



**BLACK  
EARTH  
FARMING LTD.**

*Harvesting the potential in Russian farming*

**Q1 2011 Interim Report**

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# Outline

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- **Market Development**
- **Q1 2011 Financials**
- **2011 Crop Area**
- **Q&A**



# Market Development

## Widening Domestic Price Gap

- Domestic market uncertainty
- Government interventions
- Wheat price ex-works CBE: USD\* 180-195/t

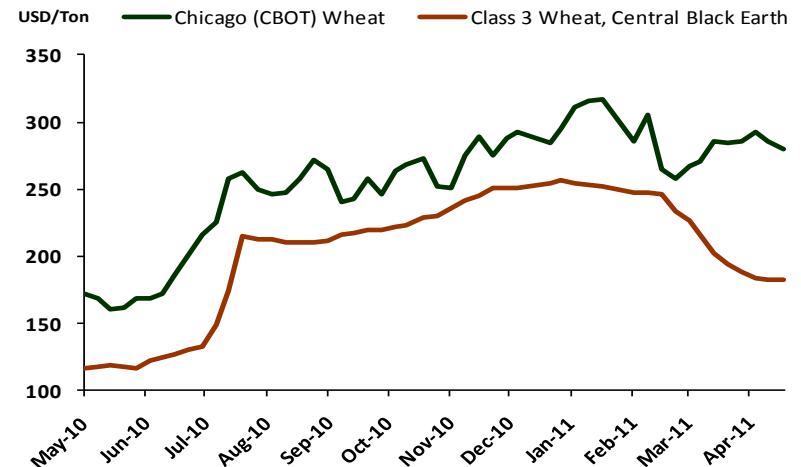
## Russian Grain Export Ban

- Officially ends July, Oct/Sep more likely
- Shift in market expectations in Feb released domestic stocks weighing on prices

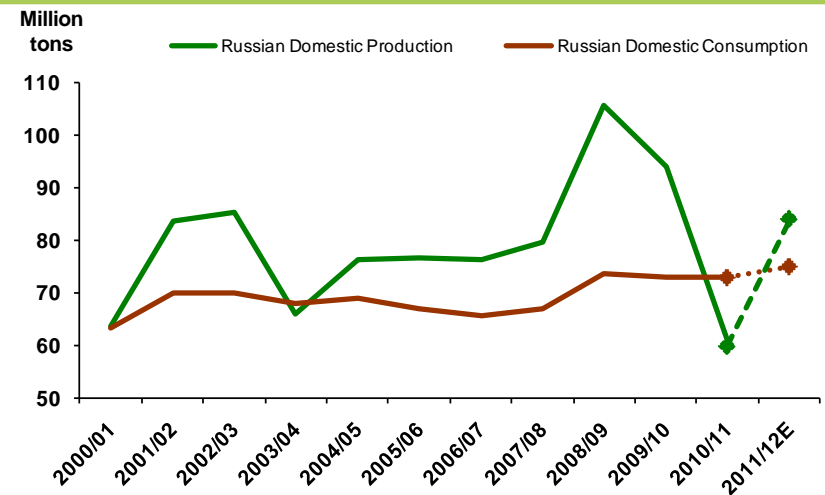
## Russian 2011 Harvest

- Total Russian grain area: ~ 44mn hectares
- Historical average yields imply surplus production and potential for exports in 2011/12

Domestic Wheat Price vs. International



Russian Supply & Demand of Grains



Source: CBOT, IKAR

# Q1 2011 Financial Summary

## Revenues & Gains

- Sales revenues of USD\* 4.5mn
  - 88% lower volumes sold y-o-y
- Inventory revaluation of USD\* - 3.5mn

## Costs

- Changed accounting policy affects COGS as crop inventory held at market value
- G&A expenses reduced further by 5% y-o-y

## Result

- Negative gross margin
- Current prices have not compensated for drought effect on 2010 crop yields

Income Statement		
USD* million	Q1 2011	Q1 2010
Sales Revenues	4.5	14.5
<i>Total Revenues &amp; Gains</i>	<i>1.1</i>	<i>13.7</i>
COGS	(5.1)	(13.8)
<b>Gross Result</b>	<b>(4.0)</b>	<b>0.0</b>
G&A Expenses	(5.4)	(5.7)
Distribution Expenses	(1.1)	(1.9)
Other Opex	(0.7)	(1.0)
<b>Operating Result</b>	<b>(11.2)</b>	<b>(8.6)</b>
<b>EBITDA</b>	<b>(8.6)</b>	<b>(4.3)</b>
<b>Net Income</b>	<b>(15.8)</b>	<b>(9.5)</b>

# Sales & Inventory

## Sales Volumes

- 17k tons sold in Q1
  - 75% wheat
  - 18% barley

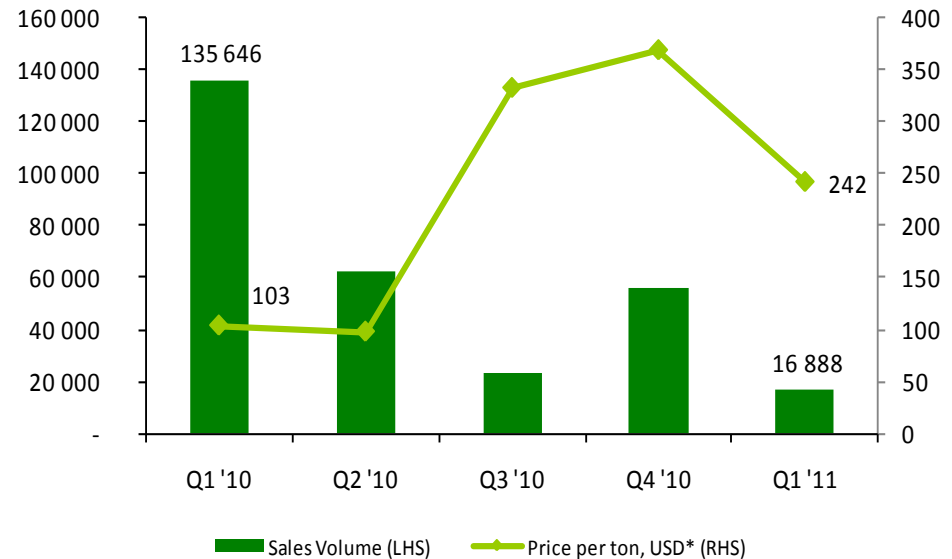
## Price

- Average price up 134% y-o-y to USD\* 242/t
- Realised wheat price: USD\* 222/t
- Russian grain prices down ~25% from the peak in February 2011

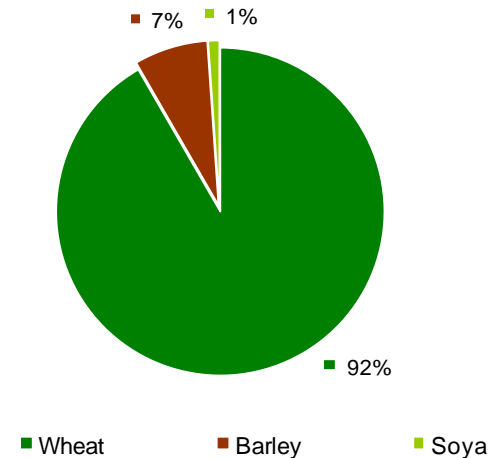
## Crop Inventory

- Inventory of 110k tons a/o Mar 31, 2011
- 48% of 2010 harvest volumes
- Market value of USD\* 23.2 million a/o Mar 31, 2011
- Negative USD\* 3.5mn revaluation in Q1 due to lower market prices a/o Mar 31

Sales Volumes and Average Price per Ton



Crop Inventory a/o Mar 31; 110 thousand tons



# Operating Costs

## ■ Cost of Goods Sold

- Changed accounting policy
  - Market value as of previous reporting date
- USD\* 275 per ton in Q1 2011

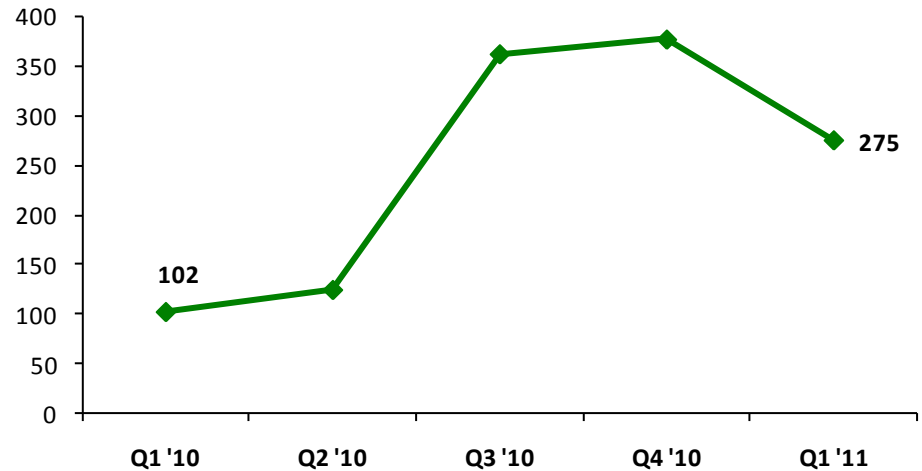
## ■ G&A Expenses

- Down by 5% y-o-y to USD\* 5.4mn
- Personnel costs reduced by 15% y-o-y to USD\* 3.3mn

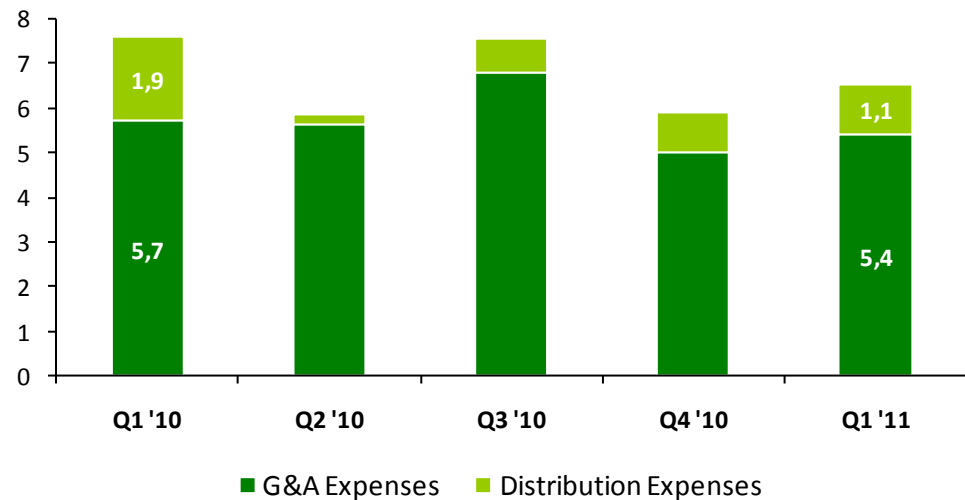
## ■ Distribution Expenses

- USD\* 1.0mn depreciation charge
- Commissioning of newly constructed elevators

USD\*/ton



USD\* million



# Q1 2011 Results

## ■ Low Q1 Revenues

- Sales volumes
- Negative crop inventory revaluation

## ■ Negative Gross Margin

- Current price increases have not compensated for drought effect on 2010 crop yields

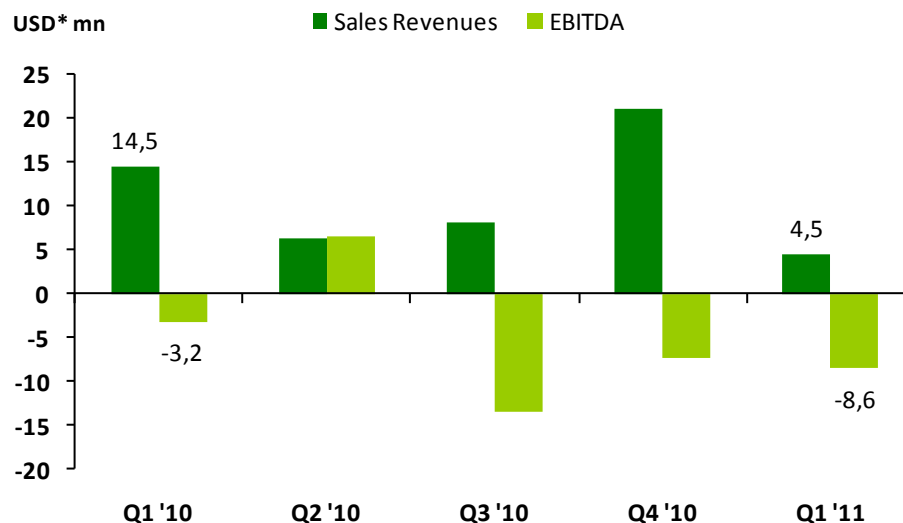
## ■ Operating Loss of USD\* 11.2mn

- EBTIDA of USD\* -8.6mn (inc. Inventory revaluation)

## ■ Net Loss of USD\* 15.8mn

- USD\* 4.7mn net financial expense
- USD\* 1.9mn currency translation effect

Income Statement		
USD* million	Q1 2011	Q1 2010
Sales Revenues	4.5	14.5
Revenues & Gains	1.1	13.7
<b>Gross Result</b>	<b>(4.0)</b>	<b>0.0</b>
SG&A Expenses	(6.5)	(7.6)
Other Opex	(0.7)	(1.0)
<b>Operating Result</b>	<b>(11.2)</b>	<b>(8.6)</b>
<b>EBITDA</b>	<b>(8.6)</b>	<b>(4.3)</b>
<b>Net Income</b>	<b>(15.8)</b>	<b>(9.5)</b>



# Financial Position

## ■ Fixed Assets

- Land: 326k hectares, 252k in ownership
- Buildings (Storage facilities)
- Machinery & Equipment

## ■ Inventories

- 2010 crop inventory: USD\* 23.2mn
- Biological assets (2011 crops at cost): USD\* 18.2mn
- Raw materials: USD\* 22.1mn

## ■ Cash Position

- USD\* 87.1mn

## ■ Debt

- Debt/Equity ratio: 53%
- Net debt of USD\* 38mn
- Interest bearing debt: SEK 750mn bond @ 10% maturing in 2014

## Statement of Financial Position

USD* Million	31 Mar 2011	31 Dec 2010
<i>Land</i>	66.1	65.4
<i>Buildings</i>	70.9	71.6
<i>Machinery &amp; Equipment</i>	63.2	62.9
<b>Total Fixed Assets</b>	<b>219.8</b>	<b>218.3</b>
<i>Cash</i>	87.1	104.9
<i>Inventories</i>	63.6	58.9
<b>Total Current Assets</b>	<b>166.4</b>	<b>178.5</b>
<b>Total Assets</b>	<b>386.1</b>	<b>396.9</b>
<i>Interest Bearing Debt</i>	125.1	121.9
<b>Total Liabilities</b>	<b>134.4</b>	<b>129.3</b>
<b>Equity</b>	<b>251.2</b>	<b>267.5</b>
<b>Total Equity &amp; Liabilities</b>	<b>386.1</b>	<b>396.9</b>

# 2011 Crop

## ■ Total Planned Area 2011

- 235 thousand hectares of commercial crops
- Similar crop mix to 2010

## ■ Winter Wheat

- 97k ha in general good condition
- Low winter kill due to favourable conditions

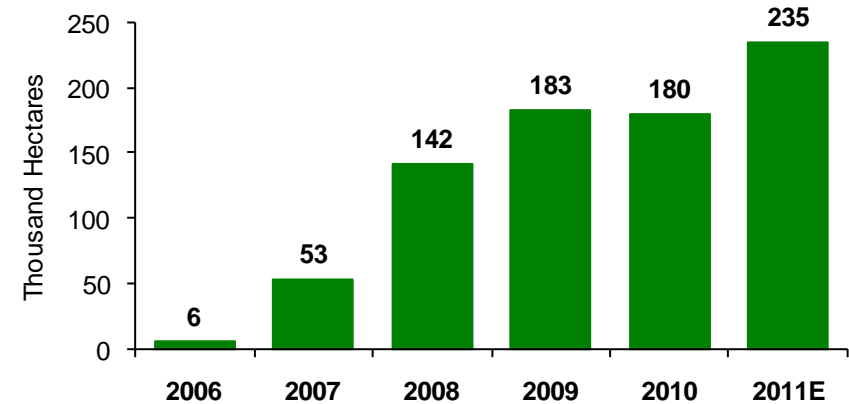
## ■ Spring Seeding

- Late start to spring
- 90% out of 138k ha seeded a/o May 18

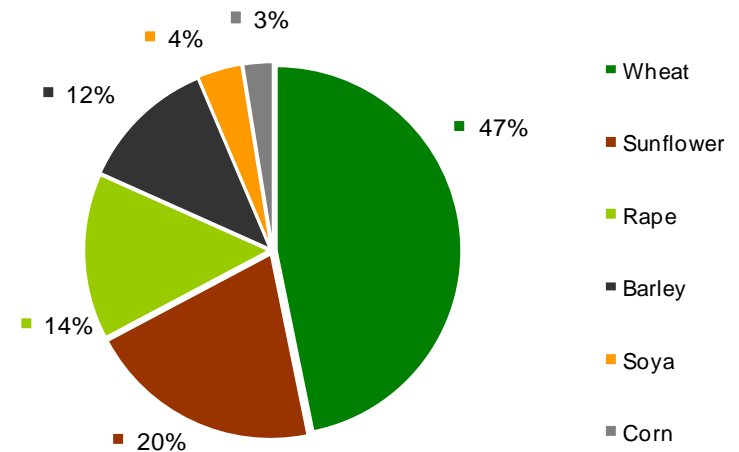
## ■ Forward Sales

- Oilseeds contracted for exports
- Malting barley with domestic brewers

Commercial Crop Area Development



2011 Crop mix





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**Q&A**

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