Black Earth Farming Ltd
Year End Report
1 January – 31 December 2010

BLACK EARTH FARMING LTD.

POSITIVE TRENDS DESPITE SEVERE CONDITIONS

Highlights for 4Q 2010

- **Sales volumes of 56,349** tons, down 77% y-o-y due to exceptional drought and the majority of harvest still kept in inventory at the end of 2010.
- **Sales revenue** for the quarter down by 33% to RUR 602,854 thousand (USD* 19,781 thousand) versus RUR 896,875 thousand (USD* 29,428 thousand) the same period last year.
- **Continued price increase** with the average realized price per ton rising by 189% y-o-y to RUR 10,508 (USD* 345).
- **Operating loss** of RUR 579,595 thousand (USD* 19,017 thousand) compared to a loss of RUR 316,736 thousand (USD* 10,392 thousand) 2009. The result includes a non-recurring impairment of goodwill and PP&E of RUR 255,436 thousand (USD* 8,381 thousand).
- **Net loss** of RUR 610,024 thousand (USD* 20,016 thousand) compared to a loss of RUR 414,108 thousand (USD* 13,588 thousand) in 4Q 2009. The result includes RUR 32,192 thousand (USD* 1,056 thousand) of expenses related to costs in connection with Eurobond refinancing.

Highlights for FY 2010

- **Sales revenue** of RUR 1,430,038 thousand (USD* 46,922 thousand) compared with RUR 2,394,743 thousand (USD* 78,576 thousand) for same period last year. Sales volumes were down 55% to 277,694 tons predominantly relating to sales of the 2009 harvest during 1H 2010, while the average price received of RUR 4,989 (USD* 164) per ton was up 32% y-o-y.
- **Inventory** valuation of RUR 1,141,700 thousand (USD* 37,464, thousand) reflects the lower of cost or market methodology which effectively understates the market value of harvest kept in inventory by approximately RUR 135,052 thousand (USD* 4,432 thousand) based on market prices as of 31 December 2010.
- **Operating loss** of RUR 950,950 thousand (USD* 31,201 thousand) compared to a loss of RUR 1,161,209 thousand (USD* 38,101 thousand) in 2009. The result includes a non-recurring loss from impairment of goodwill and PP&E of RUR 255,436 thousand (USD* 8,381). Continued emphasis on costs controls resulted in a 30% decrease in operating costs per ha. G&A expenses were down 22% to RUR 659,425 thousand (USD* 21,637 thousand) compared to 2009.
- **Net loss for the period from continuing operations** amounted to RUR 1,294,247 thousand (USD* 42,466 thousand) compared to a loss of RUR 1,291,797 thousand (USD* 42,385 thousand) last year. Loss per share was RUR 10.39 (USD* 0.34) compared with a loss per share of RUR 10.37 (USD* 0.34) during the same period last year.

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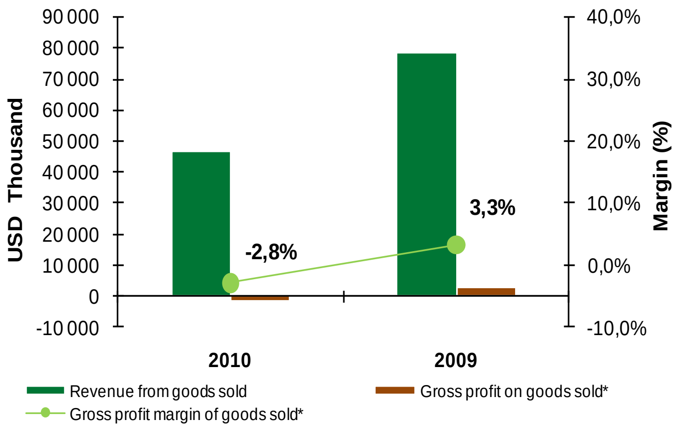
Reporting period in figures

Result *In thousands of*	RUR 12M 2010	RUR 12M 2009	Year-on-year change	RUR 4Q 2010	RUR 4Q 2009	Year-on-year Change
Revenue	1,430,038	2,394,743	-40%	602,854	896,875	-33%
Total revenue and gains	1,596,346	2,283,432	-30%	469,319	762,989	-38%
Gross profit[1]	-40,359	78,544	-151%	-13,461	38,394	-135%
Gross margin[2]	Neg.	3.3%	n/a	Neg.	4.3%	n/a
Operating result	-950,950	-1,161,209	-18%	-579,595	-316,736	83%
Operating margin	Neg.	Neg.	n/a	Neg.	Neg.	n/a
Result for the period from continuing operations	-1,294,247	-1,291,797	0%	-610,024	-414,108	47%
Result for the period from discontinued operations	0	-57,496	n/a	0	0	n/a
Result for the period	-1,294,247	-1,349,293	-4%	-610,024	-414,108	119%
Net margin in continuing operations	Neg.	Neg.	n/a	Neg.	Neg.	n/a
EBITDA[3]	-346,271	-798,710	-57%	-210,061	-179,970	17%
EBITDA Margin	Neg.	Neg.	n/a	Neg.	Neg.	n/a

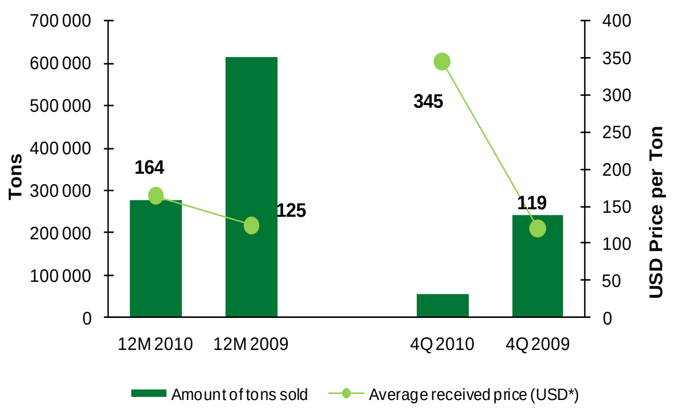
Result *In thousands of*	USD* 12M 2010	USD* 12M 2009	Year-on-year change	USD* 4Q 2010	USD* 4Q 2009	Year-on-year change
Revenue	46,922	78,576	-40%	19,781	29,428	-33%
Total revenue and gains	52,379	74,923	-30%	15,399	25,035	-38%
Gross profit[1]	-1,324	2,577	-151%	-442	1,260	-135%
Gross margin[2]	Neg.	3.3%	n/a	Neg.	4.3%	n/a
Operating result	-31,202	-38,101	-18%	-19,018	-10,393	83%
Operating margin	Neg.	Neg.	n/a	Neg.	Neg.	n/a
Result for the period from continuing operations	-42,466	-42,386	0%	-20,016	-13,588	47%
Result for the period from discontinued operations	0	-1,887	n/a	0	0	n/a
Result for the period	-42,466	-44,273	-4%	-20,016	-13,588	119%
Net margin in continuing operations	Neg.	Neg.	n/a	Neg.	Neg.	n/a
EBITDA[3]	-11,362	-26,207	-57%	-6,892	-5,905	17%
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
[3] EBITDA includes gain/loss on revaluation of biological assets and agricultural produce

Revenue versus Gross Profitability



Sales Volume versus Average Received Price



***Gross margin excluding gain/loss on revaluation of biological assets and agricultural produce**

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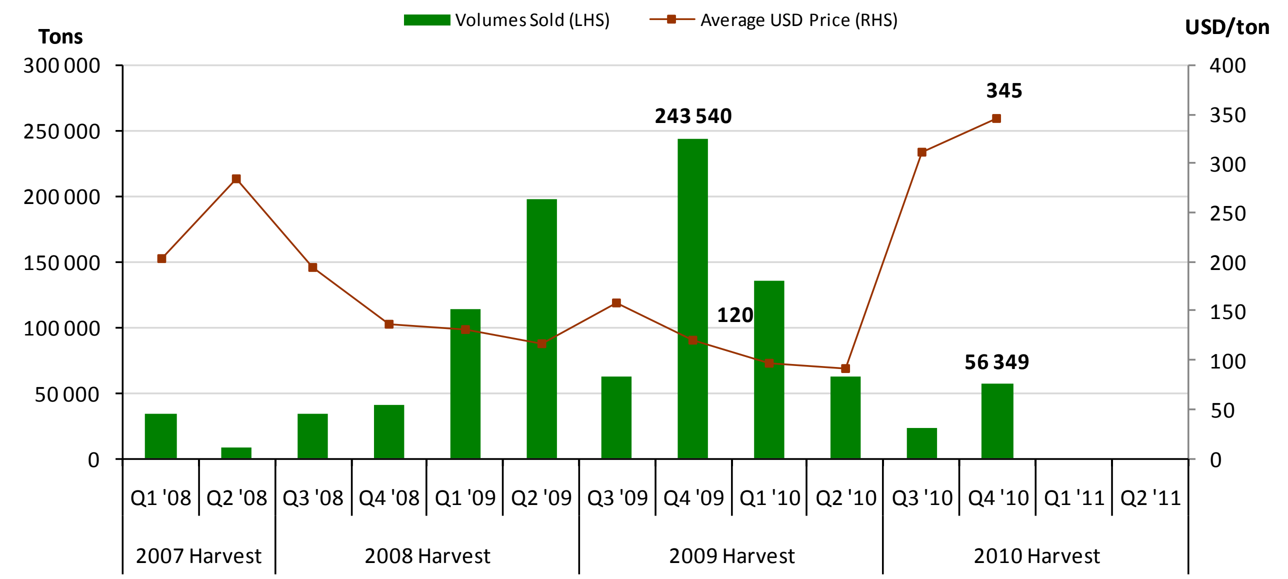
Reporting period in figures

Black Earth Farming Quarterly Sales Volume and Realized Average Price



Sales volume and price	2010	2009	4Q 2010	4Q 2009	2008	2007
Amount of tons sold	**227,694**	**617,360**	**56,349**	**243,540**	**117,066**	**58,274**
Year-on-year change	-55.0%	427.4%	-76.9%	-	100.9%	801.2%
Average received price per ton (USD*)	**164**	**125**	**345**	**120**	**184**	**202**
Average received price per ton (RUR)	**4,989**	**3,795**	**10,508**	**3,639**	**5,586**	**6,148**
Year-on-year change	31.5%	-32.1%	188.7%	-	-9.1%	71.7%

The realized price of USD* 345 per ton in 4Q 2010 has increased 189% year-on-year driven in part by the sales mix, but predominantly by this summer's heat wave in Russia. The sharp drop in total Russian grain and oilseed production has caused a supply shock resulting in broad based price increases for soft commodities compared to the first half of 2010. The average price for 12M 2010 is still relatively low at USD* 164 per ton given that the majority of the sales volume for the period consisted of wheat and barley from the 2009 harvest sold during 1H 2010.

Land holdings (thousand hectares)	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Land in the process of ownership registration with the relevant authorities	30	75	214	247
Land in registered ownership	250	216	95	29
Land under long-term lease agreements	48	39	8	13
Total amount of controlled land	328	330	317	289

Personnel	12M 2010	2009	2008	2007
Full-time employees at the end of the period	1,857	1,527	1,942	1,180
Average number of employees during the period	1,910	2,041	2,095	799

Operational Storage Capacity	31-Dec-10	31-Dec-09	31-Dec-08
Tons - On farm storage	281,000	204,000	82,000
Tons - Grain elevator storage	100,000	100,000	80,000
Total capacity as % of gross commercial production	100%	57%	37%

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CEO'S COMMENT

2010 has been a remarkable year underscoring the inherent volatility of the farming business as it relates to crop volumes and prices. We started the year in an environment of depressed prices globally as well as in Russia following 2 years of bumper harvests filling global stocks to ample levels. The market environment had drastically changed following the summer's prolonged Russian heat wave and the ensuing drought which resulted in Russia-wide crop loss on the territory in excess of 10 million hectares. Our operating region was at the center of this weather calamity which triggered the double digit rise in agricultural and soft commodity prices globally. Following shortage of grain harvest, the Russian government enacted an export ban which is set to set expire sometime in late 2011 following the results of 2011 harvest.

This extreme weather has had a significant impact on our financial performance for 2010. Sales revenue for the full year 2010 amounted to USD* 46.9 million which represents a 40% decline compared to 2009 largely due to significantly lower harvest volume (harvested volume declined by 58%). Total volume sold during 2010 declined 55% to 278 thousand tons, the majority (72%) of which were crops harvested in 2009 and sold during 1H 2010 at an average price of 95 USD* per ton. In contrast the sales of 2010 crops during 2H 2010 have been realized at USD* 343 per ton, which is partially a result of a higher proportion of more expensive oilseeds in the sales mix, but also reflects a run up in grain prices locally and world-wide following Russian drought (e.g. wheat price is up 93% year-on-year as of Q4 2010)

As of December 31, 2010 we have sold approximately 77 thousand tons of the 2010 harvest with 129 thousand tons of predominantly wheat remaining in inventory valued at USD* 25.1 million. Prices for wheat and barley, which represent 76% of the 2010 commercial harvest volumes, have continued their upward trend during Q4 2010 and into 2011 reaching USD* 230 to 250 per ton for wheat.

The operating loss excluding non-recurring expense items recognized during 2010 – such as goodwill impairment of USD 7.6 million and USD 890 thousand PPE write-off - in the amount of USD* 22.8 million while still unsatisfactory represents an improvement of 41% compared to the 2009 result.

General and administrative expenses declined by USD* 6.3 million or 22% year-on-year in 2010 reflecting our on-going measures in personnel, administrative and third party expenses. During Q4 G&A costs were reduced by 25% year-on-year; and these costs will remain a major focus of management's attention during 2011. Distribution expenses have been cut by USD* 6.4 million in 2010, as investments into internal storage capacity has significantly reduced costs for external storage and elevator services. On a per unit basis distribution costs were reduced by 21% year-on-year in 2010.

At the end of 2010 we have significantly strengthened our agricultural capabilities by appointing Richard Warburton as our interim Chief Operating Officer in order to further develop and enhance our operating efficiency. We are in the process of recruiting a permanent COO and in the meantime Mr. Warburton will bring his vast knowledge and experience of the sector to the position. In light of these changes our CFO Michael Sheyderman will also take on the responsibilities of General Manager at our Russian operating entity Agro-Invest.

As previously communicated we have about 100 thousand hectares planted with winter wheat which was well established going into winter. The area has had a decent snow cover during the winter but the key period affecting winter kill rates is now approaching when large temperature variances could have detrimental impact on germinating crops. Taking into account the planned spring campaign footprint, we expect to increase the total planted area for 2011 by approximately 32 percent vis-a-vis last year's cropped area.

With the positive outlook for grain prices, together with recent additions to the management team and our continued emphasis on further cost reductions, I have high hopes for significant improvements to our financial and operational performance in 2011.

On behalf of the Board - 22 February 2011
Sture Gustavsson
CEO and President

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The Market

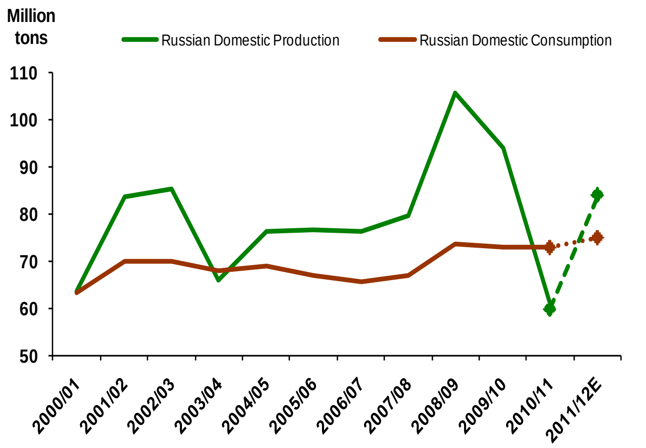
Wheat Price Development Jan 2010 to Date

Source: CBOT

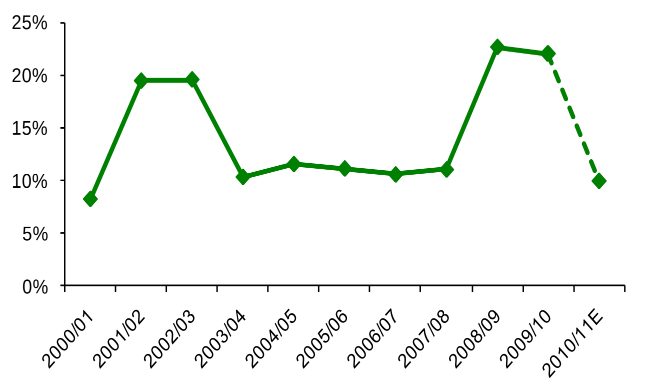
International grain and oilseed prices have trended higher during the fourth quarter of 2010 and in early 2011, with some crops at their highest mark for over two years. Markets were driven higher by concerns about supplies of quality milling wheat and the tightening outlook for maize and soybeans. In addition demand factors were also in effect as major importing countries in Northern Africa and the Middle East accelerated their purchases as a response to social unrest caused by soaring food prices.

World grain supplies are forecast to tighten in 2010/11 but the outlook is little changed since the end of 2010 according to the International Grains Council (IGC). Global production is expected to decline by 3.8% to 1,726 million tons versus a further rise in consumption to 1,787 million tons. However, at 1.4% the rise in consumption is flatter than in recent years. Ending global wheat stocks are set to drop by 7% for 2010/11 driven by this year's production short fall. The global stocks-to-use ratio of 28% remains quite ample at first glance, yet the stocks available for trade are significantly lower. The continued strong correlation between various crop prices will likely continue until the USDA releases its Prospective Plantings Report on March 31st.

Russian Supply and Demand of Grains



Russian Grain Stocks-to-Use Ratio



Source: IGC, IKAR, USDA

Russian domestic grain prices have followed international prices and continued to rise during the fourth quarter and going into 2011. The Government commenced distributing grains from its Intervention Fund in the beginning of February with ruble prices initially falling back slightly as a response. The intention is to release a total of 4.5 million tons, to be sold by tender until June 2011 as the distribution mechanism was readjusted after criticism from President Medvedev. This would leave about 4 million tons in Government stocks with the same amount in private stocks representing about 10% of consumption as a buffer for the coming production year. The decision on a potential extension of the export ban, currently in effect until July 1st, will be based upon the 2011 harvest outlook and resulting domestic supply/demand balance. Russian domestic prices for wheat in the central black earth region reached approximately RUR 7,300 (USD* 240) per ton in December 2010 compared to RUR 3,500 (USD* 115) per ton seen in beginning of the 2010.

After last year's sharp drop, the global wheat area is projected to rise by about 3%, boosted by higher prices and a return to more normal abandonment rates, especially in Russia. Assuming average yields, production is forecast to rise by 3.5% to 670 million tons. The outlook for northern hemisphere grains crops generally appears favourable at this early stage, although much will depend on the extent to which growers expand plantings of spring crops, especially maize and barley, and subsequent weather patterns.

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Financial Performance

Revenue

During 2010 revenue from sales of goods and services decreased 40% in comparison with 2009, and amounted to RUR 1,430,038 thousand (USD* 46,922 thousand) down from RUR 2,394,743 thousand (USD* 78,576 thousand) in 2009. This is due to lower volumes of grains sold from the previous year's inventory carry-over as well as lower volumes from 2010 crop sales. Sales of crops constituted 97% of revenue.

Revenue from realisation of goods and services from continuing operations	RUR thousand 12M 2010	RUR thousand 12M 2009	Year on year change	RUR thousand 4Q 2010	RUR thousand 4Q 2009	Year on year change
Revenues from sales of crop production	1,385,419	2,342,684	-40.9%	592,132	886,334	-33.2%
Revenue from sales of milk and meat	23,223	26,514	-12.4%	4,923	6,200	-20.6%
Revenues from sales of other goods and services	21,396	25,545	-16.2%	5,799	4,341	33.6%
Total	**1,430,038**	**2,394,743**	**-40.3%**	**602,854**	**896,875**	**-32.8%**

Revenue from realisation of goods and services from continuing operations	USD* thousand 12M 2010	USD* thousand 12M 2009	Year on year change	USD* thousand 4Q 2010	USD* thousand 4Q 2009	Year on year change
Revenues from sales of crop production	45,458	76,868	-40.9%	19,429	29,082	-33.2%
Revenue from sales of milk and meat	762	870	-12.4%	162	203	-20.6%
Revenues from sales of other goods and services	702	838	-16.2%	190	142	33.6%
Total	**46,922**	**78,576**	**-40.3%**	**19,781**	**29,428**	**-32.8%**

The Company sold 278 thousand tons during 2010, which is a 55% decrease from the 617 thousand tons sold during 2009. Crops sold during the full year period were mainly wheat and barley from the 2009 harvest. The sales of 2010 crops commenced in 2H 2010 and consisted mainly of sunflower seeds, wheat and rapeseeds.

Average local rouble prices received for crops sold in the fourth quarter 2010 were 189% higher than the same period in 2009 and up 11% quarter-on-quarter driven partially by a higher share of oilseeds in the sales mix. Fifty one percent of the crop volumes sold in the fourth quarter consisted of sunflower seeds which affected the average price positively. In addition wheat together with smaller volumes of barley and corn were sold in the fourth quarter. Despite the price increase fourth quarter revenues from sales of crop production decreased 33% compared to 2009 on the back of 77% lower sales volumes than in Q4 2009.

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Financial Performance

Revenue

Sales of crops Jan-Dec 2010	2009 harvest RUR Thousand	2009 harvest Tons	2010 harvest RUR Thousand	2010 harvest Tons	Total RUR Thousand	Total Tons	Average price 12M 2010 (RUR/ton)	*Average price 12M 2009 (RUR/ton)*
Sunflowers	-	-	424,865	28,889	424,865	28,889	14,707	*8,464*
Wheat	307,123	105,711	115,248	20,664	422,371	126,375	3,342	*3,353*
Spring barley	218,138	81,817	38,526	5,845	256,664	87,662	2,928	*2,348*
Spring rape seed	-	-	188,506	15,685	188,506	15,685	12,018	*6,723*
Corn	48,656	10,026	35,764	4,605	84,420	14,631	5,770	*3,578*
Waste grains	5,672	3,162	2,022	1,181	7,694	4,343	1,772	*1,694*
Winter rape seed	-	-	899	109	899	109	8,248	*6,688*
Total	**579,589**	**200,716**	**805,830**	**76,978**	**1,385,419**	**277,694**	**4,989**	***3,795***

Sales of crops Jan-Dec 2010	USD* Thousand	Tons	USD* Thousand	Tons	USD* Thousand	Tons	(USD*/ton)	*(USD*/ton)*
Sunflowers	-	-	13,941	28,889	13,941	28,889	483	*278*
Wheat	10,077	105,711	3,781	20,664	13,859	126,375	110	*110*
Spring barley	7,157	81,817	1,264	5,845	8,422	87,662	96	*77*
Spring rape seed	-	-	6,185	15,685	6,185	15,685	394	*221*
Corn	1,596	10,026	1,173	4,605	2,770	14,631	189	*117*
Waste grains	186	3,162	66	1,181	252	4,343	58	*56*
Winter rape seed	-	-	29	109	29	109	271	*219*
Total	**19,017**	**200,716**	**26,441**	**76,978**	**45,458**	**277,694**	**164**	***125***

Sales of crops Q4 2010	2009 harvest RUR Thousand	2009 harvest Tons	2010 harvest RUR Thousand	2010 harvest Tons	Total RUR Thousand	Total Tons	Average price Q4 2010 (RUR/ton)	*Average price Q4 2009 (RUR/ton)*
Sunflowers	-	-	424,417	28,859	424,417	28,859	14,707	*8,275*
Spring rape seed	-	-	1	37	1	37	27	*214*
Wheat	1,373	689	90,866	15,502	92,239	16,191	5,697	*2,950*
Spring barley	645	369	36,814	5,453	37,459	5,822	6,434	*1,915*
Corn	33	12	35,652	4,482	35,685	4,494	7,941	*3,864*
Waste grains	661	23	1,670	923	2,331	946	2,464	*1,088*
Winter rape seed	-	-	-	-	-	-	-	*-*
Total	**2,712**	**1,093**	**589,420**	**55,256**	**592,132**	**56,349**	**10,508**	***4,777***

Sales of crops Q4 2010	USD* Thousand	Tons	USD* Thousand	Tons	USD* Thousand	Tons	(USD*/ton)	*(USD*/ton)*
Sunflowers	-	-	13,926	28,859	13,926	28,859	483	*272*
Spring rape seed	-	-	0	37	0	37	1	*7*
Wheat	45	689	2,981	15,502	3,027	16,191	187	*97*
Spring barley	21	369	1,208	5,453	1,229	5,822	211	*63*
Corn	1	12	1,170	4,482	1,171	4,494	261	*127*
Waste grains	22	23	55	923	76	946	81	*36*
Winter rape seed	-	-	-	-	-	-	-	*-*
Total	**89**	**1,093**	**19,340**	**55,256**	**19,429**	**56,349**	**345**	***119***

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Financial Performance

Gain on Revaluation (Inventory)

As of 31 December, 2010 the Company had about 129 thousand tons of clean selling weight of harvested crops held in storage and recorded in inventory as finished product. The finished goods held in inventory is valued at RUR 763,477 thousand (USD* 25,051 thousand) as of 31 December 2010, and consisted mainly of wheat and barley harvested in 2010. In addition RUR 378,322 thousand (USD* 12,413) of raw materials and consumables resulted in total inventory value (excluding biological assets) of RUR 1,141,799 thousand (USD* 37,464 thousand).

Finished product/crops in inventory	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Tons	129,124	203,401	335,600	42,459

For the 12-month period ended 31 December 2009 to 31 December 2010 the Company booked a gain on revaluation of biological assets in the amount of RUR 166,308 thousand (USD* 5,457 thousand) compared with a loss of RUR 111,311 thousand (USD* 3,652 thousand) for the same period in 2009. The revaluation gain constitutes 10% of total revenues for the 12 month period 2010. Inventory valuation of RUR 1,141,700 thousand (USD* 37,464, thousand) reflects the lower of cost or market methodology which effectively understates the market value of harvest kept in inventory by approximately RUR 135,052 thousand (USD* 4,432 thousand) based on market prices as of December 31, 2010.

The revaluation of biological assets is performed 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. When calculating fair value of crops in inventory and subsequently gain on revaluation of crop in inventory, the lowest value of cost or market value is used. Market prices from the Russian Chamber of Commerce and Industry as of the reporting date are used for the different crops and crop classes.

Balance value of crop production (Inventories) *In thousand of*	RUR 31-Dec-10	RUR 31-Dec-09	USD* 31-Dec-10	USD* 31-Dec-09
Finished goods	763,477	594,008	25,051	19,490
Raw materials and consumables	378,322	254,915	12,413	8,364
Biological assets	409,969	425,884	13,452	13,974
Total	**1,551,768**	**1,274,807**	**50,916**	**41,829**

Below are the prices (including VAT) used for valuing the inventory of the most important crops as of 31 December 2010. As a reference the price development prior to and after 31 December 2010 has also been included.

Crop Prices	*RUR/ton 31-Jan-2011*	**RUR/ton 31-Dec-2010**	*RUR/ton 31-Sep-2010*	*RUR/ton 30-Jun-2010*	*RUR/ton 31-Mar-2010*	*RUR/ton 31-Dec-2009*
Wheat-3 class	*7,550*	7,355	6,394	*3,675*	*3,700*	*3,700*
Wheat-4 class	*7,380*	7,175	6,085	*3,470*	*3,300*	*3,300*
Wheat-5 class/feed	*7,310*	7,010	5,890	*3,230*	*2,800*	*2,800*
Corn	*8,300*	8,670	6,650	*5,125*	*4,500*	*4,500*
Barley-Malting	-	11,000	8,883	*3,000*	*3,500*	*3,500*
Barley-Feed	*9,020*	8,630	6,565	*2,230*	*2,100*	*2,100*
Rape seed	-	16,000	12,000	*8,500*	*6,700*	*6,700*
Sunflower seed	21,100	20,980	16,200	*11,733*	*9,900*	*9,900*

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Financial Performance

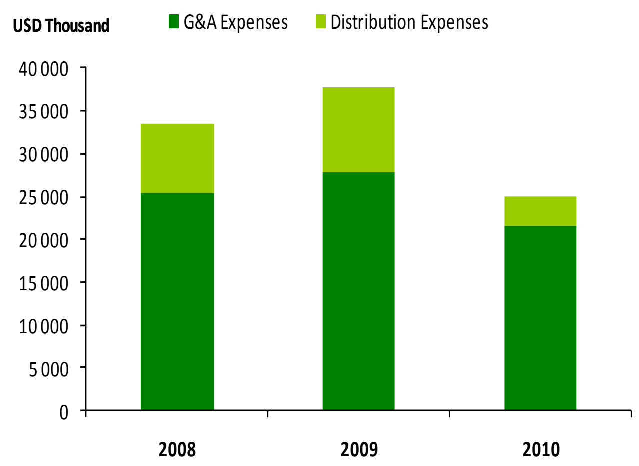
Costs

During 2010 costs per planted hectare have decreased significantly by over 30%. However, following the poor crop yield development, unit production costs per ton has increased substantially during 2H 2010 as 2010 crops have been sold. Cost of sales for 2010 amounted to RUR 1,470,397 thousand (USD* 48,246 thousand) compared to RUR 2,316,199 thousand (USD* 75,999 thousand) in 2009. The decrease is a result of lower sales volumes and on a per unit basis cost of sales increased 41% year-on-year. Below is a breakdown of accounting cost of sales indicators per crop and ton for 12M 2010 which includes sales of both 2009 and 2010 harvested crops.

Cost of goods sold	RUR Thousand		USD* Thousand		Year on year change
	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010	Jan-Dec 2009	
Sunflowers	288,248	399,100	9,458	13,095	-27.8%
Wheat	427,506	1,191,948	14,027	39,110	-64.1%
Spring barley	226,986	415,363	7,448	13,629	-45.4%
Spring rape seed	198,490	73,422	6,513	2,409	170.3%
Corn	125,298	114,831	4,111	3,768	9.1%
Waste grains	4,567	7,111	150	233	-35.8%
Winter rape seed	1,767	78,376	58	2,572	-97.7%
Loss of crops	78,897	-			n/a
Land cultivation	59,841	-			n/a
Other	58,798	36,048	1,929	1,183	63.1%
Total	**1,470,397**	**2,316,199**	**43,694**	**75,999**	**-36.5%**

Cost of goods sold per ton indicators per crop	RUR per Ton		USD* per Ton		Year on year change
	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010	Jan-Dec 2009	
Sunflowers	9,978	5,861	327	192	70.2%
Wheat	3,383	3,462	111	114	-2.3%
Spring barley	2,589	2,970	85	97	-12.8%
Spring rape seed	12,655	6,763	415	222	87.1%
Corn	8,564	3,335	281	109	156.8%
Waste grains	1,051	785	35	26	34.0%
Winter rape seed	16,209	7,286	532	239	122.5%
Average	**5,295**	**3,752**	**174**	**123**	**41.1%**

Distribution, General & Administrative Expenses



Ongoing cost cutting initiatives are focused on fixed costs that do not directly affect crop yields and continue to yield positive results. Distribution expenses decreased 64% for 12M 2010 compared to the same period 2009 in part due to lower sales volumes. Yet distribution costs per ton sold in the 2010 were 21% lower than in 2009 which can be attributed to the Company's investments into own storage and handling capacity thus eliminating third party services. In addition general and administrative expenses 12M 2010 decreased 22% to RUR 659,425 thousand (USD* 21,637 thousand). For the fourth quarter the corresponding decline was 25% year-on-year to RUR 144,915 thousand (USD* 4,755 thousand).

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Financial Performance

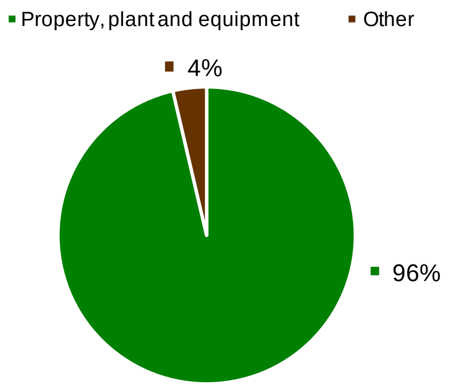
Assets

As of 31 December 2010 about 96% of the Company's non-current assets were made up of Property, plant and equipment which in turn is dominated by Land, Agricultural Machinery and Equipment. Construction in progress relates to the Company's construction of three new elevators and buildings stem from the completed construction of farm infrastructure such as grain hangars, dryers, cleaners etc.

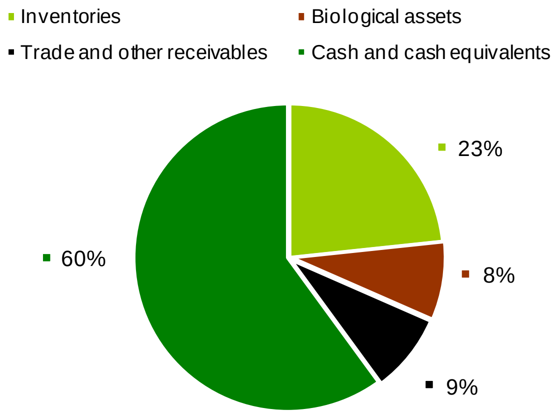
Property, plant and equipment 31 Dec 2010	RUR Thousand	USD* Thousand
Land	1,859,945	61,028
Buildings	945,370	31,019
Machinery, equipment	1,788,876	58,696
Vehicles	186,556	6,121
Fixtures and fittings	9,093	298
Construction in progress	1,132,415	37,157
Total	5,922,255	194,319

The Company had as of 31 December 2010 Cash and Cash equivalents of RUR 2,982,817 thousand (USD* 97,871 thousand) placed on deposit in different currencies with a variety of established banks. See annual report 2009, Note 33, for more in depth description of financial risk and management.

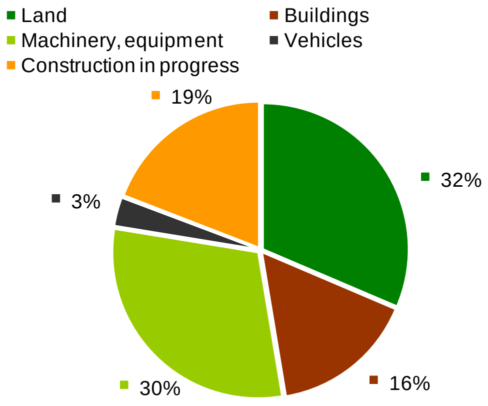
Non-current assets



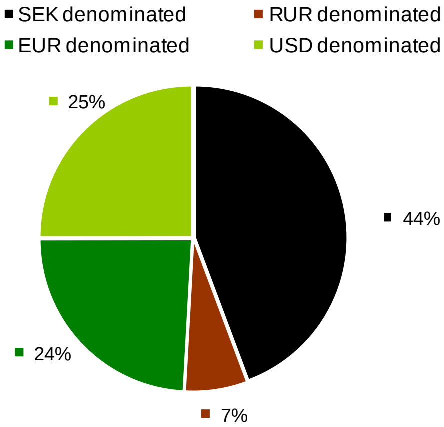
Current assets



Property, Plant and Equipment



Cash and cash equivalents



Equity

Ratios	31-Dec-10	31-Dec-09	30-Dec-08	31-Dec-07
Equity ratio, percent	67%	79%	80%	81%
Debt /Equity ratio, percent	44.0%	21.0%	19.30%	19.70%

Share data	RUR 31-Dec-10	RUR 31-Dec-09	USD* 31-Dec-10	USD* 31-Dec-09
Net asset value (Equity) thousands	7,481,710	8,743,931	245,488	286,904
Net asset value per Share	60.05	70.18	1.97	2.30
Basic profit/(loss) per Share	(10.39)	(10.83)	(0.34)	(0.36)

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Operational Performance

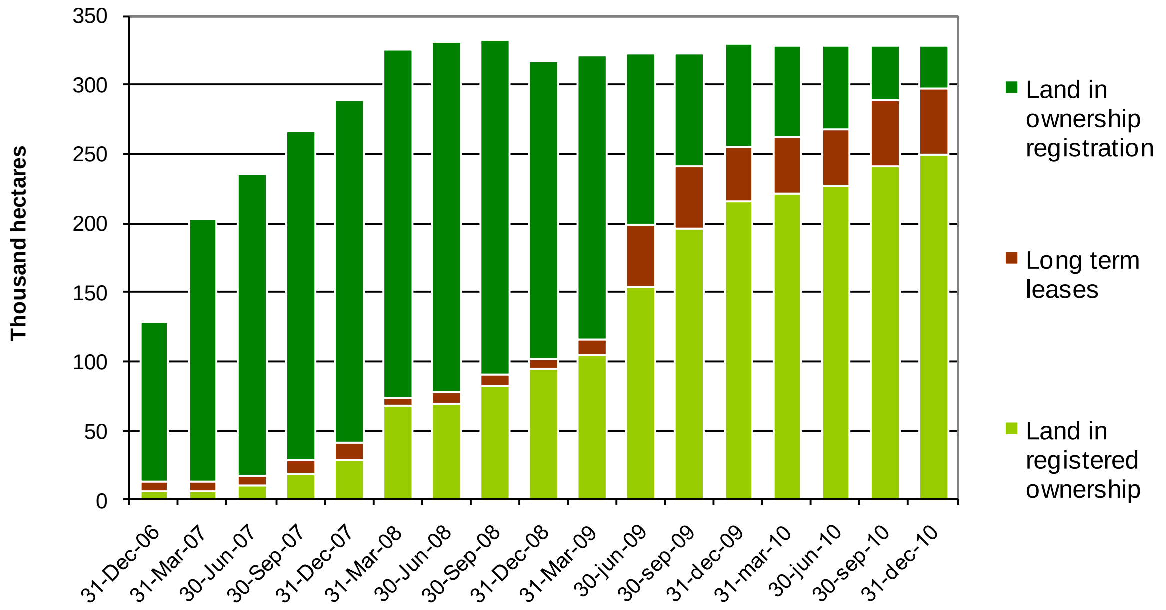
Land

Total land under control is unchanged from the third quarter and amounted to 328 thousand hectares as of 31 December 2010. The amount of land in ownership increased 4% compared to 30 September 2010, to 250 thousand hectares or 76% of total land under control. Since 31 December 2009 34 thousand hectares have been registered into ownership.

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 2009 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 target. Divestment of some less beneficial land assets as well as potential swaps of land with other external parties is a possibility as we seek to improve the overall quality and value of the Company's asset base, which may result in inter-quarterly figures showing a reduction in land holdings.

Land Holdings



Land holdings (thousand hectares)	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10	30-Sep-10	31-Dec-10
Land under control	317	321	322	323	330	328	328	328	328
Quarter-on-quarter change	*-4.7%*	*1.2%*	*0.3%*	*0.3%*	*2.2%*	*-0.6%*	*0.0%*	*0.0%*	*0.0%*
Land in long term lease	8.1	11	45	45	39	40	40	48	48
Quarter-on-quarter change	*0.0%*	*35.8%*	*309.1%*	*0.0%*	*-13.3%*	*2.6%*	*0.0%*	*20.0%*	*0.0%*
Land in registered ownership	95	106	154	196	216	222	228	241	250
Quarter-on-quarter change	*14.0%*	*11.6%*	*45.3%*	*27.3%*	*10.2%*	*2.8%*	*2.7%*	*5.7%*	*3.7%*

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Operational Performance

Production

The Company started harvesting on 8 July and as of 12 November 2010 the 2010 harvest had been fully completed with a total of 231 thousand tons of gross commercial harvest gathered from 180 thousand hectares. The resulting average gross crop yield spread over all cultures of 1.3 tons per hectare is a 56% decrease compared to 2.9 tons per hectare in 2009. A detailed breakdown per crop is provided in the table on page 13.

The 2010 production year suffered from several weather related effects. Starting in the autumn of 2009 dry conditions in some of the Company's regions affected germination negatively wherefore most of the winter rape succumbed during the winter. The following spring seeding started around April 10th which is later than normal due to the long and cold winter. This summer's heat wave in Russia however remains the key cause for the sharp drop in yields 2010. From the middle of June 2010 temperatures in all Black Earth Farming's regions climbed substantially over the norm with very little rainfall. The extraordinary heat wave and drought conditions for such an extended period of time have not been seen in these regions for over 100 years.

The extremely dry conditions during an extended time period, together with gusty winds exacerbating the situation, caused the crops to halt the germination process altogether. The extreme conditions severely impeded the crop yields as well as the total harvested area for 2010. Due to the state of the crops in some fields it was deemed uneconomical to harvest the areas in worst condition altogether. The volumes and the quality would have been too low wherefore costs associated with harvesting were not taken. Thus the harvested area of some 180 thousand hectares represents a decrease compared to 2009.

Final clean weight of commercial crops amounted to approximately 225 thousand tons. The quality proportions of the wheat harvest is similar to last year with about 60% consisting of 3rd class milling wheat and only 12% of 5th grade feed quality. Seed retention practice has continued as last year, i.e. finished commercial product has been used as planting seeds for next year's wheat harvest instead of being sold on the market. Seed retention this year amounted to 16 thousand tons of wheat representing almost the entire seeding requirement.

For 2011 about 100 thousand hectares have been planted with winter wheat which was well established going into the winter. The area has had a decent snow cover during the winter but the key period affecting winter kill rates is now approaching when large temperature variances between day and night come into effect.

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Operational Performance

Production

For the 2011 harvest about 100 thousand hectares of winter wheat has been planted. The exact crop mix of the spring campaign is not yet finalized, however the total planted area for 2011 is planned to increase by approximately 32 percent year-on-year compared to the 2010 cropped area.

Production Development

Harvested Area Breakdown

(hectares)	2007	2008	2009	2010
Winter wheat	16,805	48,636	84,698	72,677
Winter rape	5,005	875	7,045	536
Winter triticale	n/a	n/a	2,740	302
Total winter crops	**21,810**	**49,511**	**94,483**	**73,515**
Spring barley	20,180	42,638	43,053	13,793
Spring wheat	n/a	4,339	3,824	10,157
Spring rape	7,035	13,149	7,132	29,051
Sunflower seeds	2,541	19,378	26,466	36,761
Soya	n/a	n/a	n/a	7,899
Corn maize	1,215	9,950	8,084	8,592
Total spring crops	**30,971**	**89,454**	**88,559**	**106,253**
Total commercial crops	**52,781**	**138,965**	**183,042**	**179,768**
Forage crops	*670*	*2,968*	*381*	*1,013*
Total harvested area	**53,451**	**141,933**	**183,423**	**180,781**

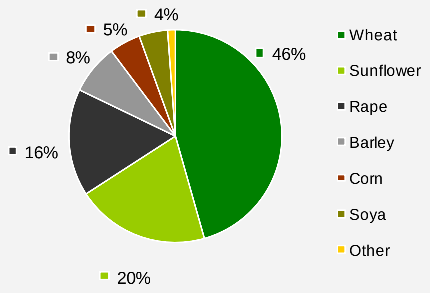
Average Gross Crop Yield

(tons/hectare)	2007	2008	2009	2010
Winter wheat	3.3	4.3	3.5	1.9
Winter rape	1.3	1.8	1.6	0.5
Winter triticale	n/a	n/a	2.3	0.8
Spring barley	2	3.4	3.0	1.4
Spring wheat	n/a	2.9	2.3	1.4
Spring rape	0.9	1.4	1.4	0.6
Sunflower seeds	2.4	1.4	1.8	0.8
Soya	n/a	n/a	n/a	0.3
Corn maize	5.5	2.6	3.4	0.7

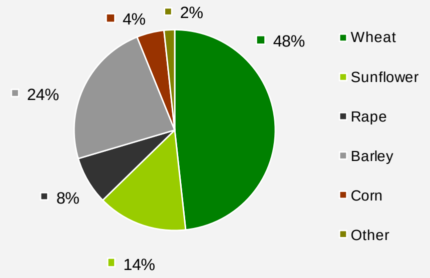
Gross Harvest

(tons)	2007	2008	2009	2010
Winter wheat	49,262	206,961	292,657	141,145
Winter rape	0	1,536	11,527	293
Winter triticale	n/a	n/a	6,432	249
Total winter crops	**49,262**	**208,497**	**310,616**	**141,687**
Spring barley	42,477	143,259	127,793	19,937
Spring wheat	0	12,779	8,764	14,008
Spring rape	12,859	18,761	9,708	16,822
Sunflower	3,815	27,742	46,602	30,849
Soya	n/a	n/a	n/a	2,306
Corn	1,311	26,088	27,823	5,797
Total spring crops	**60,462**	**228,630**	**220,689**	**89,717**
Total commercial crops	**109,724**	**437,127**	**531,305**	**231,404**
Forage crops	*2,659*	*22,928*	*3,381*	*3,686*
Total output	**112,383**	**460,056**	**534,686**	**235,090**

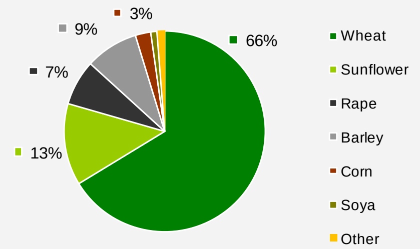
Breakdown of harvest area 2010



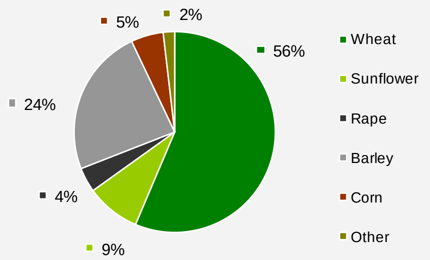
Breakdown of harvest area 2009



Breakdown of gross harvest 2010



Breakdown of gross harvest 2009



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The Share

Outstanding shares
As of 31 December 2010 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 2010, amounted to about 8,300.

Trade data for the period 1 Jan 2009 - 12 Feb 2010

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
4,718,168	**206,335**	**194**

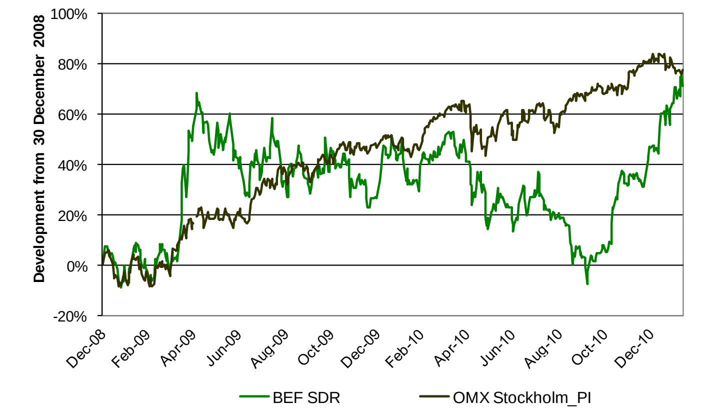
Source: NASDAQ OMX

Top 5 shareholders as of 31 December 2010

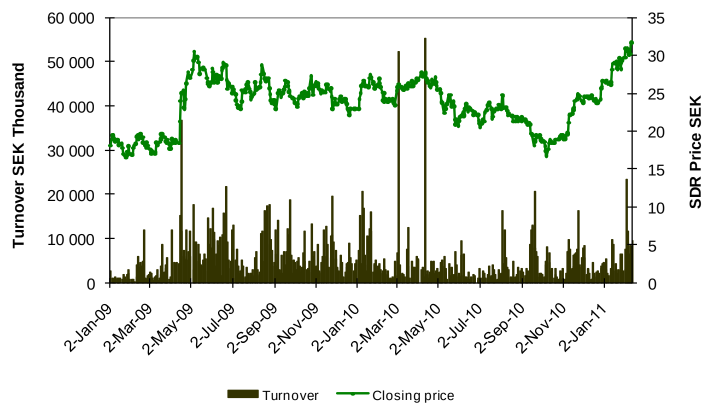
Owner	% of votes & capital
AB INVESTMENT KINNEVIK	**24.9%**
VOSTOK NAFTA INVESTMENT LTD	**24.8%**
ALECTA PENSION FUND	**9.3%**
DANSKE BANK[1]	**3.3%**
LÄNSFÖRSÄKRINGAR	**3.0%**

Source: Euroclear Sweden share registry & shareholders' reference
[1] *In its capacity as nominee.*

Share Performance vs. OMX Stockholm index



Share Price and Turnover



Black Earth Farming SDR			
Price SEK/SDR 11 Feb 2010	Change 1 Month	Change 3 Months	52 Week High
31.00	10.3%	39.0%	31.70
	Change 6 Months	Change 1 Year	52 Week Low
	38.4%	29.7%	16.70

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 2009. 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 2009 also exist on 31 December 2010.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME / (LOSS)
FOR THE YEAR ENDED 31 DECEMBER 2010

In thousands of		RUR	RUR	RUR	RUR
		Year ended		Three months ended	
	Notes	**31-Dec-2010**	**31-Dec-2009**	**31-Dec-2010**	**31-Dec-2009**
Continuing operations					
Revenue		1,430,038	2,394,743	602,854	896,875
Gain/(loss) on revaluation of biological assets		166,308	(111,311)	(133,535)	(133,886)
Total revenue and gains	5	1,596,346	2,283,432	469,319	762,989
Cost of sales		(1,470,397)	(2,316,199)	(616,315)	(858,481)
Gross profit/(loss)		**125,949**	**(32,767)**	**(146,996)**	**(95,492)**
Distribution expenses	6	(107,825)	(302,646)	(25,967)	(75,655)
General and administrative expenses		(659,425)	(849,202)	(144,915)	(194,230)
Taxes other than on income		(66,934)	(22,379)	(22,307)	(7,903)
State grants and subsidies		72,498	72,810	39,988	39,906
Impairment of goodwill and PPE		(255,456)	13,457	(255,456)	13,457
Other income and expenses		(59,757)	(40,482)	(23,942)	3,181
Operating loss		**(950,950)**	**(1,161,209)**	**(579,595)**	**(316,736)**
Financial income	8	30,413	151,136	8,850	6,502
Financial expenses	8	(434,960)	(295,831)	(83,333)	(68,346)
Loss before income tax		**(1,355,497)**	**(1,305,904)**	**(654,078)**	**(378,580)**
Income tax benefit/(expense)		61,250	14,107	44,054	(35,528)
Loss for the period from continuing operations		**(1,294,247)**	**(1,291,797)**	**(610,024)**	**(414,108)**
Discontinued operations					
Loss for the period from discontinued operations		-	(57,496)	-	-
Loss for the period and total comprehensive loss attributable to owners of the parent		**(1,294,247)**	**(1,349,293)**	**(610,024)**	**(414,108)**

Loss per share (amounts are indicated in)		RUR	RUR
From continuing and discontinued operations:	10		
Loss per share, basic		(10.39)	(10.83)
Loss per share, diluted		(10.39)	(10.83)
From continuing operations:	10		
Loss per share, basic		(10.39)	(10.37)
Loss per share, diluted		(10.39)	(10.37)

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 20 to 26.

** 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 (d).*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME / (LOSS)
FOR THE YEAR ENDED 31 DECEMBER 2010

In thousands of		USD*	USD*	USD*	USD*
		Year ended		Three months ended	
	Notes	**31-Dec-2010**	**31-Dec-2009**	**31-Dec-2010**	**31-Dec-2009**
Continuing operations					
Revenue		46,922	78,576	19,781	29,428
Gain/(loss) on revaluation of biological assets		5,457	(3,652)	(4,382)	(4,393)
Total revenue and gains	5	52,379	74,924	15,399	25,035
Cost of sales		(48,246)	(75,999)	(20,222)	(28,168)
Gross profit/(loss)		**4,133**	**(1,075)**	**(4,823)**	**(3,133)**
Distribution expenses	6	(3,538)	(9,930)	(852)	(2,482)
General and administrative expenses		(21,637)	(27,864)	(4,755)	(6,373)
Taxes other than on income		(2,196)	(734)	(732)	(259)
State grants and subsidies		2,379	2,389	1,312	1,309
Impairment of goodwill and PPE		(8,381)	442	(8,382)	442
Other income and expenses		(1,961)	(1,328)	(786)	104
Operating loss		**(31,201)**	**(38,100)**	**(19,018)**	**(10,392)**
Financial income	8	998	4,959	290	213
Financial expenses	8	(14,272)	(9,707)	(2,734)	(2,243)
Loss before income tax		**(44,475)**	**(42,848)**	**(21,462)**	**(12,422)**
Income tax benefit/(expense)		2,009	463	1,445	(1,166)
Loss for the period from continuing operations		**(42,466)**	**(42,385)**	**(20,017)**	**(13,588)**
Discontinued operations					
Loss for the period from discontinued operations		-	(1,888)	-	-
Loss for the period and total comprehensive loss attributable to owners of the parent		**(42,466)**	**(44,273)**	**(20,017)**	**(13,588)**
Loss per share (amounts are indicated in)		USD*	USD*		
From continuing and discontinued operations:	10				
Loss per share, basic		(0.34)	(0.36)		
Loss per share, diluted		(0.34)	(0.36)		
From continuing operations:	10				
Loss per share, basic		(0.34)	(0.34)		
Loss per share, diluted		(0.34)	(0.34)		

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 20 to 26.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

In thousands of		RUR	RUR	USD*	USD*
	Notes	**31-Dec-10**	**31-Dec-09**	**31-Dec-10**	**31-Dec-09**
ASSETS					
Non-current assets					
Property, plant and equipment		5,922,255	5,530,890	194,319	181,478
Goodwill		-	234,321	-	7,688
Intangible assets		10,336	13,409	339	440
Loans issued		1,431	11,055	47	363
Biological assets (livestock)		19,740	20,289	648	666
Other non-current assets		125,094	157,848	4,104	5,179
Deferred tax assets		128,352	75,723	4,211	2,485
Total non-current assets		**6,207,208**	**6,043,535**	**203,668**	**198,299**
Current assets					
Inventories		1,141,799	848,923	37,464	27,855
Biological assets (crop production)		409,969	425,884	13,452	13,974
Trade and other receivables		416,609	520,125	13,670	17,066
Cash and cash equivalents		2,982,817	3,211,219	97,871	105,366
Total current assets		**4,951,194**	**5,006,151**	**162,457**	**164,261**
Total assets		**11,158,402**	**11,049,686**	**366,125**	**362,560**
EQUITY AND LIABILITIES					
Equity					
Share capital		32,921	32,921	1,080	1,080
Share premium		11,275,731	11,275,731	369,976	369,976
Reserves		152,556	126,930	5,006	4,165
Accumulated deficit		(3,979,498)	(2,691,651)	(130,575)	(88,318)
Total equity attributable to owners of the parent		**7,481,710**	**8,743,931**	**245,487**	**286,903**
LIABILITIES					
Non-current liabilities					
Non-current loans and borrowings	7	3,297,387	1,838,091	108,193	60,311
Deferred tax liabilities		19,618	26,795	644	879
Total non-current liabilities		**3,317,005**	**1,864,886**	**108,837**	**61,190**
Current liabilities					
Current loans and borrowings	7	167,422	188,006	5,493	6,169
Trade and other payables		192,265	252,863	6,308	8,298
Total current liabilities		**359,687**	**440,869**	**11,801**	**14,467**
Total liabilities		**3,676,692**	**2,305,755**	**120,638**	**75,657**
Total equity and liabilities		**11,158,402**	**11,049,686**	**366,125**	**362,560**

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 20 to 26.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2010

In thousands of	RUR	RUR	RUR	RUR	RUR
	Share capital	**Share premium**	**Equity-settled employee benefits reserve**	**Accumulated deficit**	**Total equity attributable to owners of the parent**
Balance as at 1 January 2009	**32,898**	**11,269,910**	**94,107**	**(1,342,358)**	**10,054,557**
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(1,349,293)	(1,349,293)
Issue of shares	23	5,821	-	-	5,844
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**
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(1,294,247)	(1,294,247)
Recognition of share-based payments	-	-	32,026	-	32,026
Cancellation of warrants	-	-	(6,400)	6,400	-
Balance as at 31 December 2010	**32,921**	**11,275,731**	**152,556**	**(3,979,498)**	**7,481,710**

In thousands of	USD*	USD*	USD*	USD*	USD*
	Share capital	**Share premium**	**Equity-settled employee benefits reserve**	**Accumulated deficit**	**Total equity attributable to owners of the parent**
Balance as at 1 January 2009	**1,079**	**369,785**	**3,088**	**(44,045)**	**329,907**
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(44,273)	(44,273)
Issue of shares	1	191	-	-	192
Recognition of share-based payments	-	-	1,077	-	1,077
Balance as at 31 December 2009	**1,080**	**369,976**	**4,165**	**(88,318)**	**286,903**
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(42,466)	(42,466)
Recognition of share-based payments	-	-	1,050	-	1,050
Cancellation of warrants	-	-	(209)	209	-
Balance as at 31 December 2010	**1,080**	**369,976**	**5,006**	**(130,575)**	**245,487**

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 20 to 26.

** 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 (d).*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2010

In thousands of	Notes	RUR 12 m. 2010	RUR 12 m. 2009	USD* 12 m. 2010	USD* 12 m. 2009
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss for the period		(1,294,247)	(1,349,293)	(42,466)	(44,273)
Adjustments for:					
Income tax benefit		(61,250)	(14,107)	(2,009)	(463)
Depreciation and amortisation		361,964	408,284	11,877	13,397
Bad debt expense		10,822	23,425	355	769
Foreign exchange loss/(gain)		115,932	(79,735)	3,804	(2,616)
Interest income		(30,413)	(71,401)	(998)	(2,343)
Interest expense		286,836	295,831	9,412	9,707
Loss on disposal of property, plant and equipment and intangible assets		18,852	26,418	619	867
Warrant expense		32,026	32,823	1,050	1,077
Loss on disposal of subsidiaries		-	31,238	-	1,025
Impairment of goodwill/(reversal of land reserve)		255,456	(13,457)	8,382	(442)
Change in value of biological assets		(166,308)	111,311	(5,457)	3,652
		(470,330)	**(598,663)**	**(15,431)**	**(19,643)**
Movements in working capital:					
(Increase)/decrease in inventories		(103,980)	524,476	(3,412)	17,209
Decrease in biological assets		14,590	264,646	479	8,683
Decrease in trade and other receivables		99,036	41,110	3,250	1,349
(Decrease)/increase in trade payables and other short-term liabilities		(60,084)	101,041	(1,971)	3,315
Cash (used in)/generated by operations		**(520,768)**	**332,610**	**(17,085)**	**10,913**
Interest paid		(249,795)	(319,241)	(8,196)	(10,475)
Income tax paid		(2,673)	(8,522)	(88)	(280)
Net cash (used in)/generated by operating activities		**(773,236)**	**4,847**	**(25,369)**	**158**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		32,726	75,048	1,073	2,462
Acquisition of land plots		(70,049)	(219,288)	(2,298)	(7,195)
Acquisition of property, plant and equipment		(715,063)	(1,244,629)	(23,463)	(40,838)
Proceeds from disposal of property, plant and equipment		15,617	2,357	512	77
Acquisition of intangible assets		(5,231)	(13,853)	(172)	(455)
Purchase of investments		-	(477)	-	(16)
Proceeds from disposal of investments		1,095	141,900	36	4,656
Net cash used in investing activities		**(740,905)**	**(1,258,942)**	**(24,312)**	**(41,309)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of shares	7	-	5,844	-	192
Proceeds from the issue of bonds	7	1,905,622	-	62,526	-
Repurchase of bonds		(614,285)	(358,323)	(20,156)	(11,756)
Net cash generated by/(used in) financing activities		**1,291,337**	**(352,479)**	**42,370**	**(11,564)**
Net decrease in cash and cash equivalents		**(222,804)**	**(1,606,574)**	**(7,311)**	**(52,715)**
Cash and cash equivalents at beginning of period		3,211,219	4,604,591	105,366	151,085
Effect of exchange rate fluctuations on cash and cash equivalents		(5,598)	213,202	(184)	6,996
Cash and cash equivalents at end of the period		**2,982,817**	**3,211,219**	**97,871**	**105,366**

The condensed consolidated statement of cashflows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 20 to 26.

** 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 (d).*

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

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Russia and Russia's economy in general.

Laws and regulations affecting businesses in Russia continue to change rapidly. Tax, currency and customs legislation within Russia is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of Russia is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has significantly affected Russia's financial and capital markets in 2008 and 2009 has receded and Russia's economy returned to growth in 2010. However, significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment, or from decline in the oil and gas prices, could slow or disrupt Russia's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

(c) Seasonality

The 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 - October thru June followed by harvesting – early July thru mid-October culminating in storing and ultimately selling the harvested grain during late fall, winter and the first quarter of the following calendar year.

As of 31 December 2010, the Group completely harvested all crop seeded in the end of 2009 and spring of 2010. However, half of harvested crops has not been sold during the current year and remains stored on grain elevators and warehouses. These unsold finished goods are recorded at the lower of fair value, less estimated point-of-sale costs at date of harvest or net realisable value.

During the fourth quarter of 2010, the Group began a new agricultural cycle and seeded 2011 winter crops. 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 2010 included sales of 2009 crop production cycle on a par with 2010 crop production.

** 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 (d).*

2 Basis of preparation

(a) Statement of compliance

The condensed consolidated 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) Significant accounting policies

The condensed consolidated financial statements have been prepared under historical cost convention, except for biological assets measured at fair value less estimated point-of-sale costs at date of harvest.

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 2009.

(c) 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 condensed 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.

(d) Convenience translation

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

All amounts in the condensed consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 31 December 2010 of RUR 30.4769 to USD 1. All financial information in USD has been rounded to the nearest thousand.

3 Prior year changes

Certain prior year balances have been recast to conform to the current year presentation.

In thousands of RUR	As originally reported	Recast	Difference
Condensed Consolidated Statement of Financial Position as at 31 December 2009			
Property, plant and equipment	5,588,241	5,530,890	(57,351)
Other non-current assets	100,497	157,848	57,351

*In thousands of USD**	As originally reported	Recast	Difference
Condensed Consolidated Statement of Financial Position as at 31 December 2009			
Property, plant and equipment	183,360	181,478	(1,882)
Other non-current assets	3,297	5,179	1,882

During 2007-2008, the Company made advance payments in connection with preliminary land purchase agreements. The preliminary land purchase agreements were subsequently converted to long-term lease agreements during 2009. For this reason, the advance payments were reclassified from property, plant and equipment to other non-current assets.

4 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-climactic split of the cropped areas in the four Black Earth regions: Voronezh, Kursk, Lipetsk and Tambov. The Group also has one operating entity in Samara region, however, for segment reporting purposes it was included in Tambov, as the entity'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 USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (d).*

The parent company Black Earth Farming Ltd. is not included in any of the operating segments, as it does not generate revenue, therefore its assets and expenses have been reflected in the corporate segment of the assets and expenses.

In 2010, the Group added a new segment in operating report related to elevator's activity. The Elevator segment consists of two legal entities: Agroterminal (with working elevator containing 60 tons of capacity) and Nedvizhimost' (with three new elevators under construction). In 2010 the senior management emphasized "Elevator" as a standalone segment, as the Group had intended to use new elevators for 2010 harvest, therefore expenses and investments related to the elevators were taken under special control.

According to the geographic location, Agroterminal was aggregated in Lipetsk region's results in 2009. The head office of Nedvizhimost' was located in Moscow at the end of 2009 so its assets and results were aggregated to Moscow region in 2009. Prior year balances have been recast to conform to the current year presentation.

(a) Segment revenues and results

In thousands of	RUR Revenue from external sales **12m.2010**	RUR Inter-segment revenue **12m.2010**	RUR Net result **12 m.2010**	RUR Revenue from external sales **12m.2009**	RUR Inter-segment revenue **12m.2009**	RUR Net result **12m.2009**
Agricultural companies						
- Voronezh region	343,591	98,308	(158,331)	634,904	80,849	(121,452)
- Kursk region	233,997	298,291	(33,001)	467,996	133,328	(203,453)
- Lipetsk region (i)	302,639	193,630	(281,702)	436,376	142,188	(105,496)
- Tambov region	205,906	140,564	(64,455)	275,674	66,665	(128,325)
Elevators	9,174	46,634	31,219	28,840	51,236	(15,510)
Management company (Moscow)	334,731	91,369	(281,225)	550,953	61,262	(443,157)
Total for continuing operations	**1,430,038**	**868,796**	**(787,496)**	**2,394,743**	**535,528**	**(1,017,393)**
Prior year revaluation of biological assets in cost of goods sold			-			(31,158)
Central administration costs and director salaries			(166,788)			(196,272)
Other income and expenses			3,334			83,614
Finance cost, net			(404,547)			(144,695)
Loss before income tax (continuing operations)			**(1,355,497)**			**(1,305,904)**

In thousands of	USD* Revenue from external sales **12m.2010**	USD* Inter-segment revenue **12m.2010**	USD* Net result **12 m.2010**	USD* Revenue from external sales **12 m.2009**	USD* Inter-segment revenue **12m.2009**	USD* Net result **12 m. 2009**
Agricultural companies						
- Voronezh region	11,274	3,226	(5,195)	20,833	2,653	(3,985)
- Kursk region	7,678	9,787	(1,083)	15,356	4,375	(6,676)
- Lipetsk region (i)	9,930	6,353	(9,243)	14,318	4,665	(3,460)
- Tambov region	6,756	4,612	(2,115)	9,045	2,187	(4,211)
Elevators	301	1,530	1,025	946	1,681	(509)
Management company (Moscow)	10,983	2,998	(9,227)	18,078	2,010	(14,541)
Total for continuing operations	**46,922**	**28,506**	**(25,838)**	**78,576**	**17,571**	**(33,382)**
Prior year revaluation of biological assets in cost of goods sold			-			(1,022)
Central administration costs and director salaries			(5,473)			(6,440)
Other income and expenses			110			2,744
Finance cost, net			(13,274)			(4,748)
Loss before income tax (continuing operations)			**(44,475)**			**(42,848)**

** 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 (d).*

(i) Goodwill impairment of RUR 234,321 thousand (USD* 7,688 thousand) and RUR 3,843 thousand (USD* 126 thousand) for the periods ended 31 December 2010 and 2009, respectively, are included in the Lipetsk region net result.

Property, plant and equipment impairment of RUR 27,133 thousand (USD* 890 thousand) for the period ended 31 December 2010 was allocated to the following segments:

In thousands of	RUR **12 m.2010**	USD* **12 m.2010**
Agricultural companies		
- Voronezh region	4,338	142
- Kursk region	2,834	93
- Lipetsk region	12,385	406
- Tambov region	6,673	219
Elevators	903	30
	27,133	**890**

Reversal of land reserve of RUR 5,998 thousand (USD* 197 thousand) for the period ended 31 December 2010 was not allocated to the particular segment and was presented in "Other income and expenses" line in the reconciliation above.

The accounting policies of the reportable segments are the same as the Group's accounting policies according to IFRS. Segment profit represents the profit earned by each segment without allocation of revaluation of biological assets included in cost of goods sold, central administration costs and director salaries (Black Earth Farming Ltd.), other income and expenses and finance costs (net).

(b) Segment assets

In thousands of	RUR **31-Dec-10**	RUR **31-Dec-09**	USD* **31-Dec-10**	USD* **31-Dec-09**
Agricultural companies				
- Voronezh region	1,460,079	1,750,960	47,908	57,453
- Kursk region	1,745,554	1,619,851	57,275	53,150
- Lipetsk region	1,890,609	2,035,442	62,034	66,786
- Tambov region	1,169,698	1,098,506	38,380	36,044
Elevators	1,709,453	1,106,827	56,090	36,317
Management company (Moscow)	244,698	896,931	8,029	29,430
Total segment assets	**8,220,091**	**8,508,517**	**269,716**	**279,180**
Corporate assets	2,938,311	2,541,169	96,409	83,380
Consolidated total assets	**11,158,402**	**11,049,686**	**366,125**	**362,560**

(c) Revenues from major products

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

In thousands of	RUR **12 m. 2010**	RUR **12 m. 2009**	USD* **12 m. 2010**	USD* **12 m. 2009**
Sunflower seeds	424,865	576,359	13,941	18,912
Wheat	422,371	1,154,473	13,859	37,880
Spring barley	256,664	328,369	8,422	10,774
Spring rape seed	188,506	72,985	6,185	2,395
Corn	84,420	123,202	2,770	4,042
Milk and meat	23,223	26,514	762	870
Waste grains	7,694	15,348	252	504
Winter rape seed	899	71,948	29	2,361
Other goods and services	21,396	25,545	702	838
	1,430,038	**2,394,743**	**46,922**	**78,576**

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(d) Geographical information

The Group's business operations are concluded in the Russian Federation. The Group has a head office in Jersey, UK; however the head office owns no non-current assets and generates only financial income and expenses, and incurs administration costs and director salaries expenses. All non-current assets are located in Russia and all of the Group's operating activities are performed in Russia.

5 Revenue and gains

In thousands of	RUR **12 m. 2010**	RUR **12 m. 2009**	USD* **12 m. 2010**	USD* **12 m. 2009**
Revenue from sales of crop production	1,385,419	2,342,684	45,458	76,868
Revenue from sales of milk and meat	23,223	26,514	762	870
Revenue from sales of other goods and services	21,396	25,545	702	838
Gain/(loss) on revaluation of biological assets to agricultural produce	166,308	(111,311)	5,457	(3,652)
	1,596,346	**2,283,432**	**52,379**	**74,924**

The total amount of the revaluation of biological assets to agricultural produce for the year ended 31 December 2010 amounted to RUR 183,128 thousand (USD* 6,009 thousand). The Group used reports from the Russia Chamber of Commerce and Industry to determine the market price of agricultural produce at date of harvest less estimated point-of-sale expenses.

In thousands of	RUR **12m. 2010**	RUR **12m. 2009**	USD* **12m. 2010**	USD* **12m. 2009**
Fair value less point-of-sale costs at date of harvest	752,110	567,430	24,678	18,618
Actual production costs	(583,868)	(683,486)	(19,158)	(22,426)
Revaluation of biological assets to agricultural produce	**168,242**	**(116,056)**	**5,520**	**(3,808)**
Revaluation of dairy and meat live-stock	(1,934)	4,745	(63)	156
Gain on revaluation of biological assets to agricultural produce	**166,308**	**(111,311)**	**5,457**	**(3,652)**

6 Distribution expenses

In thousands of	RUR **12 m. 2010**	RUR **12 m. 2009**	USD* **12 m. 2010**	USD* **12m. 2009**
Transportation and delivery services	45,553	55,646	1,495	1,825
Storage services	22,562	141,163	740	4,632
Materials	7,089	17,674	233	580
Depreciation and amortization	6,368	10,258	209	337
Salary and social taxes	4,804	10,673	158	350
Elevator services	1,413	35,977	46	1,180
Other services	20,036	31,255	657	1,026
	107,825	**302,646**	**3,538**	**9,930**

Distribution expenses sharply decreased in part due to lower volumes harvested but also due to increased internal storage capacity which reduced the usage of third party services.

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7 Repurchase and repayment of debt securities

On 15 and 22 January 2010, the Group repurchased a total of 81 units of its bonds at a weighted average of 101% of its nominal value.

On 15 March 2010, the Group paid annual interest payment at the amount of RUR 218,883 thousand (USD* 7,199 thousand).

As at 30 June 2010, the Group repurchased 1,318 out of 5,500 bonds issued in 2007.

During July 2010, the Group redeemed the outstanding EuroBonds (4,182 bonds) at 101% of the nominal value. There were two ways to redeem: first by exchanging the Bonds for the new SEK bond (holders of 2,715 bonds accepted offer), and second by full redemption of 1,467 bonds.

As a result of the total redemption, the Group realized a net loss of RUR 31,752 thousand (USD* 1,044 thousand).

On 1 July 2010, the Group issued new Bonds with a nominal amount of SEK 750,000,000. The Bonds bear an interest coupon of 10%, payable annually on the anniversary date. The Bonds are due to be redeemed in 2014 and are listed at Nasdaq OMX Stockholm. The Bonds require that certain financial covenants be met.

8 Financial income and expenses

In thousands of	RUR **12 m. 2010**	RUR **12 m. 2009**	USD* **12 m. 2010**	USD* **12 m. 2009**
Financial income				
Interest income on deposits	30,413	66,055	998	2,168
Income from repurchase of bonds	-	5,346	-	175
Gain on foreign exchange differences	-	79,735	-	2,616
	30,413	151,136	998	4,959
Financial expenses				
Interest expense	(526)	(1,491)	(17)	(49)
Bond interest and discount amortization	(286,310)	(294,340)	(9,395)	(9,658)
Loss from repurchase of bonds	(32,192)	-	(1,056)	-
Loss on foreign exchange differences	(115,932)	-	(3,804)	-
	(434,960)	(295,831)	(14,272)	(9,707)
Net financial expense	**(404,547)**	**(144,695)**	**(13,274)**	**(4,748)**

9 Dividends

During the year ended 31 December 2010 no dividends were paid or declared.

10 Loss per share

The amounts are indicated in	RUR **12 m. 2010**	RUR **12 m. 2009**	USD* **12 m. 2010**	USD* **12 m. 2009**
Loss for the period	(1,294,247,000)	(1,349,293,000)	(42,466,491)	(44,272,646)
Weighted average number of ordinary shares	124,601,667	124,537,500	124,601,667	124,537,500
Basic loss per share (RUR/share, USD*/share)	(10.39)	(10.83)	(0.34)	(0.36)

The effect of the Company's potentially dilutive securities is anti-dilutive for the year ended 31 December 2010. Accordingly, the diluted loss per share is the same as the basic loss per share for the year ended 31 December 2010.

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11 Contingencies and commitments

The Group continues to register land and build its production as well as real estate portfolio, the latter mainly consists of grain storage and drying capacity. Investment in land includes mainly registration towards ownership of already controlled land plots. In 2011, the Group expects to spend approximately RUR 67,786 thousand (USD* 2,224 thousand) on land-related expenditures. Investments into production predominantly consist of purchases of agricultural machinery and equipment and vehicles. According to the Group's 2011 capital expenditure program, it plans to invest RUR 447,703 thousand (USD* 14,690 thousand) on production. Investment in infrastructure mainly includes grain storage facilities, internal drying capacity and other grain handling infrastructure. In 2011, the Group plans capital expenditures related to infrastructure in the amount of RUR 43,415 thousand (USD* 1,425 thousand).

12 Subsequent events

During the fourth quarter and until the date of publishing this report, prices for wheat and barley have risen significantly. Based upon market prices as at 31 December 2010, the net realizable value of the Group's grain as at 31 December 2010 amounted to RUR 887,162 thousand (USD* 29,109 thousand) as compared to the carrying value of RUR 768,930 thousand (USD* 25,230 thousand) presented in the statement of financial position.

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The Board of Directors and the managing director 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, February 22, 2010

Per Brilioth

Sture Gustavsson

Alex Gersh

Henrik Persson

Poul Schroeder

Magnus Unger

Richard Warburton

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Black Earth Farming Limited

Financial Calendar

Annual Report 2010	11 April 2011
Interim Report January-March 2011	25 May 2011
Annual General Meeting 2011	25 May 2011
Interim Report January-June 2011	26 August 2011
Interim Report January-September 2011	25 November 2011

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.