
5,416,016	220,591	194

Source: NASDAQ OMX

Top 5 shareholders per 31 December 2009

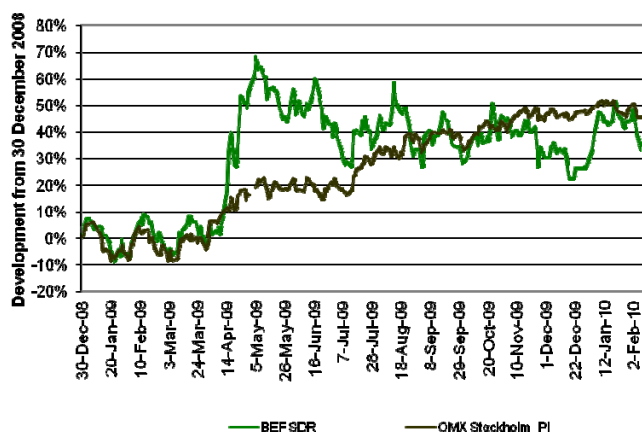
Owner	% of votes & capital
VOSTOK KOMI (CYPRUS) LTD¹	24.8%
KINNEVIK NEW VENTURES AB	20.9%
ALECTA PENSIONS FÖRSÄKRING	8.0%
LÄNSFÖRSÄKRINGAR	5.3%
DNB NOR BANK ASA²	2.4%

Source: Euroclear Sweden share registry & shareholders' reference

¹ Subsidiary of Vostok Nafta Investment Ltd.

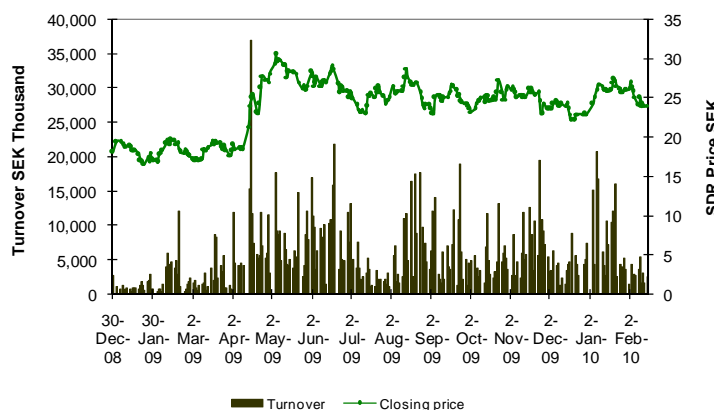
² In its capacity as nominee.

Share Performance vs Stockholm index



Source: NASDAQ OMX

Share Price and Turnover



Source: NASDAQ OMX

Black Earth Farming SDB

Price SEK/SDR 15 Feb 2010	Change 1 Month	Change 3 Months	52 Week High
24.00	-7.0%	-4.4%	31.00
	Change 6 Months	Change 1 Year	52 Week Low
	-13.0%	23.1%	16.00

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

Risks and Uncertainties are described in the annual report for 2008 on pages 32-33. The risks can be summarised as Risks relating to the Company, Risks relating to the Company's business and Risks relating to Russia. All significant risks and uncertainty factors that existed on 31 December 2008 also exist on 31 December 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

In thousands of

	RUR	RUR	RUR	RUR
	Year ended		Three months ended	
	31-Dec-	31-Dec-	31-Dec-	31-Dec-
	2009	2008	2009	2008
Notes	2009	2008	2009	2008
Continuing operations				
Revenue	2,394,743	698,905	896,875	193,359
(Loss)/gain on revaluation of biological assets and agricultural produce	(111,311)	152,663	(133,886)	(279,581)
Total revenue and gains	2,283,432	851,568	762,989	(86,222)
Cost of sales	(2,316,199)	(536,996)	(858,481)	(151,037)
Gross (loss)/profit	(32,767)	314,572	(95,492)	(237,259)
Distribution expenses	(302,646)	(242,126)	(75,655)	(104,521)
General and administrative expenses	(849,202)	(771,876)	(194,230)	(227,965)
Taxes other than on income	(22,379)	(18,475)	(7,903)	(5,052)
Other gains and losses	86,267	(6,556)	53,363	(24,284)
Other income and expenses	(40,482)	(66,612)	3,181	(22,825)
Operating loss	(1,161,209)	(791,073)	(316,736)	(621,906)
Financial income	151,136	308,610	6,502	74,379
Financial expenses	(295,831)	(255,417)	(68,346)	(72,904)
Loss before income tax	(1,305,904)	(737,880)	(378,580)	(620,431)
Income tax benefit/(expense)	14,107	20,501	(35,528)	23,619
Loss for the period from continuing operations	(1,291,797)	(717,379)	(414,108)	(596,812)
Discontinued operations				
Loss for the period from discontinued operations	0	(16,244)	-	(10,386)
Loss for the period	(1,349,293)	(733,623)	(414,108)	(607,198)
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,349,293)	(733,623)	(414,108)	(607,198)

Earnings per share (amounts are indicated in)

	RUR	RUR
From continuing and discontinued operations:	0	0
Loss per share, basic	(10.83)	(5.91)
Loss per share, diluted	(10.83)	(5.91)
From continuing operations:	0	0
Loss per share, basic	(10.37)	(5.78)
Loss per share, diluted	(10.37)	(5.78)

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 15 to 15.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

<i>In thousands of</i>		USD*	USD*	USD*	USD*
		Year ended		Three months ended	
	Notes	31-Dec- 2009	31-Dec- 2008	31-Dec- 2009	31-Dec- 2008
Continuing operations					
Revenue		79,180	23,109	29,654	6,393
(Loss)/gain on revaluation of biological assets and agricultural produce		(3,680)	5,048	(4,427)	(9,244)
Total revenue and gains		75,500	28,157	25,227	(2,851)
Cost of sales		(76,583)	(17,755)	(28,385)	(4,994)
Gross (loss)/profit		(1,083)	10,402	(3,158)	(7,845)
Distribution expenses		(10,007)	(8,006)	(2,501)	(3,456)
General and administrative expenses		(28,078)	(25,521)	(6,422)	(7,537)
Taxes other than on income		(740)	(611)	(261)	(167)
Other gains and losses		2,852	(217)	1,764	(803)
Other income and expenses		(1,339)	(2,203)	105	(755)
Operating loss		(38,395)	(26,156)	(10,473)	(20,563)
Financial income		4,997	10,204	215	2,459
Financial expenses		(9,781)	(8,445)	(2,260)	(2,411)
Loss before income tax		(43,179)	(24,397)	(12,518)	(20,515)
Income tax benefit/(expense)		467	677	(1,175)	781
Loss for the period from continuing operations		(42,712)	(23,720)	(13,693)	(19,734)
Discontinued operations					
Loss for the period from discontinued operations	0	(1,901)	(537)	-	(343)
Loss for the period		(44,613)	(24,257)	(13,693)	(20,077)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(44,613)	(24,257)	(13,693)	(20,077)

Earnings per share (amounts are indicated in)

		USD*	USD*
From continuing and discontinued operations:	0		
Loss per share, basic		(0.36)	(0.20)
Loss per share, diluted		(0.36)	(0.20)
From continuing operations:	0		
Loss per share, basic		(0.34)	(0.19)
Loss per share, diluted		(0.34)	(0.19)

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 15 to 15.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

<i>In thousands of</i>		RUR	RUR	USD*	USD*
	Notes	31-Dec-09	31-Dec-08	31-Dec-09	31-Dec-08
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment		5,597,529	4,407,639	185,078	145,734
Goodwill		234,321	238,164	7,748	7,875
Intangible assets		13,409	11,848	443	391
Loans issued		11,055	152,478	366	5,042
Biological assets (livestock)		20,289	28,225	671	933
Other non-current assets		100,497	263,993	3,323	8,729
Deferred tax assets		75,723	70,888	2,504	2,344
Total non-current assets		6,052,823	5,173,235	200,133	171,048
<i>Current assets</i>					
Inventories		848,923	1,496,473	28,069	49,480
Biological assets (crop production)		426,019	688,558	14,086	22,767
Trade and other receivables		510,702	580,321	16,886	19,188
Cash and cash equivalents		3,211,219	4,604,591	106,176	152,247
Total current assets		4,996,863	7,369,943	165,217	243,682
Total assets		11,049,686	12,543,178	365,350	414,730
EQUITY AND LIABILITIES					
<i>Equity</i>					
Share capital		32,921	32,898	1,089	1,088
Share premium		11,275,731	11,269,910	372,823	372,630
Reserves		126,930	94,107	4,197	3,112
Retained earnings		(2,691,651)	(1,342,358)	(88,997)	(44,384)
Total equity		8,743,931	10,054,557	289,112	332,446
LIABILITIES					
<i>Non-current liabilities</i>					
Non-current loans and borrowings	0	1,839,334	1,935,503	60,816	63,996
Deferred tax liabilities		26,795	48,133	886	1,591
Total non-current liabilities		1,866,129	1,983,636	61,702	65,587
<i>Current liabilities</i>					
Current loans and borrowings	0	181,735	344,206	6,009	11,381
Trade and other payables		257,891	160,779	8,527	5,316
Total current liabilities		439,626	504,985	14,536	16,697
Total liabilities		2,305,755	2,488,621	76,238	82,284
Total equity and liabilities		11,049,686	12,543,178	365,350	414,730

The condensed consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 15 to 15.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

<i>In thousands of</i>	RUR	RUR	RUR	RUR	RUR
	Share capital	Share premium	Equity-settled employee benefits reserve	Retained earnings	Total
Balance as at 1 January 2008	31,680	10,366,308	6,674	(608,735)	9,795,927
Issue of shares	1,218	903,602	-	-	904,820
Total comprehensive income for the period	-	-	-	(733,623)	(733,623)
Recognition of share-based payments	-	-	87,433	-	87,433
Balance as at 31 December 2008	32,898	11,269,910	94,107	(1,342,358)	10,054,557
Issue of shares (note 0)	23	5,821	-	-	5,844
Total comprehensive income for the period	-	-	-	(1,349,293)	(1,349,293)
Recognition of share-based payments	-	-	32,823	-	32,823
Balance as at 31 December 2009	32,921	11,275,731	126,930	(2,691,651)	8,743,931

<i>In thousand of</i>	USD*	USD*	USD*	USD*	USD*
	Share capital	Share premium	Equity-settled employee benefits reserve	Retained earnings	Total
Balance as at 1 January 2008	1,047	342,754	221	(20,127)	323,895
Issue of shares	40	29,877	-	-	29,917
Total comprehensive income for the period	-	-	-	(24,257)	(24,257)
Recognition of share-based payments	-	-	2,891	-	2,891
Balance as at 31 December 2008	1,088	372,630	3,112	(44,384)	332,446
Issue of shares (note 0)	1	193	-	-	194
Total comprehensive income for the period	-	-	-	(44,613)	(44,613)
Recognition of share-based payments	-	-	1,085	-	1,085
Balance as at 31 December 2009	1,089	372,823	4,197	(88,997)	289,112

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 15 to 15.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

<i>In thousands of</i>	Notes	RUR 12 m. 2009	RUR 12 m. 2008	USD* 12 m. 2009	USD* 12 m. 2008
OPERATING ACTIVITIES					
Loss for the period		(1,349,293)	(733,623)	(44,613)	(24,257)
<i>Adjustments for:</i>					
Income tax benefit		(14,107)	(12,011)	(466)	(397)
Depreciation and amortisation		398,026	182,747	13,160	6,042
Change in provision for doubtful receivables		23,425	-	775	-
Foreign exchange (gain)/loss		(79,735)	10,686	(2,636)	353
Interest income		(71,401)	(281,373)	(2,361)	(9,303)
Interest expense		295,831	244,731	9,781	8,092
Loss/ (gain) on disposal of property, plant and equipment and intangible assets		28,112	(22,380)	930	(740)
Warrant expense		32,823	87,433	1,085	2,891
Loss on disposal of subsidiaries		31,238	-	1,033	-
Loss on land write-off		-	57,580	-	1,904
Impairment of goodwill		3,843	-	127	-
(Reversal of reserve for land)/Impairment of land		(17,300)	26,927	(572)	890
Change in value of biological assets		111,311	(13,475)	3,680	(446)
Operating loss before changes in working capital		(607,227)	(452,758)	(20,077)	(14,971)
Decrease/(increase) in inventories		534,869	(1,154,566)	17,685	(38,175)
Decrease/(increase) in biological assets		264,511	-	8,746	-
Decrease/(increase) in trade and other receivables		50,533	(53,238)	1,671	(1,760)
Increase/(decrease) in trade payables and other short-term liabilities		106,069	(253,205)	3,507	(8,372)
Cash flows utilised in operating activities before income tax paid		348,755	(1,913,767)	11,532	(63,278)
Interest paid		(319,241)	(23,353)	(10,555)	(772)
Income tax paid		(8,522)	(3,587)	(282)	(119)
Net cash from/(utilised in) operating activities		20,992	(1,940,707)	695	(64,169)
INVESTING ACTIVITIES					
Interest received		75,048	263,529	2,481	8,713
Acquisition of subsidiaries		-	(399,760)	-	(13,218)
Acquisition of land plots		(223,388)	(404,634)	(7,386)	(13,379)
Acquisition of property, plant and equipment		(1,249,952)	(1,122,723)	(41,329)	(37,122)
Proceeds from disposal of property, plant and equipment		663	-	22	-
Acquisition of intangible assets		(13,853)	(4,961)	(458)	(164)
Purchase of investments		(477)	-	(16)	-
Proceeds from disposal of investments		141,900	355,521	4,692	11,755
Loans issued		-	(141,794)	-	(4,688)
Change in other non-current assets		-	(30,722)	-	(1,016)
Cash flows utilised in investing activities		(1,270,059)	(1,485,544)	(41,994)	(49,119)

FINANCING ACTIVITIES

Proceeds from the issue of shares		5,844	904,816	193	29,917
(Repurchase of bonds) / Proceeds from the issue of bonds	0	(358,323)	(113,375)	(11,848)	(3,749)
Loan repayment (AgroLipetsk)		-	(390,203)	-	(12,902)
Cash flows (utilised in)/from financing activities		(352,479)	401,238	(11,655)	13,266
Net decrease in cash and cash equivalents		(1,601,546)	(3,025,013)	(52,954)	(100,022)
Cash and cash equivalents at beginning of year		4,604,591	7,373,985	152,247	243,815
Effect of exchange rate fluctuations on cash and cash equivalents		208,174	255,619	6,883	8,452
Cash and cash equivalents at end of the period		3,211,219	4,604,591	106,176	152,245

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 Background

(a) Organisation and operations

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

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

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

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Seasonality

Agricultural production cycle (including selling of harvested crop) encompasses approximately eighteen months from the seeding stage - late August thru beginning of October for winter crops and beginning of April thru mid-May for spring crops - onto germination - April thru June followed by harvesting - early July thru mid-October culminating in storing and ultimately selling the harvested grain during late fall, winter and 1Q of the following calendar year.

As of 31 December 2009 the Group has completely harvested the entire crop seeded in the fall of 2008 and spring of 2009. Approximate thirty percent of the harvested crop has not been sold as of 31 December 2009 and remains stored in various owned and third-party grain elevators and warehouses. These unsold finished goods are valued at fair value less estimated point-of-sale costs.

During the 4th quarter 2009 the Group has resumed a new agricultural cycle and has seeded winter crops which will be harvested in fall 2010. These biological assets are currently valued on the basis of actual incurred costs due to the fact that little biological transformation has taken place.

Revenue from sales of crop production for the year ended 31 December 2009 include sales of entire 2008 crop production cycle together with a portion of 2009 crop production.

2 Basis of preparation

(a) Statement of compliance

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

(b) Functional and presentation currency

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

(c) Convenience translation

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

All amounts in the consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 31 December 2009 of RUR 30.2442 to USD 1. All financial information in USD has been rounded to the nearest thousand.

3 Significant accounting policies

The condensed financial statements have been prepared under historical cost convention, except that financial investments classified as available-for-sale are stated at fair value and biological assets measured at fair value less estimated point-of-sale costs.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008, except for the impact of the adoption of the Standards described below.

- *IFRS 8 Operating Segments*

IFRS 8 is a disclosure Standard that has resulted in a redefinition of the Group reportable segments, but had no impact on the reported results or financial position of the Group. The predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. The Group didn't disclose segment information in 2007-2008 as the Group has only one business segment – agricultural production – and all of the Group's cash-generating operations are in the Black Earth region of Russia. Since 2009 the Group reports segment information based of the geographic and sub-climactic split of the cropped areas in the four Black Earth regions.

- *Amendment to IAS 1 Presentation of Financial Statements*

The revised Standard has an impact on the presentation of the financial statements of the Group.

4 Discontinued operations

On 14 April 2009 the Group signed the contract for the sale of two subsidiaries – ZAO "Kaluga Agro-Invest" and OOO "Rus". ZAO "Kaluga Agro-Invest" has been an inoperative company serving as the parent company to OOO "Rus". The price stated in the contract is RUR 13 thousand (USD* 430).

(a) Result for the period from discontinued operations

The results of the discontinued operations included in the income statement are set out below. The historical loss for discontinued operations for the year ended 31 December 2008 has been presented solely for comparative purposes.

<i>In thousands of</i>	RUR 12 m. 2009	RUR 12 m. 2008	USD* 12 m. 2009	USD* 12 m. 2008
Revenue	1,284	5,368	42	177
Expenses	(21,783)	(22,712)	(719)	(750)
Loss on disposal	(37,067)	-	(1,226)	-
Loss before income tax	(57,566)	(17,344)	(1,903)	(573)
Income tax benefit	70	1,100	2	36
Loss for the period from discontinued operations	(57,496)	(16,244)	(1,901)	(537)

Loss on disposal besides the complete write-off of net assets pertaining to OOO "Rus" and ZAO "Kaluga Agro-invest" includes write-off of two promissory notes which were issued by ZAO "Kaluga Agro-Invest", then bought by the Group and which the Group does not expect to call back.

The disclosure of the loss on disposal is presented in the table below:

<i>In thousands of</i>	RUR	USD*
	31-Dec-09	31-Dec-09
Consideration received	13	0
Promissory notes written off	(5,621)	(186)
Net assets write-off		
- Property, plant and equipment	(14,825)	(490)
- Other non-current assets	(10,709)	(354)
- Inventories	(13,157)	(435)
- Trade and other receivables	(1,540)	(51)
- Cash and cash equivalents	(221)	(7)
- Trade and other payables	8,993	297
Loss on disposal	(37,067)	(1,226)

5 Acquisition of subsidiaries

In 2009 the Group has created an entity – Selino Agro-Invest LLC by investing RUR 100 thousand (USD* 3.3 thousand). Selino Agro-Invest has been created for the facilitation of land registration in Kursk region.

In 2008, the Group has obtained 100% ownership in five entities. A preliminary valuation of assets and liabilities was conducted on a provisional basis. During the reporting period, independent appraisers have concluded their formal valuation of these entities.

As a result of this valuation, the provisional value of identifiable net assets as at the date of acquisition decreased by RUR 185,419 thousand (USD* 6,131 thousand). As a result, goodwill increased from the provisional accounting of RUR 58,534 thousand (USD* 1,934 thousand) to the adjusted amount of RUR 238,164 thousand (USD* 7,874 thousand). The previously reported balance sheet as at 31 December 2008 has been adjusted in order to properly to reflect the final values from the date of acquisition.

The difference between the published and adjusted results is presented in the table below:

<i>In thousands of RUR</i>	Storozhevoye Agro	Usmanskaya zemlya	Agrolipetzsk	Agroterminal	Don	Total
Provisional accounting:						
Property, plant and equipment	198,345	108,282	232,731	296,447	8,596	844,401
Net assets at date of acquisition	199,570	99,856	64,510	47,355	(696)	410,595
Consideration paid	193,781	100,290	118,571	50,689	10	463,341
Goodwill	-	434	54,061	3,333	706	58,534
Negative goodwill written off	5,789	-	-	-	-	5,789
Adjusted results:						
Property, plant and equipment	109,348	99,463	195,005	246,570	8,596	658,982
Net assets at date of acquisition	110,573	91,037	26,784	(2,521)	(696)	225,177
Consideration paid	193,781	100,290	167,938	1,322	10	463,341
Goodwill	83,208	9,253	141,154	3,843	706	238,164
Negative goodwill written off	-	-	-	-	-	-
	Storozhevoye Agro	Usmanskaya zemlya	Agrolipetzsk	Agroterminal	Don	Total

In thousands of USD

Provisional accounting:						
Property, plant and equipment	6,558	3,580	7,695	9,802	284	27,919
Net assets at date of acquisition	6,598	3,302	2,133	1,566	(23)	13,576
Consideration paid	6,407	3,316	3,920	1,676	-	15,319
Goodwill	-	14	1,787	110	23	1,934
Negative goodwill written off	191	-	-	-	-	191
Adjusted results:						
Property, plant and equipment	3,616	3,289	6,447	8,153	284	21,789
Net assets at date of acquisition	3,656	3,010	886	(83)	(23)	7,446
Consideration paid	6,407	3,316	5,553	44	-	15,320
Goodwill	2,751	306	4,667	127	23	7,874
Negative goodwill written off	-	-	-	-	-	-

The acquired companies comprise a contiguous modern agro-industrial enterprise located in the Lipetsk region. The consideration paid for this combination reflects management's prior experience by creating viable agro-industrial clusters thru synergies and economies of scale.

On 31 December 2009 the Group assessed the recoverable amount of goodwill; Goodwill has been allocated for impairment testing purposes to the Agroterminal and AgroLipetsk cash-generating units. AgroLipetzsk cash-generating unit includes four companies – one operating company, AgroLipetzsk, and three land holding companies Storozhevoye Agro, Usmanskaya zemlya and Usman'. Furthermore, the recoverable amount of the cash generating units have been calculated in accordance with the discounted cash flow methodology (applying 20% discount rate before tax) and based upon prospective cash inflows for the next 7 years. The Group determined that goodwill related to AgroLipetzsk has not been impaired, while goodwill related to Agroterminal has been impaired by RUR 3,843 thousand (USD* 127 thousand). This impairment loss is included in line "State grants and other gains and losses" in Statement of comprehensive income.

As a result of these calculations, management has concluded that any reasonable detrimental change in the key assumptions on which the recoverable amount has been calculated will not in effect exceed the aggregate recoverable amount of the cash-generating unit.

6 Segment information

The Group has not adopted IFRS 8 Operating Segments previously, so these financial statements include the first adoption of IFRS 8.

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

The Group does not have reliable comparative data. The prior year segment reports included the result of the current year harvest (without last year stored goods and their sales), therefore the information is incommensurable, especially for the first and second quarter of 2008. The cost for compute relevant comparative figures would be excessive.

(a) Segment revenues and results

<i>In thousands of</i>	RUR Revenue 12 m. 2009	RUR Net result 12 m. 2009	USD* Revenue 12 m. 2009	USD* Net result 12 m. 2009
Agricultural companies				
- Voronezh region	655,337	(103,126)	21,668	(3,410)
- Kursk region	569,420	(203,453)	18,827	(6,726)
- Lipetsk region	523,782	(169,847)	17,318	(5,616)
- Tambov region	313,837	(128,325)	10,377	(4,243)
Management company				
- Moscow	306,821	(442,870)	10,145	(14,644)
Revenues from sales of other goods and services	25,545	-	845	-
Total	2,394,743	(1,047,621)	79,180	(34,639)
Prior year revaluation of biological assets in cost of goods sold		(31,158)		(1,030)
Additional administrative costs and director's salaries		(196,272)		(6,490)
Bad debt provision		(23,425)		(775)
Other income and expenses		79,771		2,638
Finance income, net		(144,695)		(4,784)
Loss for the period from discontinued operations		57,496		1,901
Loss before tax		(1,305,904)		(43,179)

The accounting principles of the reportable segments are not exactly the same as the Group's accounting policies according to IFRS. The profit before tax for the reportable segments was reconciled to the reported profit before tax as the accounting policies of the segments differ in the following areas:

- There has not been revaluation of biological assets and agricultural produce in segment reporting in 2008, therefore segment reports do not deduct previous (prior year) revaluation from Cost of sales;
- Segment reporting does not include additional administrative expenses related to Black Earth Farming Ltd (standalone).

(b) Segment assets

<i>In thousands of</i>	RUR 31-Dec-09	RUR 31-Dec-08	USD* 31-Dec-09	USD* 31-Dec-08
Agricultural companies				
- Lipetsk region	2,277,154	2,059,775	75,292	68,105
- Voronezh region	1,744,758	1,984,530	57,689	65,617
- Kursk region	1,613,649	1,608,046	53,354	53,169
- Tambov region	1,092,304	1,123,386	36,116	37,144
Management company				
- Moscow	1,755,844	1,305,316	58,056	43,159
Total segment assets	8,483,709	8,081,053	280,507	267,194
Corporate assets	2,565,977	4,462,125	84,843	147,536
Consolidated total assets	11,049,686	12,543,178	365,350	414,730

(c) Revenues from major products

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

<i>In thousands of</i>	RUR 12 m. 2009	RUR 12 m. 2008	USD* 12 m. 2009	USD* 12 m. 2008
Wheat	1,154,473	181,873	38,171	6,013
Sunflowers	576,359	20,174	19,057	667
Spring barley	328,369	300,193	10,857	9,926
Corn	123,202	5,138	4,074	170
Spring rape seed	72,985	24,948	2,413	825
Winter rape seed	71,948	108,217	2,379	3,578
Milk and meat	26,514	19,387	877	641
Waste grains	15,348	13,405	507	443
Other goods and services	25,545	25,570	845	846
	2,394,743	698,905	79,180	23,109

(d) Geographical information

The Group operates in the Russian Federation. The Group has a head office in Jersey; however the head office does not own any non-current assets and generates only financial income and expenses in addition to administration costs and directors' salaries. Therefore all non-current assets locate in Russia and all of the Group's operations are in Russia.

7 Dividends

The Company is not permitted to pay dividends until the bonds have been redeemed. Therefore, during the year 2009 no dividends were neither paid out nor declared.

8 Equity

(a) Share capital and share premium

The Group had 124,521,667 shares outstanding as at 31 December 2008. During 2009 there were two equity transactions:

- On 21 October 2009 the Group has undertaken a private placement (warrants vested) of 30,000 ordinary shares;
- On 10 November 2009 the Group has undertaken a private placement (warrants vested) of 50,000 ordinary shares.

There were no unpaid shares and as result the total amount of share capital increased by RUR 23 thousand (USD* 1 thousand) and amounted to RUR 32,921 thousand (USD* 1,089 thousand) as at 31 December 2009. The total amount of share premium increased by RUR 5,821 thousand (USD* 193 thousand) and amounted to RUR 11,275,731 thousand (USD* 372,823 thousand) as at 31 December 2009.

(b) Earnings per share

<i>The amounts are indicated in</i>	RUR 12 m. 2009	RUR 12 m. 2008	USD* 12 m. 2009	USD* 12 m. 2008
Profit/(loss) for the purpose of basic and diluted earnings per share				
Loss for the period from continuing and discontinued operations	(1,349,293,000)	(733,623,000)	(44,613,281)	(24,256,651)
Loss for the period from continuing operations	(1,291,797,000)	(717,379,000)	(42,712,223)	(23,719,556)
Weighted average number of ordinary shares for the purpose of basic earnings per share	124,537,500	124,090,417	124,537,500	124,090,417
Basic loss per share from continuing and discontinued operations	(10.83)	(5.91)	(0.36)	(0.20)
Basic loss per share from continuing operations	(10.37)	(5.78)	(0.34)	(0.19)

The effect of the Company's potentially dilutive securities is anti-dilutive. Accordingly, the diluted loss per share is the same as the basic loss per share for the years ended 31 December 2009 and 2008.

9 Repurchase and repayment of debt and equity securities

During 2009, the Group has repurchased a total of 832 units of its bonds at a weighted average of 97% of its nominal value. The Group has spent a total of RUR 381,300 thousand (USD* 12,607 thousand) which represented a total nominal value of RUR 358,323 thousand (USD* 11,848 thousand) and accrued interest of RUR 22,977 thousand (USD* 760 thousand). As a result of these transactions, the Group has realized a net gain of RUR 5,346 thousand (USD* 177 thousand).

On 15 March 2009 the first Interest Payment Date occurred and the Group paid annual interest payment at the amount of RUR 295,575 thousand (USD* 9,773 thousand).

As of 31 December 2009 the Group has in total repurchased 1,237 out of 5,500 bonds issued in 2007.

The management and Board of Black Earth Farming are currently in discussion with several parties regarding refinancing of all the outstanding bonds.

10 Contingencies and commitments

The Group continues to register land and build up its production and grain handling infrastructure which consist of stand-alone elevators, on-farm grain storage facilities and additional grain drying capacity. Investment in land includes registration expenditures towards ownership of already controlled land plots. Till the end of the 2010 year the Group plans to spend about RUR 175,101 thousand (USD* 5,790 thousand) on land-registration related expenditures. In accordance with 2010 capital investment program, the Group plans to spend RUR 246,630 thousand (USD* 8,155 thousand) on production equipment investments which consist of purchases of additional farm machinery and equipment and vehicles. During 2010, the Group has allocated RUR 974,953 thousand (USD* 32,236 thousand) in capital expenditures related to grain handling infrastructure which consist of stand-alone elevators, on-farm grain storage facilities and additional grain drying capacity.

11 Subsequent events

On December 21st, the Company has announced that it has recruited Mr. Alexei Bnatov as new General Manager of its Russian operating entity, Agro-Invest, to become effective as of March 1, 2010. Mr. Michael Shneyderman, who has been acting General Manager, will resume and fully focus on his position as Black Earth Farming Group's Chief Financial Officer. Alexei Bnatov has most recently held the position of Vice President & General Manager for CIS with the Russian subsidiary of Greif Inc. – an international leader in industrial packaging products and services, listed on the New York Stock Exchange. Mr. Bnatov has been with Greif since 1997. Before that, in 1992 – 1997 he worked as Business Unit Manager for the Russian subsidiary of AkzoNobel – an international manufacturing company specializing in chemicals production. Mr. Bnatov holds a degree in Commerce from the Moscow State Institute of International Relations and an MBA in Sales and Marketing from Ashridge Business School in Hertfordshire, UK.

Black Earth Farming Ltd

The Board of Directors and the managing director confirm that the interim report for the period 1 January – 31 December 2009 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, February, 25, 2010

Per Brilioth

Sture Gustavsson

Alex Gersh

Henrik Persson

Vladimir Averchev

Paul Wojciechowski

This report for the period 1 January – 31 December 2009 has not been subject to review by the Company's auditors.

FINANCIAL CALENDAR

Annual report 2009	10 April 2010
Interim Report 1 Jan – 31 Mar 2010	25 May 2010
Annual General Meeting 2010	26 May 2010
Interim Report 1 Jan – 30 Jun 2010	27 Aug 2010
Interim Report 1 Jan – 30 Sep 2010	26 Nov 2010

For further information contact:

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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.

“CIS”

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

“Crop year”

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

“Debt/Equity Ratio”

Total amount of long term borrowings divided by total shareholders' equity.

“EBITDA”

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

“Earnings per Share”

Net profit attributable to shareholders holding ordinary shares divided by the number of shares issued.

“Equity/Assets Ratio”

Total shareholders' equity divided by total assets.

“EU-27”

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

“Fallow land”

Land which is not being cultivated.

“FOB”

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

“Grains”

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

“Grain elevator”

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

“Land in Ownership”

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

“Land under control”

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

“Oblast”

An administrative region of Russia.

“Oilseeds”

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

“OOO”

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

“Operating Margin”

Operating income divided by net sales.

“Pai”

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

“Russian Export taxes”

There are currently no export taxes for wheat or barley. For Sunflowers and Oil seed rape there is a 20% export tax.

“SDR”

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

“VPC”

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

“Öhman”

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