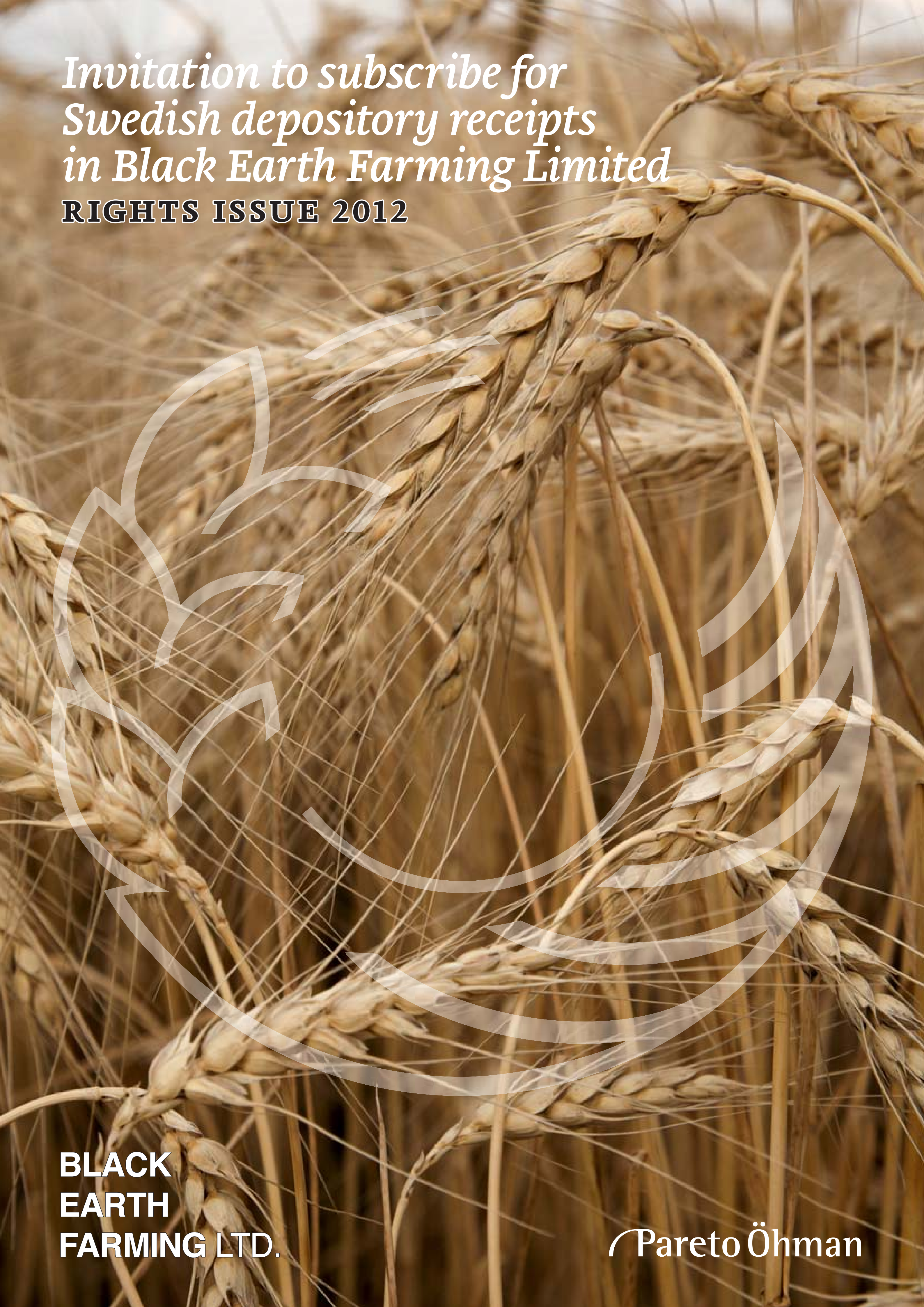
Invitation to subscribe for Swedish depository receipts in Black Earth Farming Limited

RIGHTS ISSUE 2012



BLACK
EARTH
FARMING LTD.

Pareto Öhman

IMPORTANT INFORMATION

This prospectus (the "Prospectus") has been prepared by the Board of Directors of Black Earth Farming Limited in relation to the invitation to existing holders of Swedish depository receipts ("SDRs") in Black Earth Farming Limited for the preferential subscription of SDRs and is issued on 16 November 2012. References to "Black Earth Farming", "BEF" or the "Company" in this prospectus refer to Black Earth Farming Limited. References to the "Group" refer to the Company and its subsidiaries, unless the context otherwise dictates. References to the "Board of Directors" refer to the Company's board of directors. In this prospectus, "Rights Issue" means the invitation to the existing holders of SDRs in the Company to subscribe for new shares in the form of SDRs as described herein. References to "Subscription Rights" mean the right to subscribe for SDRs which represent shares in the Company that holders of SDRs will receive for SDRs already held in the Company. References to "New Swedish Depository Receipts" or "New SDRs" mean the new Swedish depository receipts issued pursuant to the Rights Issue. References to "paid subscribed share (BTA)" mean any interim shares offered for the New SDRs. References to "Securities" include Subscription Rights, paid subscribed shares (BTA) and New SDRs. References to "Record Date" mean the date to be applied for determining who shall receive Subscription Rights. The financial adviser to the Company in connection with the Rights Issue is Pareto Öhman AB. References to "Financial Adviser" or "Pareto Öhman" means Pareto Öhman AB.

This prospectus has been prepared in accordance with the Swedish Financial Instruments Trading Act (1991:980) (Sw: lag (1991:980) om handel med finansiella instrument) and Commission Regulation (EC) No. 809/2004 of 29 April 2004, as amended. This Prospectus has been approved by and registered with the Swedish Financial Supervisory Authority in accordance with the requirements of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). It should be noted that such approval and such registration does not constitute a guarantee from the Swedish Financial Supervisory Authority that the information in the Prospectus is accurate or complete.

A copy of this prospectus has been delivered to the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the registrar has given, and has not withdrawn consent to its circulation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 2 of the Control of Borrowing (Jersey) Order 1958 to the issue of the securities in the Company. It must be distinctly understood that, in giving these consents, neither the registrar of companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Company or for the correctness of any statements made, or opinions expressed, with regard to it. It should be remembered that the price of securities and the income from them can go down as well as up.

If you are in any doubt about the contents of this information you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

INFORMATION TO INVESTORS

The Securities have not been and will not be registered with any securities regulatory authority of any state or other jurisdiction other than Sweden and may not be offered, sold, pledged or transferred within the US except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act of 1933. The Rights Issue is not directed to holders of SDRs domiciled in Australia, Canada, Hong Kong, Japan, Singapore, South Africa, Switzerland or the US or in any other jurisdiction where participation would require additional prospectuses, registration or measures other than those pursuant to Swedish law. Accordingly, the prospectus may not be distributed in any country in which the distribution or the Rights Issue requires such measures or would conflict with regulations in such country. Acquiring Securities in violation of the restrictions described above may be void. Persons into whose possession this prospectus may come are required to inform themselves about and comply with such restrictions. Any failure to comply with such restrictions may result in a violation of applicable securities regulations.

The prospectus has been prepared by the Company, based on its own information and information from other sources that the Company considers to be reliable. No representation or warranty, expressed or implied, is made by the Financial Adviser (as defined below) as to the accuracy or completeness of any of the information set out in this prospectus and nothing contained in this prospectus is or shall be relied upon as a promise or representation, whether as to the past or the future, as the Financial Adviser has not made any independent verification of the information.

When an investor makes an investment decision, he or she must rely on his or her own analysis of the Company and the Rights Issue, including, but not limited to, facts and risks. Further, an investor may only rely on the information in this prospectus and any possible supplements to this prospectus. No person has been authorized to provide any information or make any statements, other than those contained in this prospectus, and should such information or statement still be furnished they are not considered to have been approved by the Company. Neither the publication of this prospectus nor any purchase or sale as a result of the prospectus will, under any circumstances, imply that there have not been changes in the Company's business since the date of this prospectus, or that the information in this prospectus is correct as for a period after the date of this prospectus.

As a condition to exercising Subscription Rights or subscribing for New SDRs pursuant to the Rights Issue, each exercising holder or subscriber for New SDRs will be deemed to have made or, in some cases, be required to make, certain representations and warranties that will be relied upon by the Company, the Financial Adviser and others. See "Restrictions on sale and transfer of Securities". The Company reserves the right, in its sole and absolute discretion, to reject any purchase of Securities that it or its agents believe may give rise to a breach or violation of any law, rule or regulation.

The Prospectus is governed by Swedish law. Disputes concerning the contents of this Prospectus and associated legal conditions shall be the exclusive jurisdiction of the courts of Sweden.

NOTICE TO INVESTORS IN THE US

The Securities have not been registered and will not be registered under the United States Securities Act of 1933 ("Securities Act") or under the securities law of any state or other jurisdiction of the US and may not be offered, sold, taken up, exercised, resold, delivered or transferred, directly or indirectly, within the US, except pursuant to an applicable exemption from the registration requirements of the Securities Act and in compliance with the securities laws of any state or other jurisdiction of the US. There will be no public offer of the Securities in the US. A notification of subscription of Securities in contravention of the above may be deemed to be invalid. The Securities have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the US or any other US regulatory authority nor have any of the foregoing authorities passed any judgment upon or endorsed the merits of the offering of the Securities or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the US. The Securities are being offered and sold outside the US in reliance on Regulation S under the Securities Act. Any offering of the Securities to be made in the US will be made only to a limited number of existing holders of SDRs who are reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to an exemption from registration under the Securities Act in a transaction not involving any public offering and who have executed and returned an investor letter to the Company. Any offer or sale of Securities within the US by any dealer (whether or not participating in the Rights Issue), prior to the elapse of 40 days after the commencement of the Rights Issue, may violate the registration requirements of the Securities Act.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to other Member States of the European Economic Area ("EEA") other than Sweden, which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer to the public of any Securities contemplated by this prospectus may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State may be made under an exemption under the Prospectus Directive, if it has been implemented in that Relevant Member State. See "Restrictions on sale and transfer of Securities – European Economic Area" for details of the exemptions.

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Terms and conditions in brief

Preferential right
Three (3) existing SDRs entitles subscription for two (2) New SDRs.

Subscription price
For each subscribed SDR SEK 6.38 shall be paid in cash.

Record date
20 November 2012

Subscription period
26 November 2012–7 December 2012

ISIN-codes
Subscription right: SE0004900020
BTA 1: SE0004900019
BTA 2: SE0004900023
SDR: SE0001882229

Subscription and payment with subscription rights
Subscription with subscription rights shall be made by way of cash payment during the subscription period and not later than 7 December 2012.

Trading in subscription rights
26 November 2012–4 December 2012

Trading in BTA 1
26 November 2012 until the share capital increase has been registered.
There will be no trading in BTA 2.

Subscription without preferential rights
Subscription without preferential right takes place by the subscriber submitting a separate subscription list not later than 7 December 2012.

Settlement day for subscription with second priority preferential right or without preferential rights
Payment for SDRs subscribed with second priority preferential rights or without subscription rights shall be made in cash not later than the third banking day after a transfer note has been received by the subscriber.

Financial information from Black Earth Farming

Interim report for the third quarter	23 November 2012 (expected date)
Year-end report	22 February 2013 (expected date)

Sammanfattning

Sammanfattningar består av informationskrav uppställda i ”Punkter”. Punkterna är numrerade i avsnitten A–E (A.1–E.7).

Denna sammanfattning innehåller alla de punkter som krävs i en sammanfattning för aktuell typ av värdepapper och emittent. Eftersom vissa punkter inte är tillämpliga för alla typer av prospekt kan det dock finnas luckor i punkternas numrering. Även om det krävs att en punkt inkluderas i sammanfattningen för aktuella värdepapper och emittent, är det möjligt att ingen relevant information kan ges rörande punkten. Informationen har då ersatts med en kort beskrivning av punkten tillsammans med angivelsen ”ej tillämplig”.

Avsnitt A – Introduktion och varningar		
A.1	Introduktion och varningar	**Denna sammanfattning bör betraktas som en introduktion till prospektet.** **Varje beslut om att investera i värdepapperen ska baseras på en bedömning av prospektet i dess helhet från investerarens sida.** **Om yrkande avseende uppgifterna i prospektet anförs vid domstol, kan den investerare som är kärande i enlighet med medlemsstaternas nationella lagstiftning bli tvungen att svara för kostnaderna för översättning av prospektet innan de rättsliga förfarandena inleds.** **Civilrättsligt ansvar kan endast åläggas de personer som lagt fram sammanfattningen, inklusive översättningar därav, men endast om sammanfattningen är vilseledande, felaktig eller oförenlig med de andra delarna av prospektet eller om den inte, tillsammans med de andra delarna av prospektet, ger nyckelinformation för att hjälpa investerare när de överväger att investera i sådana värdepapper.**
A.2	Samtycke till att finansiella mellanhänder nyttjar prospektet	Ej tillämpligt, ingen efterföljande försäljning eller slutlig placering genom finansiella mellanhänder kommer att ske.

Avsnitt B – Emittent		
B.31	Information om emittenten av de underliggande aktierna	**Firma och handelsbeteckning (B.1)** Bolagets registrerade firma är Black Earth Farming Limited, vilket också är det namn som Bolaget marknadsför sig under. **Legal kontext (B.2)** Bolaget är registrerat och grundat på Jersey som ett aktiebolag i enlighet med Jerseys lagar. **Huvudsaklig verksamhet och marknad (B.3)** BEFs verksamhet är att förvärva, utveckla och bruka jordbrukstillgångar i Ryssland, primärt i Black Earth-regionen och sekundärt i andra regioner med bördig jordbruksmark. Bolagets vision är att skapa aktieägarvärde genom att utveckla en kritisk landmassa, med den långsiktiga visionen att skapa ett ledande vertikalt integrerat och diversifierat jordbruksföretag. Bolagets strategi för att förverkliga denna vision har varit inriktad på kontroll över mark, stordriftsfördelar och moderna jordbruksmetoder. Den huvudsakliga verksamheten, produktion av grödor, består av anskaffning av material och maskiner såväl som av arbete på fälten och med skörden. Per den 31 december 2011 kontrollerade koncernen totalt cirka 318 000 hektar jordbruksmark. Jordbruksmarken är utspridd över fem regioner: Kursk, Lipetsk, Tambov, Voronezh och Samara. BEF odlar tre sorters grödor: spannmål, oljeväxter och betor. Spannmål består av vete, korn och majs. Oljeväxter består av solrosfrön, rapsolja och sojabönor. BEF producerar också sockerbetor. BEF har tidigare sålt majoriteten av sina produkter lokalt i Ryssland. På senare tid har export kommit att utgöra en större del av Bolagets intäkter än tidigare och Bolaget arbetar med att etablera fler långsiktiga partnerskap med köpare av Bolagets grödor för att förbättra prissättningen och minska volatiliteten. Under oktober 2012 ingick BEF ett strategiskt samarbetsavtal med PepsiCo och dess dotterbolag i Ryssland. BEF kommer att bli en betydande leverantör av solrosfrön och potatis som används i produktionen av Frito-Lays potatischips. I januari 2013 förväntas parterna även ingå ett leveransavtal avseende sockerbetor. Avtalet gör det möjligt för båda parter att tillvarata gemensamma fördelar såsom minskad motpartsrisk, lägre volatilitet genom långsiktig prissättning samt betydande framtida tillväxtmöjligheter. Det utökade området som planeras för produktion av potatis och sockerbetor innebär ett totalt kapitalbehov om cirka USD 55 miljoner. PepsiCo-kontraktet kan potentiellt utgöra upp till 30 procent av BEFs intäkter under 2015. Detta, i kombination med exportprogrammet, kommer att ändra bolagets lönsamhet, tillväxtpotential och riskprofil.

Den viktigaste drivkraften inom jordbrukssektorn är befolkningstillväxten i världen, framförallt i utvecklingsländer. Dessutom har stigande disponibla inkomster och ändrade matvanor lett till en ökad efterfrågan på livsmedel med hög proteinhalt, vilket i sin tur ökar efterfrågan på spannmål. Biobränsle såsom etanol och biodiesel utgör också en del av den ökade efterfrågan då alternativa bränslen blir konkurrenskraftigare på grund av stigande energipriser. Det långsiktiga utbudet begränsas av den globalt begränsade tillgången på bördig jord och vattenresurser.

Ryssland har avsevärt ökat sina volymer av grödproduktion under det senaste decenniet, till att idag vara en ledande global exportör av grödor. Samtidigt är landet en stor importör av matvaror där flera inhemska produktionssektorer är beroende av import för att säkra tillgången av kvalitetsvaror året om. För att möta den ökade inhemska efterfrågan som drivs av stigande disponibla inkomster, men också för att stödja sektorn, har den ryska staten implementerat flera program i syfte att uppnå självförsörjning av stora kategorier av matvaror.

Tendenser (B.4a)
Volatiliteten i Bolagets resultat har varit hög, där den huvudsakliga orsaken har varit väderrelaterade händelser, vilka påverkat skördevolymer och/eller priser. Black Earth Farming agerar på en marknad med homogena produkter som marknadsprissätts.

Trender (B.4b)
Bolaget strävar efter att minska de stora svängningarna inom både produktionsvolym och realiserade priser. Den långsiktiga utsikten för internationella och ryska priser på jordbruksprodukter är positiv, givet en ökad efterfrågan. Black Earth Farming vidtar åtgärder för att förbättra kundmotparter, expandera direkt exportförsäljning samt hantera prisrisk via försäljning på terminskontrakt, vilket förväntas påverka prissättning och prissvängningar fördelaktigt framöver. Bolaget försöker även bredda och diversifiera grödorna vilket förväntas leda till minskad prisvolatilitet. Flera specifika initiativ för att förbättra skördeavkastningen förväntas öka den totala produktionsvolymen under de kommande två till tre åren. Förbättrandet av skördeavkastningen kommer att innebära förbättringar av den långsiktiga produktionskostnaden per ton och därmed också förbättra verksamhetens lönsamhet. Förbättringarna förväntas ske successivt under flera år och även om sannolikheten för en förbättrad lönsamhet kommer att öka kommer väderrelaterad volatilitet fortsatt vara en faktor som påverkar Bolagets resultat framöver.

Koncern (B.5)
Bolaget är moderbolag till ett antal cypriotiska och ryska dotterbolag. Dessa bolag refereras till gemensamt som Black Earth Farming-koncernen. De ryska dotterbolagen refereras till gemensamt som Agro-Invest.

Större aktieägare (B.6)
Nedan visas Bolagets största SDB-ägare per den 28 september 2012.

Ägare	Antal SDB	Andel kapital och röster, %
Kinnevik New Ventures AB	31 087 097	24,95
Vostok Komi (Cyprus) Limited	30 888 704	24,79
Alecta Pensionsförsäkring	11 600 000	9,31
Länsförsäkringar	9 417 133	7,56
Holberg Norden	2 261 611	1,82
Övriga, ca. 2 000 ägare[1]	39 347 122	31,57
Totalt	124 601 667	100,00

Källa: Euroclear Sweden.
1. Cirka 8 000 ägare inklusive förvaltarregistrerade SDB.

Varje SDB berättigar innehavaren till en röst på bolagsstämman och medför lika rätt till andel i Bolagets tillgångar och vinster.

BEFs största aktieägare per den 28 september 2012 var Kinnevik New Ventures AB (för Investment AB Kinnevik räkning), Vostok Komi (Cyprus) Limited (för Vostok Nafta Investment Ltds räkning), Alecta och Länsförsäkringar, med tillsammans 82 992 934 depåbevis motsvarande cirka 66,61 procent av aktiekapitalet och rösterna.

Finansiell sammanställning (B.7)

RESULTATRÄKNING

I tusentals	RUR H1 2012	RUR H1 2011	RUR 2011	RUR 2010	RUR 2009
Intäkter och omvärderingar	1 524 370	577 116	2 499 333	1 596 346	2 283 432
Kostnad sålda varor	-1 285 439	-433 006	-2 332 213	-1 470 397	-2 316 199
Bruttovinst/(förlust)	238 931	144 110	167 120	125 949	-32 767
Rörelsekostnader	-372 261	-414 845	-980 016	-1 076 899	-1 128 442
Rörelsevinst/(förlust)	-133 330	-270 735	-812 896	-950 950	-1 161 209
Finansnetto	-227 150	-161 788	-489 800	-404 547	-144 695
Vinst/(förlust) före skatt	-360 480	-432 523	-1 302 696	-1 355 497	-1 305 904
Skatt	-75 041	-312	-39 412	61 250	14 107
Nettovinst/(förlust)	-435 521	-432 835	-1 342 108	-1 294 247	-1 291 797

I tusentals	USD H1 2012	USD H1 2011	USD 2011	USD 2010	USD 2009
Intäkter och omvärderingar	46 451	17 586	77 628	49 582	70 923
Kostnad sålda varor	-39 170	-13 195	-72 438	-45 670	-71 940
Bruttovinst/(förlust)	7 281	4 391	5 191	3 912	-1 018
Rörelsekostnader	-11 344	-12 641	-30 439	-33 448	-35 049
Rörelsevinst/(förlust)	-4 063	-8 250	-25 248	-29 536	-36 067
Finansnetto	-6 922	-4 930	-15 213	-12 565	-4 494
Vinst/(förlust) före skatt	-10 985	-13 180	-40 461	-42 101	-40 561
Skatt	-2 287	-10	-1 224	1 902	438
Nettovinst/(förlust)	-13 271	-13 189	-41 685	-40 199	-40 123

BALANSRÄKNING

I tusentals	RUR H1 2012	RUR H1 2011	RUR 2011	RUR 2010	RUR 2009
TILLGÅNGAR					
Anläggningstillgångar					
Mark, maskiner och utrustning	6 162 004	5 957 169	6 019 548	5 922 255	5 530 890
Övriga anläggningstillgångar	297 568	354 453	230 771	284 953	512 645
Summa anläggningstillgångar	6 459 572	6 311 622	6 250 319	6 207 208	6 043 535
Omsättningstillgångar					
Lager	505 846	594 389	1 910 709	1 141 799	848 923
Övriga omsättningstillgångar	2 887 415	2 413 836	1 006 672	826 578	946 009
Kassa och bank	686 443	1 781 279	985 452	2 982 817	3 211 219
Summa omsättningstillgångar	4 079 704	4 789 504	3 902 833	4 951 194	5 006 151
Summa tillgångar	**10 539 276**	**11 101 126**	**10 153 152**	**11 158 402**	**11 049 686**
EGET KAPITAL OCH SKULDER					
Eget kapital					
Summa eget kapital	5 863 386	7 171 538	6 288 920	7 481 710	8 743 931
Långfristiga skulder					
Långfristiga lån	3 491 223	2 964 052	3 265 713	3 297 387	1 838 091
Uppskjutna skatteskulder	55 640	10 041	42 153	19 618	26 795
Summa långfristiga skulder	3 546 863	2 974 093	3 307 866	3 317 005	1 864 886
Kortfristiga skulder					
Kortfristiga lån	365 900	427 369	165 166	167 422	188 006
Leverantörsskulder och andra skulder	763 127	528 126	391 200	192 265	252 863
Summa kortfristiga skulder	1 129 027	955 495	556 366	359 687	440 869
Summa eget kapital och skulder	**10 539 276**	**11 101 126**	**10 153 152**	**11 158 402**	**11 049 686**

BALANSRÄKNING

I tusentals	USD H1 2012	USD H1 2011	USD 2011	USD 2010	USD 2009
TILLGÅNGAR					
Anläggningstillgångar					
Mark, maskiner och utrustning	187 769	181 527	186 965	183 943	171 788
Övriga anläggningstillgångar	9 068	10 801	7 168	8 851	15 923
Summa anläggningstillgångar	196 837	192 328	194 133	192 794	187 710
Omsättningstillgångar					
Lager	15 414	18 112	59 346	35 464	26 367
Övriga omsättningstillgångar	87 986	73 555	31 267	25 673	29 383
Kassa och bank	20 917	54 279	30 608	92 645	99 739
Summa omsättningstillgångar	124 317	145 946	121 221	153 782	155 489
Summa tillgångar	**321 154**	**338 275**	**315 353**	**346 576**	**343 200**
EGET KAPITAL OCH SKULDER					
Eget kapital					
Summa eget kapital	178 670	218 532	195 332	232 379	271 584
Långfristiga skulder					
Långfristiga lån	106 385	90 321	101 432	102 416	57 090
Uppskjutna skatteskulder	1 695	306	1 309	609	832
Summa långfristiga skulder	108 080	90 627	102 741	103 025	57 923
Kortfristiga skulder					
Kortfristiga lån	11 150	13 023	5 130	5 200	5 839
Leverantörsskulder och andra skulder	23 254	16 093	12 151	5 972	7 854
Summa kortfristiga skulder	34 404	29 116	17 281	11 172	13 693
Summa eget kapital och skulder	**321 154**	**338 275**	**315 353**	**346 576**	**343 200**

KASSAFLÖDESANALYS

I tusentals	RUR H1 2012	RUR H1 2011	RUR 2011	RUR 2010	RUR 2009
Kassaflöde från den löpande verksamheten	-31 946	-611 780	-332 019	-470 330	-598 663
Kassaflöde från investeringsverksamheten	-462 092	-349 610	-547 453	-740 905	-1 258 942
Kassaflöde från finansieringsverksamheten	183 099	-162 644	-181 027	1 291 337	-352 479
Nettoökning/(minskning) i kassa och bank	-310 939	-1 124 034	-1 952 336	-222 804	-1 606 574
Kassa och bank vid periodens början	985 452	2 982 817	2 982 817	3 211 219	4 604 591
Växelkurseffekter på kassa och bank	11 930	-77 504	-45 029	-5 598	213 202
Kassa och bank vid periodens slut	686 443	1 781 279	985 452	2 982 817	3 211 219

I tusentals	USD H1 2012	USD H1 2011	USD 2011	USD 2010	USD 2009
Kassaflöde från den löpande verksamheten	-973	-18 642	-10 312	-14 608	-18 594
Kassaflöde från investeringsverksamheten	-14 081	-10 653	-17 004	-23 012	-39 102
Kassaflöde från finansieringsverksamheten	5 579	-4 956	-5 623	40 108	-10 948
Nettoökning/(minskning) i kassa och bank	-9 475	-34 252	-60 639	-6 920	-49 900
Kassa och bank vid periodens början	30 029	90 893	92 645	99 739	143 017
Växelkurseffekter på kassa och bank	364	-2 362	-1 399	-174	6 622
Kassa och bank vid periodens slut	20 917	54 279	30 608	92 645	99 739

NYCKELTAL

	RUR H1 2012	RUR H1 2011	RUR 2011	RUR 2010	RUR 2009
Kvoter					
Soliditet	56%	65%	62%	67%	79%
Skuldsättningsgrad	66%	47%	55%	46%	23%
Aktiedata					
Substansvärde (tusentals)	5 863 386	7 171 538	6 288 920	7 481 710	8 743 931
Substansvärde per aktie	47,06	57,56	50,47	60,04	70,17
Vinst/(förlust) per aktie	–3,50	–3,47	–10,77	–10,39	–10,83
Antal aktier vid periodens slut	124 601 667	124 601 667	124 601 667	124 604 667	124 604 668
Anställda					
Antal heltidsanställda vid periodens slut	1 974	1 881	1 816	1 910	2 041
Skördade hektar per anställd	nm	nm	124	97	120
Bruttoskörd per anställd (ton)	nm	nm	292	125	348
Intäkter per anställd (tusentals)	nm	nm	1 130	770	1 568

	USD H1 2012	USD H1 2011	USD 2011	USD 2010	USD 2009
Kvoter					
Soliditet	56%	65%	62%	67%	79%
Skuldsättningsgrad	66%	47%	55%	46%	23%
Aktiedata					
Substansvärde (tusentals)	178 670	218 532	195 332	232 379	271 584
Substansvärde per aktie	1,43	1,75	1,57	1,86	2,18
Vinst/(förlust) per aktie	–0,11	–0,11	–0,33	–0,32	–0,34
Antal aktier vid periodens slut	124 601 667	124 601 667	124 601 667	124 604 667	124 604 668
Anställda					
Antal heltidsanställda vid periodens slut	1 974	1 881	1 816	1 910	2 041
Skördade hektar per anställd	nm	nm	124	97	120
Bruttoskörd per anställd (ton)	nm	nm	292	125	348
Intäkter per anställd (tusentals)	nm	nm	35	24	49

Definitioner

Soliditet	Soliditet definieras som eget kapital i förhållande till totala tillgångar
Skuldsättningsgrad	Summa långfristiga lån i förhållande till eget kapital
Substansvärde	Substansvärde definieras som eget kapital
Substansvärde per aktie	Eget kapital dividerat med antalet utestående aktier vid periodens slut
Vinst/(förlust) per aktie	Nettovinst hänförlig till aktieägarna dividerat med antalet utestående aktier
Antal aktier vid periodens slutet	Antalet aktier emitterade av och utestående i BEF vid utgången av den aktuella perioden
Antal heltidsanställda vid periodens slut	Antalet heltidsanställda inom BEF vid utgången av den aktuella perioden
Skördade hektar per anställd	Antal skördade hektar ett specifikt år dividerat med det genomsnittliga antalet anställda under det året
Total bruttoskörd per anställd	Bruttoskörd i ton producerad under ett specifikt år dividerat med det genomsnittliga antalet anställda under det året
Intäkter per anställd	Intäkter från försäljning av produkter och tjänster dividerat med det genomsnittliga antalet anställda under den perioden

Väsentliga förändringar

Summa intäkter inklusive omvärderingar ökade med 57 procent under 2011 jämfört med 2010 men minskade med 30 procent jämfört med 2009. Den huvudsakliga drivkraften för den stora ökningen av intäkter från försäljning av produkter och tjänster är den ökningen av produktion av kommersiella grödor vilket också resulterade i en större ökning av omvärdering av biologiska tillgångar. Trots denna ökning kvarstod förlusten för 2011 på nivå med 2010, främst på grund av en ökning av kostnad för sålda varor.

Resultatprognos (B.9)
Ej tillämplig; prospektet innehåller inte någon resultatprognos eller beräkning av förväntat resultat.

Revisionsanmärkning (B.10)
Ej tillämplig; revisionsanmärkningar saknas.

Huvudsakliga risker relaterade till emittenten av de underliggande aktierna (D.4)
Risker relaterade till det innevarande makroekonomiska klimatet
Bolaget har i nuläget inte tillräckligt med rörelsekapital för att finansiera verksamheten över de kommande 12 månaderna, och dess planer på att expandera och utveckla verksamheten är därför bereoende av externt kapital. Om Bolaget behöver resa ytterligare kapital utöver nyemissionen, exempelvis genom lånefinansiering, så kan denna kapitalanskaffning vara förenad med restriktioner på Bolagets investeringar och verksamhet.

Bolagets markägande i Ryssland kan komma att klandras juridiskt
Rysk lagstiftning tillåter inte utländsk ägande av mark i Ryssland. Koncernens ägande av land är strukturerat som ett korsvist ägande. Denna struktur är förenlig med rysk lags ordalydelse och har använts av många utländska fonder och bolag som köpt mark i Ryssland. Det kan emellertid inte uteslutas att denna struktur kan komma att klandras med argumentet att den strider mot syftet med den ryska lagstiftningen. Om det skulle fastslås att Koncernens ryska ägande av mark strider mot rysk lagstiftning så skulle det innebära att Koncernen blir tvungen att antingen sälja marken, ge tillbaka marken till dess tidigare ägare eller att tillse att de dotterbolag till Bolaget som äger marken fick ryska aktieägare. Detta skulle kunna ha en väsentligt negativ påverkan på Koncernens verksamhet, finansiella ställning och resultat.

Förändringar i priserna på jordbruksråvaror kan påverka Koncernens verksamhet
Marknadspriserna på jordbruksprodukter påverkas främst av oberäkneliga faktorer som ligger utanför Bolagets kontroll, inklusive väder, global sådd, statliga (ryska och utländska) jordbruksprogram och politik samt förändringar i den globala efterfrågan hänförliga till demografiska faktorer. Bolaget försöker vidta hedgingåtgärder för att minska volatiliteten, men marknaden för sådana transaktioner är fortfarande underutvecklad i Ryssland. I egenskap av råvaruproducent är Koncernen inte kapabel att påverka den allmänna prisnivån för sina produkter och är därför beroende av externa faktorer som kan påverka Koncernens verksamhet, finansiella ställning och resultat.

Dåliga eller oväntade väderförhållanden, samt klimatförändringar, kan påverka Koncernens resultat
Väderförhållanden är en materiell riskfaktor för Koncernen. Dåliga eller oväntade väderförhållanden eller klimatförändringar kan väsentligt försämra skörden och därigenom väsentligt försämra intäkterna från Koncernens jordbruksverksamhet. Detta skulle kunna ha en väsentligt negativ påverkan på Koncernens verksamhet, finansiella ställning och resultat.

Risker relaterade till Ryssland
Potentiella investerare ska vara medvetna om de betydande risker som en investering på den ryska marknaden innebär. Investerare ska särskilt notera att tillväxtländer som Ryssland typiskt sett är förknippande med större politiska, sociala, och ekonomiska risker jämfört med mer utvecklade länder.

Accelererad betalning av obligationer
De obligationer som Bolaget givit ut innehåller vilkor som stipulerar att återbetalning av obligationen under vissa omständigheter kan komma att accelereras. Ett exempel på händelser där detta kan komma i fråga är om Bolaget misslyckas med att upprätthålla sin skuldsättningsgrad på 75 procent eller lägre. Om Bolagets återbetalning av obligationerna accelereras så kan detta ha en väsentligt negativ påverkan på Koncernens verksamhet, finansiella ställning och resultat.

B.32	**Information om emittenten av depåbevisen**	Namnet på emittenten av depåbevisen är Pareto Öhman AB, ett aktiebolag som registrerades hos Bolagsverket den 10 oktober 1980. Pareto Öhman AB lyder under svensk lag och dess bolagsform regleras av aktiebolagslagen (2005:551). Bolaget har sitt säte i Stockholm.

Avsnitt C – Värdepapper

C.13	**Information om de underliggande aktierna**	**Värdepapper som erbjuds (C.1)** Depåbevis i Black Earth Farming (ISIN-kod SE0001882291). Varje depåbevis motsvarar en aktie i Bolaget. Bolaget har endast en aktieklass. **Denominering (C.2)** Depåbevisets underliggande aktie denomineras i USD har ett kvotvärde om 0,01 USD. **Totalt antal aktier i bolaget (C.3)** Bolagets registrerade aktiekapital uppgår till 1 246 016,67 USD, fördelat på 124 601 667 aktier. Samtliga aktier är fullt inbetalda. **Rättigheter som sammanhänger med värdepapperna (C.4)** Varje aktie berättigar innehavaren till en röst på bolagsstämman och medför lika rätt till andel i Bolagets tillgångar och vinst. Beslutar Bolaget att tilldela aktier, teckningsoptioner eller konvertibler till följd av utnyttjande av teckningsoptioner eller ett erbjudande, har aktieägarna som huvudregel företrädesrätt till teckning i förhållande till det antal aktier de sedan tidigare äger. Beslut om vinstutdelning fattas av bolagsstämman och utbetalas genom Euroclear Swedens försorg. **Inskränkningar i den fria överlåtbarheten (C.5)** Den fria överlåtbarheten av aktierna inskränks av de allmänna villkoren för depåbevisen som stipulerar att aktierna, så länge de hålls av depåbanken Pareto Öhman, endast får säljas eller pantsättas genom registrering hos Euroclear Sweden. **Upptagande till handel (C.6)** De underliggande aktierna kommer inte att upptas till handel. De nya depåbevisen kommer att bli föremål för handel på NASDAQ OMX Stockholm. **Utdelningspolicy (C.7)** Bolaget är ett holdingbolag som bedriver sin verksamhet genom dotterbolag och närstående parter huvudsakligen i Ryssland. Därmed så är dess förmåga att betala utdelningar och andra utbetalningar beroende av mottagande av tillräckliga intäkter från dessa bolag. Bolaget har aldrig varken förkunnat eller betalat utdelning på sina aktier och förväntar sig inte att betala utdelning inom en förutsebar framtid. I villkoren för de obligationer som Bolaget givit ut finns begränsningar i rätten till utdelning. Bolaget eller dess dotterbolag får inte besluta om utdelning, återinlösa eller köpa egna aktier eller företa några liknande dispositioner till ett belopp som överstiger 30 procent av det senaste räkenskapsårets konsoliderade nettovinst.
C.14	**Information om depåbevis**	**Värdepapper som erbjuds (C.1)** Depåbevis i Black Earth Farming (ISIN-kod SE0001882291). **Denominering (C.2)** Depåbevisen handlas i SEK på NASDAQ OMX Stockholm. **Totalt antal depåbevis i bolaget (C.3)** 124 601 667 depåbevis. Samtliga depåbevis är fullt inbetalda. **Rättigheter som sammanhänger med värdepapperna (C.4)** Depåbevisinnehavare har samma rätt till utdelning som aktieäagare. De som är registrerade som depåbevisinnehavare i registret för depåbevis som förs av Euroclear Sweden är berättigade till utdelning. Beslut om vinstutdelning fattas av bolagsstämman och utbetalas genom Euroclear Swedens försorg. Varje SDR motsvarar en röst på bolagsstämman och medför lika rätt till andel i Bolagets tillgångar och vinst. En depåbevisinnehavare har samma rätt att rösta på bolagsstämmor som en aktieägare. För att kunna närvara vid en bolagsstämma krävs emellertid att depåbevisinnehavaren följer instruktionerna från den som förvaltar aktierna. **Inskränkningar i den fria överlåtbarheten (C.5)** Depåbevisen är inte föremål för inskränkningar i den fria överlåtbarheten, förutom att de inte får erbjudas, säljas, återförsäljas, eller överföras, direkt eller indirekt, till någon i Australien, Hong Kong, Japan, Kanada, Schweiz, Singapore, Sydafrika eller USA.

Aktier i Bolaget representeras av depåbevis. Utgivandet av depåbevis är ett sätt att möjliggöra handel i utländska aktier i Sverige. Pareto Öhman är registrerad som aktieägare i Bolagets aktiebok och är depåbank för depåbevisen. Emittentens åtagande gällande depåbevisen har inte garanterats. Aktierna representeras av depåbevis som är registrerade hos Euroclear Sweden. Varje depåbevis motsvarar en aktie i Bolaget med ett kvotvärde om 0,01 USD.

Ett depåbevis medför samma rätt till utdelning som den underliggande aktien. En depåbevisinnehavare har rätt till en del av överskottet vid en likvidation av bolaget i proportion till det antal depåbevis innehavaren äger. En depåbevisinnehavare har samma rätt att rösta på bolagsstämmor som en aktieägare. För att kunna närvara vid en bolagsstämma krävs emellertid att depåbevisinnehavaren följer instruktionerna från den som förvaltar aktierna.

Den bank som förvaltar aktierna skall skicka skriftliga underrättelser till aktieägarna till depåbevisinnehavarna per e-post till den adress som finns angiven i Euroclear Swedens register. Den bank som förvaltar aktierna får, istället för att skicka underrättelser per e-post, publicera dem i en dagstidning i de fall då värdepappersförvaltaren har rätt att göra det. Information angående bolagsstämmor kommer att tillgängliggöras genom en press release på hemsidan till den bank som förvaltar aktierna.

Avsnitt D – Risker

D.4 **Huvudsakliga risker relaterade till emittenten av de underliggande aktierna**

Central information om de huvudsakliga risker som är specifika för emittenten (D.2)

Risker relaterade till det innevarande makroekonomiska klimatet

Bolaget har i nuläget inte tillräckligt med rörelsekapital för att finansiera verksamheten över de kommande 12 månaderna, och dess planer på att expandera och utveckla verksamheten är därför bereoende av externt kapital. Om Bolaget behöver resa ytterligare kapital utöver nyemissionen, exempelvis genom lånefinansiering, så kan denna kapitalanskaffning vara förenad med restriktioner på Bolagets investeringar och verksamhet.

Bolagets markägande i Ryssland kan komma att klandras juridiskt

Rysk lagstiftning tillåter inte utländsk ägande av mark i Ryssland. Koncernens ägande av land är strukturerat som ett korsvist ägande. Denna struktur är förenlig med rysk lags ordalydelse och har använts av många utländska fonder och bolag som köpt mark i Ryssland. Det kan emellertid inte uteslutas att denna struktur kan komma att klandras med argumentet att den strider mot syftet med den ryska lagstiftningen. Om det skulle fastslås att Koncernens ryska ägande av mark strider mot rysk lagstiftning så skulle det innebära att Koncernen blir tvungen att antingen sälja marken, ge tillbaka marken till dess tidigare ägare eller att tillse att de dotterbolag till Bolaget som äger marken fick ryska aktieägare. Detta skulle kunna ha en väsentligt negativ påverkan på Koncernens verksamhet, finansiella ställning och resultat.

Förändringar i priserna på jordbruksråvaror kan påverka Koncernens verksamhet

Marknadspriserna på jordbruksprodukter påverkas främst av oberäkneliga faktorer som ligger utanför Bolagets kontroll, inklusive väder, global sådd, statliga (ryska och utländska) jordbruksprogram och politik samt förändringar i den globala efterfrågan hänförliga till demografiska faktorer. Bolaget försöker vidta hedgingåtgärder för att minska volatiliteten, men marknaden för sådana transaktioner är fortfarande underutvecklad i Ryssland. I egenskap av råvaruproducent är Koncernen inte kapabel att påverka den allmänna prisnivån för sina produkter och är därför beroende av externa faktorer som kan påverka Koncernens verksamhet, finansiella ställning och resultat.

Dåliga eller oväntade väderförhållanden, samt klimatförändringar, kan påverka Koncernens resultat

Väderförhållanden är en materiell riskfaktor för Koncernen. Dåliga eller oväntade väderförhållanden eller klimatförändringar kan väsentligt försämra skörden och därigenom väsentligt försämra intäkterna från Koncernens jordbruksverksamhet. Detta skulle kunna ha en väsentligt negativ påverkan på Koncernens verksamhet, finansiella ställning och resultat.

Risker relaterade till Ryssland

Potentiella investerare ska vara medvetna om de betydande risker som en investering på den ryska marknaden innebär. Investerare ska särskilt notera att tillväxtländer som Ryssland typiskt sett är förknippande med större politiska, sociala, och ekonomiska risker jämfört med mer utvecklade länder.

		Accelererad betalning av obligationer De obligationer som Bolaget givit ut innehåller vilkor som stipulerar att återbetalning av obligationen under vissa omständigheter kan komma att accelereras. Ett exempel på händelser där detta kan komma i fråga är om Bolaget misslyckas med att upprätthålla sin skuldsättningsgrad på 75 procent eller lägre. Om Bolagets återbetalning av obligationerna accelereras så kan detta ha en väsentligt negativ påverkan på Koncernens verksamhet, finansiella ställning och resultat.
D.5	**Huvudsakliga risker relaterade till depåbevisen**	**Central information om de huvudsakliga risker som är specifika för värdepapperen (D.3)** ■ Det finns en generell kapitalmarknadsrisk när man investerar i värdepapper och priset på depåbevisen påverkas av en rad faktorer som vare sig Bolagets styrelse eller ledning råder över. ■ Utnyttjande av teckningsoptioner kan späda ut nuvarande investerares innehav av depåbevis i bolaget ■ Det finns ingen garanti för att en likvid marknad för handel i teckningsrätterna kommer att uppstå ■ Depåbevisinnehavare som inte utnyttjar eller säljer sina teckningsrätter kan komma att lida förluster och kommer att drabbas av betydande utspädning av sitt innehav av depåbevis i Bolaget

Avsnitt E – Erbjudande

E.1	**Emissionsbelopp och emissionskostnader**	Nyemissionen kommer att tillföra Black Earth Farming högst SEK 530 miljoner före emissionskostnader. Emissionskostnaderna beräknas uppgå till cirka SEK 12,3 miljoner.
E.2a	**Motiv och användning av emissionslikviden**	En stärkt egen kapitalbas är föreslagen för att finansiera investeringar och täcka det rörelsekapitalbehov som uppstår i relation till samarbetet med PepsiCo samt till operativa förbättringar, givet Bolagets nuvarande kapitalstruktur och den inneboende volatiliteten i verksamheten. Av denna anledning har BEFs styrelse beslutat att genomföra en nyemission med företrädesrätt för befintliga aktieägare. Cirka SEK 365 miljoner av intäkterna från nyemissionen kommer att användas för investeringar och röreslsekapitalbehov relaterade till samarbetsavtalet med PepsiCo och cirka SEK 165 miljoner kommer att användas för BEFs rörelsekapital för att öka skördarna och minska kostnaderna per producerat ton gröda.
E.3	**Erbjudandets former och villkor**	Black Earth Farmings styrelse beslutade den 21 oktober 2012, villkorat av bolagsstämmans godkännande, att öka Bolagets aktiekapital genom en nyemission med företrädesrätt för Bolagets aktieägare. Styrelsens beslut om nyemission godkändes vid en extra bolagsstämma den 13 november 2012, där aktieägarna bemyndigade styrelsen att bestämma de närmare villkoren för nyemissionen, innebärandes att Bolagets aktiekapital ökas med högst 830 677,78 USD genom utgivande av högst 83 067 778 nya aktier. Bolagets depåbevisinnehavare har företrädesrätt att teckna de nya depåbevisen i förhållande till det antal depåbevis de sedan tidigare äger. Avstämningsdag för rätt att teckna depåbevis i nyemissionen är den 20 november 2012. De som på avstämningsdagen är registrerade som depåbevisinnehavare i BEF får teckna två (2) nya depåbevis för varje tre (3) befintliga depåbevis i Black Earth Farming. I den utsträckning nya depåbevis inte tecknas med företrädesrätt ska dessa tilldelas depåbevisinnehavare och andra investerare som tecknat depåbevis utan företrädesrätt. Teckning ska ske under perioden från och med den 26 november 2012 till och med den 7 december 2012, eller den senare dag som bestäms av styrelsen. Teckningskursen har fastställts till 6,38 SEK per depåbevis. Två av Black Earth Farmings största depåbevisinnehavare, Vostok Komi (Cyprus) Limited och Kinnevik New Ventures AB, och samtliga styrelsemedlemmar och ledande befattningshavare, vilkas innehav tillsammans motsvarar cirka 50,4 procent av kapitalet och rösterna i Black Earth Farming, har förpliktat sig att teckna sin respektive pro rata-andel av depåbevis.
E.4	**Intressekonflikter m.m.**	Det föreligger inga intressekonflikter eller liknande, med undantag för att Richard Warburton, styrelseledamot och verkställande direktör i Bolaget, har ett 26 procent ägarintresse i KinnAgri Limited, en leverantör av tjänster till Bolaget. Bolaget köper även konsulttjänster av KCM, ett bolag som till 50 procent ägs av KinnAgri Limited. Alla avtal som ingås mellan Bolaget och KinnAgri Limited respektive Bolaget och KCM godkänns av Bolagets styrelse och granskas för att säkerställa att de har ingåtts på armlängds avstånd.
E.5	**Depåbevisinnehavare/ Lock-up-avtal**	Pareto Öhman erbjuder, i sin egenskap av depåbank, depåbevisen till försäljning. Kinnevik New Ventures AB och Vostok Komi (Cyprus) Limited har åtagit sig att fram till dagen efter teckningsperiodens slut inte minska deras nuvarande aktieägande i Bolaget genom att i någon form avhända sig aktier i Bolaget.

E.6	**Utspädningseffekt**	Förestående nyemission kommer, vid fullteckning, medföra att antalet aktier och depåbevis i Bolaget ökar från 124 601 667 till 207 669 445 aktier och depåbevis, vilket motsvarar en ökning om 66,7 procent. För de depåbevisinnehavare som avstår att teckna depåbevis i nyemissionen uppkommer en utspädningseffekt om totalt 83 067 778 nya depåbevis, motsvarande 40,0 procent av det totala antalet aktier och depåbevis i Bolaget efter nyemissionen.
E.7	**Kostnader som åläggs investerare**	Ej tillämplig; emittenten ålägger inte investerare några kostnader.

Summary

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A–E (A.1–E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and warnings		
A.1	Introduction and warnings	**This summary should be read as an introduction to the Prospectus.** **Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor** **Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.** **Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.**
A.2	Consent to financial intermediaries to use the prospectus	Not applicable, no subsequent sale or final placement will be conducted by financial intermediaries.

Section B – Issuer		
B.31	Information on the issuer of the underlying shares	**Legal and commercial name (B.1)** The legal and commercial name of the issuer is Black Earth Farming Limited. **Legal context (B.2)** The Company is registered and incorporated in Jersey as a public limited liability company under Jersey law. **Operations and market (B.3)** BEF's business is to acquire, develop and farm agricultural land assets in Russia, primarily in the Black Earth Region and secondarily in other regions with fertile agricultural land. The Company's vision is to seek to create shareholder value by developing a critical land mass, with the long term vision to develop into a leading vertically integrated and diversified agricultural company. The strategy the Company has used to pursue this vision has focused on control over land, economies of scale and modern agricultural farming practices. The primary activity, crop production, consists of input and machinery procurement, as well as field works and harvesting. As at 31 December 2011, the Group controlled a total of approximately 318,000 hectares of farmland. The farmland is spread across five regions: Kursk, Lipetsk, Tambov, Voronezh and Samara. BEF grows three classes of crops: cereal grain, oilseed and beet. Cereal grains consist of wheat, barley and corn maize. Oilseed consists of sunflower seed, oilseed rape and soybeans. BEF also produces sugar beet. Previously, BEF sold most of its products domestically in Russia. Recently exports have become a larger share of revenues and the Company has also worked to establish more long-term partnerships with off-takers for its crops to improve pricing and reduce volatility. In October 2012, BEF entered into a strategic cooperation agreement with PepsiCo and its subsidiaries in Russia. BEF will become a significant supplier of sunflower seeds and potatoes used as inputs in the production of Frito-Lay's potato crisps. It is also anticipated that an agreement for the supply of sugar beets will be executed in January 2013. The agreement will enable both parties to capture the joint benefits of reduced counterparty risk, lower volatility via longer term pricing as well as significant future growth opportunities. The planned increased area for potato and sugar beet production involves a total capital need of approximately USD 55 million. The PepsiCo contract could potentially represent up to 30 percent of BEF's revenue by 2015, and this, combined with the export program, changes the profitability, growth potential and risk profile of the Company.

The main drivers of the agricultural sector are world population growth, predominantly in the developing world. In addition rising disposable incomes and shifting dietary habits have increased demand for higher-protein foods, in turn causing a multiplier effect for demand of grains and oilseeds. Biofuels such as ethanol and biodiesel also represents an increasing share of demand as alternative fuels become more competitive with rising energy prices.

Long term supply is limited by global constraints to arable land and water resources.

Russia has increased its crop production volumes significantly during the past decade to become a leading global exporter of grains. In the meantime the country is a major importer of food products where several domestic processing sectors are dependent on imports to secure year-round supply of quality inputs. To meet increasing domestic demand driven by rising disposable incomes and support the sector, the Russian government has launched several programs targeting self sufficiency levels in major food products.

Tendencies (B.4a)

There is a high level of volatility in the Company's results, where the main driver has been weather-related events affecting crop volumes and/or prices. Black Earth Farming is a price taker in a commoditized market.

Trends (B.4b)

The Company is working to reduce the major swings in relation to both production volumes and realized prices. The long term outlook for international and Russian agricultural commodity prices is favourable given increased demand. Black Earth Farming is taking measures to improve client counterparties, expand direct export sales and manage price risk via forward sales, which are expected to affect pricing and price volatility favourably going forward. The Company is also looking to broaden and diversify its range of crops which is expected to reduce price volatility. Several specific initiatives to improve crop yields are expected to increase total production volumes over the coming two to three year period. Removing the constraints to crop yields will bring improvements to the long term cost per ton of production and thus profitability of the business. The improvements are expected to be gradual over a period of years and although the likelihood of improved profitability will be higher, weather-induced volatility will continue to be a factor affecting the Company´s results going forward.

Group (B.5)

The Company is the parent company to a number of legal entities established under the legislation of Cyprus and the Russian Federation. These entities are jointly referred to as the Black Earth Farming group. The Russian subsidiaries are jointly referred to as Agro-Invest.

Largest shareholders (B.6)

Below are the Company's largest shareholders as per 28 September 2012.

SDR holders	Number of SDRs	Share of capital and votes, %
Kinnevik New Ventures AB	31,087,097	24.95
Vostok Komi (Cyprus) Limited	30,888,704	24.79
Alecta Pensionsförsäkring	11,600,000	9.31
Länsförsäkringar	9,417,133	7.56
Holberg Norden	2,261,611	1.82
Other, approx. 2,000 holders of SDRs/shares[1]	39,347,122	31.57
Total	124,601,667	100.00

Source: Euroclear Sweden.

1. Approximately 8,000 holders including nominee registered SDRs.

Each SDR entitles the holder to one vote at the General Meeting and carries an equal right to the Company's assets and profits.

BEF's largest shareholders as per 28 September 2012, were Kinnevik New Ventures AB (on behalf of Investment AB Kinnevik) and Vostok Komi (Cyprus) Limited (on behalf of Vostok Nafta Investment Ltd), Alecta and Länsförsäkringar with in aggregate 82,992,934 SDRs, corresponding to approximately 66.61 percent of the share capital and the votes.

Financial summary (B.7)

INCOME STATEMENT

In thousands of	RUR H1 2012	RUR H1 2011	RUR 2011	RUR 2010	RUR 2009
Total revenue and gains	1,524,370	577,116	2,499,333	1,596,346	2,283,432
Cost of sales	-1,285,439	-433,006	-2,332,213	-1,470,397	-2,316,199
Gross profit/(loss)	238,931	144,110	167,120	125,949	-32,767
Operating expenses	-372,261	-414,845	-980,016	-1,076,899	-1,128,442
Operating income/(loss)	-133,330	-270,735	-812,896	-950,950	-1,161,209
Financial net	-227,150	-161,788	-489,800	-404,547	-144,695
Profit/(loss) before income tax	-360,480	-432,523	-1,302,696	-1,355,497	-1,305,904
Income tax benefit (expense)	-75,041	-312	-39,412	61,250	14,107
Net profit/(loss)	-435,521	-432,835	-1,342,108	-1,294,247	-1,291,797

In thousands of	USD H1 2012	USD H1 2011	USD 2011	USD 2010	USD 2009
Total revenue and gains	46,451	17,586	77,628	49,582	70,923
Cost of sales	-39,170	-13,195	-72,438	-45,670	-71,940
Gross profit/(loss)	7,281	4,391	5,191	3,912	-1,018
Operating expenses	-11,344	-12,641	-30,439	-33,448	-35,049
Operating income/(loss)	-4,063	-8,250	-25,248	-29,536	-36,067
Financial net	-6,922	-4,930	-15,213	-12,565	-4,494
Profit/(loss) before income tax	-10,985	-13,180	-40,461	-42,101	-40,561
Income tax benefit (expense)	-2,287	-10	-1,224	1,902	438
Net profit/(loss)	-13,271	-13,189	-41,685	-40,199	-40,123

BALANCE SHEET STATEMENT

In thousands of	RUR H1 2012	RUR H1 2011	RUR 2011	RUR 2010	RUR 2009
ASSETS					
Non-current assets					
Property, plant and equipment	6,162,004	5,957,169	6,019,548	5,922,255	5,530,890
Other non-current assets	297,568	354,453	230,771	284,953	512,645
Total non-current assets	6,459,572	6,311,622	6,250,319	6,207,208	6,043,535
Current assets					
Inventories	505,846	594,389	1,910,709	1,141,799	848,923
Other current assets	2,887,415	2,413,836	1,006,672	826,578	946,009
Cash and cash equivalents	686,443	1,781,279	985,452	2,982,817	3,211,219
Total current assets	4,079,704	4,789,504	3,902,833	4,951,194	5,006,151
Total assets	**10,539,276**	**11,101,126**	**10,153,152**	**11,158,402**	**11,049,686**
EQUITY AND LIABILITIES					
Equity					
Total equity	5,863,386	7,171,538	6,288,920	7,481,710	8,743,931
Non-current liabilities					
Non-current loans and borrowings	3,491,223	2,964,052	3,265,713	3,297,387	1,838,091
Deferred tax liabilities	55,640	10,041	42,153	19,618	26,795
Total non-current liabilities	3,546,863	2,974,093	3,307,866	3,317,005	1,864,886
Current liabilities					
Current loans and borrowings	365,900	427,369	165,166	167,422	188,006
Trade and other payables	763,127	528,126	391,200	192,265	252,863
Total current liabilities	1,129,027	955,495	556,366	359,687	440,869
Total equity and liabilities	**10,539,276**	**11,101,126**	**10,153,152**	**11,158,402**	**11,049,686**

BALANCE SHEET STATEMENT

In thousands of	USD H1 2012	USD H1 2011	USD 2011	USD 2010	USD 2009
ASSETS					
Non-current assets					
Property, plant and equipment	187,769	181,527	186,965	183,943	171,788
Other non-current assets	9,068	10,801	7,168	8,851	15,923
Total non-current assets	196,837	192,328	194,133	192,794	187,710
Current assets					
Inventories	15,414	18,112	59,346	35,464	26,367
Other current assets	87,986	73,555	31,267	25,673	29,383
Cash and cash equivalents	20,917	54,279	30,608	92,645	99,739
Total current assets	124,317	145,946	121,221	153,782	155,489
Total assets	**321,154**	**338,275**	**315,353**	**346,576**	**343,200**
EQUITY AND LIABILITIES					
Equity					
Total equity	178,670	218,532	195,332	232,379	271,584
Non-current liabilities					
Non-current loans and borrowings	106,385	90,321	101,432	102,416	57,090
Deferred tax liabilities	1,695	306	1,309	609	832
Total non-current liabilities	108,080	90,627	102,741	103,025	57,923
Current liabilities					
Current loans and borrowings	11,150	13,023	5,130	5,200	5,839
Trade and other payables	23,254	16,093	12,151	5,972	7,854
Total current liabilities	34,404	29,116	17,281	11,172	13,693
Total equity and liabilities	**321,154**	**338,275**	**315,353**	**346,576**	**343,200**

CASH FLOW STATEMENT

In thousands of	RUR H1 2012	RUR H1 2011	RUR 2011	RUR 2010	RUR 2009
Cash flow utilised by operating activities	-31,946	-611,780	-332,019	-470,330	-598,663
Cash flow utilised by investing activities	-462,092	-349,610	-547,453	-740,905	-1,258,942
Cash flow from financing activities	183,099	-162,644	-181,027	1,291,337	-352,479
Net increase/(decrease) in cash and cash equivalents	-310,939	-1,124,034	-1,952,336	-222,804	-1,606,574
Cash and cash equivalents at the beginning of period	985,452	2,982,817	2,982,817	3,211,219	4,604,591
Effect of exchange rate fluctuations on cash and cash equivalents	11,930	-77,504	-45,029	-5,598	213,202
Cash and cash equivalents at the end of period	686,443	1,781,279	985,452	2,982,817	3,211,219

In thousands of	USD H1 2012	USD H1 2011	USD 2011	USD 2010	USD 2009
Cash flow utilised by operating activities	-973	-18,642	-10,312	-14,608	-18,594
Cash flow utilised by investing activities	-14,081	-10,653	-17,004	-23,012	-39,102
Cash flow from financing activities	5,579	-4,956	-5,623	40,108	-10,948
Net increase/(decrease) in cash and cash equivalents	-9,475	-34,252	-60,639	-6,920	-49,900
Cash and cash equivalents at the beginning of period	30,029	90,893	92,645	99,739	143,017
Effect of exchange rate fluctuations on cash and cash equivalents	364	-2,362	-1,399	-174	6,622
Cash and cash equivalents at the end of period	20,917	54,279	30,608	92,645	99,739

KEY RATIOS

	RUR H1 2012	RUR H1 2011	RUR 2011	RUR 2010	RUR 2009
Ratios					
Equity ratio	56%	65%	62%	67%	79%
Debt/equity ratio	66%	47%	55%	46%	23%
Share data					
Net asset value (thousands)	5,863,386	7,171,538	6,288,920	7,481,710	8,743,931
Net asset value per SDR	47.06	57.56	50.47	60.04	70.17
Profit/(loss) per SDR	-3.50	-3.47	-10.77	-10.39	-10.83
Number of SDRs at the end of the period	124,601,667	124,601,667	124,601,667	124,604,667	124,604,668
Employee data					
Number of full-time employees at the end of the period	1,974	1,881	1,816	1,910	2,041
Harvested hectare per employee	nm	nm	124	97	120
Total gross harvest per employee (tons)	nm	nm	292	125	348
Revenue per employee (thousands)	nm	nm	1,130	770	1,568

	USD H1 2012	USD H1 2011	USD 2011	USD 2010	USD 2009
Ratios					
Equity ratio	56%	65%	62%	67%	79%
Debt/equity ratio	66%	47%	55%	46%	23%
Share data					
Net asset value (thousands)	178,670	218,532	195,332	232,379	271,584
Net asset value per SDR	1.43	1.75	1.57	1.86	2.18
Profit/(loss) per SDR	-0.11	-0.11	-0.33	-0.32	-0.34
Number of SDRs at the end of the period	124,601,667	124,601,667	124,601,667	124,604,667	124,604,668
Employee data					
Number of full-time employees at the end of the period	1,974	1,881	1,816	1,910	2,041
Harvested hectare per employee	nm	nm	124	97	120
Total gross harvest per employee (tons)	nm	nm	292	125	348
Revenue per employee (thousands)	nm	nm	35	24	49

Definitions

Equity ratio	SDR holders' equity in relation to total assets
Debt/Equity ratio	Total amount of non-current loans and borrowings in relation to total shareholders' equity
Net asset value	SDR holders' equity
Net asset value per SDR	SDR holders' equity divided by the number of Shares outstanding at end of period
Basic profit/(loss) per SDR	Net profit attributable to SDR holders holding SDRs divided by the number of SDRs issued
Number of SDRs at the end of the period	The number of SDRs issued by and outstanding in BEF as at the end of the period in question
Number of full-time employees at the end of the period	The number of full-time employees within BEF as at the end of the period in question
Harvested hectares per employee	Amount of harvested hectares in a specific year divided by the average number of employees within that year
Total Gross Harvest per employee	Amount of gross harvest in tons produced in a specific year divided by the average number of employees within that year
Revenue per employee	Revenue from sale of goods and services divided by the average number of employees for the period

Significant changes

Total revenue including revaluation gains increased by 57 percent in 2011 compared to 2010 but decreased 30 percent from 2009. The main driver for the large increase in revenue from sales of goods and services is the large increase in commercial crop output which also resulted in a larger gain on revaluation of biological assets. Despite this increase, the loss for the year remained at similar levels in 2011 compared to 2010, primarily due to an increase in cost of goods sold which partly offset the revenue increase.

Financial forecast (B.9)
Not applicable; the Prospectus does not include any financial forecast or calculation of expected profit.

Auditor's remarks (B.10)
Not applicable; there are no auditor's remarks.

Main risks related to the issuer of the underlying shares (D.4)
Risks relating to the current macroeconomic environment
The Company currently lacks sufficient working capital for the current needs over the coming 12 months; and it plans to further develop its business and expand production is thus dependent upon the Company's ability to obtain financing through the raising of additional equity, debt financing or other means. If the Company requires further financing, such debt financing, if available, may involve restrictions on investing and operating activities.

The Group's freehold ownership of agricultural land in Russia may be open to legal challenges
The Group's freehold ownership of agricultural land in Russia may be open to legal challenges. Russian law does not allow a foreign-controlled entity to own agricultural land in Russia. The Russian assets of the Group are owned under a cross-ownership structure. Whilst this structure complies with the letter of the Russian law and has been used by a number of foreign funds and companies acquiring Russian assets, no assurances can be given that ownership structures, such as that used by the Group, could not be challenged on the basis that they possibly violate the spirit of the law. If the Company's holding structure of its Russian assets is found to be in breach of Russian law, the Company could be forced to either sell part of its assets, return the asset to the previous owner, or introduce Russian shareholders to its subsidiaries, which may have a material adverse effect on the Group's business, financial condition and operational results.

Changes in agricultural commodity prices may affect the Group's business
Market prices of agricultural commodities are predominantly influenced by unpredictable factors beyond the control of the Company, including weather, planting intentions, governmental (Russian and foreign) agricultural programs and policies and changes in global demand due to demographic factors. Hedging activities to reduce volatility are sought, but the market for such activities remains underdeveloped in Russia. In its capacity as a commodity producer, the Group is not able to influence general price levels for its products and is therefore subject to completely external factors which may affect the Group's business, financial condition and operational results.

Poor or unexpected weather conditions, as well as climate changes, can affect the Group's results
Weather conditions are a significant operating risk affecting the Group. Poor weather conditions, unpredictable conditions or climate change may adversely affect farm output which, in turn, may adversely affect volume-related revenues earned by the agricultural operations, which may have a material adverse effect on the Group's business, financial condition and operational results.

Risks relating to Russia
Prospective investors should fully appreciate the significance of the risks involved in investing in the Russian market. Investors should be aware that emerging markets such as Russia are subject to greater risk than more developed markets, including significant economic, political and social, and legal and legislative risks. Prospective investors should also note that emerging economies are subject to rapid change and that the information set forth herein may become outdated relatively quickly. The risks involved include: Political and social risks, economic risks and regulatory risk

Accelerated repayment of the Bonds
The Bonds terms and conditions contain covenants pursuant to which repayment of the Bonds may be accelerated. Such triggering events include, inter alia, a change of control of the Company, or the Company's failure to maintain a debt to equity ratio of 75 percent or lower. If the repayment of the Bonds is accelerated due to the Company's breach of the Bonds covenants, the accelerated repayment could have a material adverse effect on the Group's business, financial condition and operational results.

B.32	**Information on the issuer of the SDRs**	The name of the issuer of the SDRs is Pareto Öhman AB, a company registered by the Swedish Companies Registration Office on 10 October 1980. Pareto Öhman's business is governed by Swedish law and its legal form is governed by the Swedish Companies Act (2005:551). The registered office of the company is in Stockholm.

Section C – Securities

C.13	**Information on the underlying shares**	**Securities being offered (C.1)** SDRs in Black Earth Farming (ISIN code SE0001882291). Each SDR is equal to one share in the Company. There is only one class of shares in the Company. **Denomination (C.2)** The shares are denominated in USD and each share has a quota value of USD 0.01. **Total number of shares (C.3)** The registered share capital of Black Earth Farming amounts to USD 1,246,016.67 divided into 124,601,667 issued and fully paid up shares. **Rights pertainging to the shares (C.4)** Each share entitles the holder to one vote at the general meeting and carries an equal right to the Company's assets and profits. In the event the Company allots equity securities pursuant to the exercise of warrants or an offering, the shareholders generally have rights of pre-emption corresponding to the number of shares held prior to such allotment. Dividends are declared at the general meetings and payment will be carried out by Euroclear Sweden. **Limitations to the free transferability (C.5)** The free transferability of the shares is limited by the terms and conditions of the SDRs, stipulating that, for as long as the shares are deposited, they may only be transferred or pledged by registration in the Register of Euroclear Sweden. **Trading in the shares (C.6)** There will be no trading in the Company's shares. The New SDRs will be traded on NASDAQ OMX Stockholm. **Dividend policy (C.7)** The Company is a holding company that conducts its operations through subsidiaries and affiliates predominantly in Russia. Accordingly, its ability to pay dividends or make other distributions is dependent on receipt of sufficient income from these companies. The Company has never declared nor paid any cash dividends on its capital stock and does not The bonds issued by the Company are subject to certain covenants as stipulated in the bond agreement, including the covenant that the Company or its subsidiaries should not declare a dividend or distribution of capital, redeem or purchase any of its shares or make other similar distributions to shareholders in an amount exceeding 30 percent of the most recent financial year's net profit on a consolidated basis.
C.14	**Information on SDRs**	**Securities being offered (C.1)** SDRs in Black Earth Farming (ISIN code SE0001882291). **Denomination (C.2)** The SDRs are traded in SEK on NASDAQ OMX Stockholm. **Total number of SDRs (C.3)** 124,601,667 issued and fully paid up SDRs. **Rights pertainging to the SDRs (C.4)** A holder of SDRs has the same right to receive dividends as a shareholder. Entitlement to dividend belongs to anyone who is registered as a holder of SDRs in the depository receipt register maintained by Euroclear Sweden. Dividends are declared at the general meetings and payment will be carried out by Euroclear Sweden. Each SDR entitles the holder to one vote at the general meeting and carries an equal right to the Company's assets and profits. A holder of SDRs has the same right to vote at general meetings as a shareholder. In order to attend a general meeting it is, however, required that the holder of SDRs follows the instructions from the custodian bank. **Limitations to the free transferability (C.5)** The SDRs are not subject to limitations to the free transferability, save for that the Securities being granted or offered, respectively, in the Rights Issue may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, Australia , Canada, Hong Kong, Japan, Singapore, South Africa, Switzerland or the US.

Pareto Öhman is registered as shareholder in the Company's share register and is the custodian bank for the SDRs. The Issuer's undertakings for the SDRs have not been guaranteed. The shares are represented by SDRs registered at Euroclear Sweden. Each SDR corresponds to one share in the Company with a par value of USD 0.01.

An SDR provides the same right to a dividend as the underlying share. Holders of SDRs are entitled to a share of the surplus in proportion to the number of SDRs owned by the holder in the event of a liquidation of the Company. A holder of SDRs has the same right to vote at general meetings as a shareholder. In order to attend a general meeting it is, however, required that the holder of SDRs follows the instructions from the custodian bank.

The custodian bank will dispatch written notices to the holders of SDRs by mail to authorised persons to the address listed in the Register of Euroclear Sweden. The custodian bank may, instead of mailing notices, publish the notice in a daily national newspaper in cases where a Swedish CSD-registered company is entitled to send such notice. Information regarding shareholders' meetings will be presented through a press release and shall be made available on web site of the custodian bank.

Section D – Risks

D.4 **Main risks related to the issuer of the underlying shares**

Key information on the main risks related to the issuer (D.2)

Risks relating to the current macroeconomic environment

The Company currently lacks sufficient working capital for the current needs over the coming 12 months; and it plans to further develop its business and expand production is thus dependent upon the Company's ability to obtain financing through the raising of additional equity, debt financing or other means. If the Company requires further financing, such debt financing, if available, may involve restrictions on investing and operating activities.

The Group's freehold ownership of agricultural land in Russia may be open to legal challenges

The Group's freehold ownership of agricultural land in Russia may be open to legal challenges. Russian law does not allow a foreign-controlled entity to own agricultural land in Russia. The Russian assets of the Group are owned under a cross-ownership structure. Whilst this structure complies with the letter of the Russian law and has been used by a number of foreign funds and companies acquiring Russian assets, no assurances can be given that ownership structures, such as that used by the Group, could not be challenged on the basis that they possibly violate the spirit of the law. If the Company's holding structure of its Russian assets is found to be in breach of Russian law, the Company could be forced to either sell part of its assets, return the asset to the previous owner, or introduce Russian shareholders to its subsidiaries, which may have a material adverse effect on the Group's business, financial condition and operational results.

Changes in agricultural commodity prices may affect the Group's business

Market prices of agricultural commodities are predominantly influenced by unpredictable factors beyond the control of the Company, including weather, planting intentions, governmental (Russian and foreign) agricultural programs and policies and changes in global demand due to demographic factors. Hedging activities to reduce volatility are sought, but the market for such activities remains underdeveloped in Russia. In its capacity as a commodity producer, the Group is not able to influence general price levels for its products and is therefore subject to completely external factors which may affect the Group's business, financial condition and operational results.

Poor or unexpected weather conditions, as well as climate changes, can affect the Group's results

Weather conditions are a significant operating risk affecting the Group. Poor weather conditions, unpredictable conditions or climate change may adversely affect farm output which, in turn, may adversely affect volume-related revenues earned by the agricultural operations, which may have a material adverse effect on the Group's business, financial condition and operational results.

Risks relating to Russia

Prospective investors should fully appreciate the significance of the risks involved in investing in the Russian market. Investors should be aware that emerging markets such as Russia are subject to greater risk than more developed markets, including significant economic, political and social, and legal and legislative risks. Prospective investors should also note that emerging economies are subject to rapid change and that the information set forth herein may become outdated relatively quickly. The risks involved include: Political and social risks, economic risks and regulatory risk.

		Accelerated repayment of the Bonds The Bonds terms and conditions contain covenants pursuant to which repayment of the Bonds may be accelerated. Such triggering events include, inter alia, a change of control of the Company, or the Company's failure to maintain a debt to equity ratio of 75 percent or lower. If the repayment of the Bonds is accelerated due to the Company's breach of the Bonds covenants, the accelerated repayment could have a material adverse effect on the Group's business, financial condition and operational results.
D.5	**Main risks related to the SDRs**	**Key information related to the securities (D.3)** ■ There is typically a high degree of risk associated with investing in securities. In addition to the Company's performance, the SDR price is dependent on a number of factors that neither the Company nor the Managers can influence. ■ Exercise of warrants could dilute current investor holdings of SDRs in the Company ■ There can be no certainty that a liquid market for trading in the Subscription Rights will develop ■ Holders of SDRs who do not exercise or sell their Subscription Rights may incur losses and will suffer significant dilution of their holdings of SDRs

Section E – Offer

E.1	**Rights issue amount and costs**	The rights issue will provide Black Earth Farming with a maximum of SEK 530 million before expenses. Total expenses of the offer are estimated to be approximately SEK 12.3 million.
E.2a	**Reasons for the offer and use of proceeds**	In order to fund the investment and working capital needs required for PepsiCo and to the operational turnaround, a strengthened equity base is proposed given the Company's current capital structure and the inherent volatility of business. For this reason the Board of Directors of BEF have resolved to undertake a new share issue with preferential rights for existing shareholders. Approximately SEK 365 million of the proceeds from the Rights Issue will be used for capital expenditures and working capital relating to the PepsiCo cooperation agreement and approximately SEK 165 million for working capital of BEF to raise crop yields and lower the cost per ton of production
E.3	**Background and terms and conditions**	On 21 October 2012, Black Earth Farming's Board of Directors resolved, subject to approval by the extraordinary general meeting, to undertake a rights issue of new Shares. On 13 November 2012, at an extraordinary general meeting of Black Earth Farming, the shareholders of Black Earth Farming resolved to approve the rights issue and to authorize the Board of Directors to execute the rights issue, as well as adopted other resolutions required for the rights issue. On 13 November 2012, the Board of Directors resolved on the detailed terms and conditions of the proposed rights issue, thereby resolving to issue 83,067,778 Shares, each with a nominal value of USD 0.01. The Company's SDR holders have first priority preferential right to subscribe for new SDRs in accordance with the SDRs already held. Record date for the right to subscribe for SDRs in the Rights Issue is 20 November 2012. Those who upon the record date are registered as SDR holders in Black Earth Farming may subscribe for two (2) new SDRs for each three (3) existing SDRs in Black Earth Farming. To the extent that new SDRs are not subscribed for using first priority preferential rights these SDR shall be allocated to SDR holders and other investors that have subscribed for SDRs without preferential rights. Subscription shall be carried out during the period 26 November 2012 up to and including 7 December 2012, or such later date as decided by the Board of Directors. The subscription price has been set to SEK 6.38 per SDR. Certain of Black Earth Farming's largest SDR holders, including Vostok Komi (Cyprus) Limited and Kinnevik New Ventures AB, as well as the Board of Directors and all senior executives of the Company, together representing approximately 50.4 percent of the capital and votes in the Company, have undertaken to subscribe for their respective pro rata share of the Rights Issue.
E.4	**Conflicts of interest etc.**	No conflicts of interests or similar exist, save for that Richard Warburton, executive director and CEO of the Company has a 26 percent shareholding in KinnAgri Limited, a service provider to the Company. KinnAgri, in turn, has a 50 percent shareholding in KCM, which is also a service provider to the Company. All contracts entered into between the Company and KinnAgri Limited and between the Company and KCM are approved by the Board of Directors and scrutinized for arms length nature.
E.5	**Custodian bank/Lock-up agreement**	In its capacity as custodian bank, Pareto Öhman is the offeror of the SDRs. Kinnevik New Ventures AB and Vostok Komi (Cyprus) Limited have undertaken, respectively, not to reduce its existing shareholding by disposing any shares in the Company in any manner prior to the date following the expiry of the Rights Issue subscription period.

E.6	**Dilution**	The Rights Issue will, if fully subscribed, entail that the number of SDRs in the Company increases from 124,601,667 to 207,669,445 SDRs, which corresponds to an increase of 66.7 percent. SDR holders refraining from subscribing for SDRs in the Rights Issue will be subject to a dilution effect of in total 83,067,778 new SDRs, corresponding to up to 40.0 percent of the total number of SDRs in the Company after the Rights Issue.
E.7	**Costs for the investor**	Not applicable; the issuer does not impose any costs on the investors.

Risk factors

All share/SDR ownership involves a high degree of risk. A number of risk factors could influence the Group's activities (including those beyond Black Earth Farming's control). Risk factors and circumstances considered to be of material significance to the Company's future development are described below, without being ranked in order of importance. This list is not an exhaustive list of such risk factors or circumstances. The risk factors below are not the only risk factors faced by the Company and its shareholders and holders of SDRs. Furthermore, risks which the Company is not currently aware of may have a material impact on the Group's operations, financial position and results. Such risks may additionally lead to a substantial fall in the price of the SDRs, and investors may lose either part of or their entire investment. The risk factors listed below, should be read in conjunction with other information in this Prospectus, as well as any macro analyses related to the industry and country in which BEF operates, and general world legal, political and economic conditions, before deciding to invest in the Company's SDRs.

Investors in companies holding assets in emerging markets such as Russia should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Investors should also note that emerging markets such as Russia are subject to rapid change and that the information set out in this Prospectus may become dated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate.

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

Difficult conditions in the global capital markets and the economy in general may affect the Group's business

The Group's net sales are materially affected by conditions in the global capital markets and the economy in general, in both Europe and elsewhere in the world. Since the beginning of the financial crisis in 2007, domestic and international equity markets have been experiencing increased volatility and turmoil. The global financial system continues to exhibit signs of high levels of stress and many economies around the world are experiencing no or reduced growth compared to previous years. A consequence of those events has been an increased concern about the stability of the financial markets generally and the strength of counterparties, and many lenders and institutional investors have reduced funding to borrowers which has significantly reduced the liquidity in the global financial system. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states.

Securities that are less liquid are more difficult to value and may be hard to dispose of. Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets, and inflation, all affect the business and economic environment and, ultimately, the amount and profitability of Black Earth Farming's business. Furthermore, a lengthy global economic downturn could trigger a significant decrease in demand for the Group's products as a result of a decrease in the global grain market. Adverse changes in the economy could affect earnings negatively and could have a material adverse effect on the Group's business, financial condition and result of operations.

The current economic conditions have further raised the possibility of future legislative and other governmental authority actions. Black Earth Farming cannot predict whether or when such actions may occur or what impact, if any, such actions would have on Black Earth Farming's business, financial condition and result of operations.

Financing may not be available for the Company on reasonable terms

The Company currently lacks sufficient working capital for the current needs over the coming 12 months, and it plans to further develop its business and expand production, is thus, dependent upon the Company's ability to obtain financing through the raising of additional equity, debt financing or other means.

If the Company requires further financing, such debt financing, if available, this may involve restrictions on investing and operating activities. Debt financing for the Company's Russian business on commercially acceptable terms may be difficult to obtain. There can be no assurance that the funding required by the Company will be made available to it. Further, even if such funding is available, there is no assurance that it will be offered on reasonable terms. If the Company is unable to obtain additional financing as needed, it may not be able to develop its business and expand production at the rate planned, which may have a material adverse effect on the Company's business, financial condition and result of operations.

Accelerated repayment of the Bonds

On 1 July 2010, the Company issued, with Euroclear Sweden as central securities depository and registrar, 750,000,000 bonds with a par value of SEK 1 each. The Bonds mature on 1 July 2014. The Bonds will bear a fixed annual interest of 10 percent as from 1 July 2010 to the date of maturity. The Bonds were listed on the Corporate Bond List on NASDAQ OMX

Stockholm on 24 September 2010. The Bonds terms and conditions contain covenants pursuant to which repayment of the Bonds may be accelerated. Such triggering events include, inter alia, a change of control of the Company, or the Company's failure to maintain a debt to equity ratio of 75 percent or lower. See "Legal matters and supplementary information – Bonds issues" for further information.

If the repayment of the Bonds is accelerated due to the Company's breach of the Bonds covenants, the accelerated repayment could have a material adverse effect on the Group's business, financial condition and operational results.

The Group's performance depends on its current management team and its ability to recruit skilled and suitably experienced personnel for future operations

The Company is dependent upon the efficient functioning of its management structure in Jersey, Cyprus, and Russia. In addition, the Group's farming operations rely on a small senior management team for the implementation of its strategy and the operation of its day-to-day activities. The Group's performance depends to a significant extent on its ability to attract and retain such highly qualified and skilled managerial personnel, and in particular personnel with experience in the Russian agricultural markets. The loss of any key person or the inability to recruit appropriate personnel could have a negative impact on the Group's performance. In addition, personal connections and relationships of members of management are important for the Group's business. No assurance can be given that key senior executives or senior executives at the local operational level will remain with the Group. However, the Group attempts to structure compensation packages in a manner consistent with the evolving standards of the Russian labour market.

Risks such as human behaviour, criminality, lack of work ethic and a general lack of professional and managerial qualifications can have significant adverse consequences on the profitability of the Group.

Thus, any inability to attract and retain the Group's key employees and managers and other professional personnel could have a material adverse effect on the Group's business, financial condition and operational results.

Urban migration makes it difficult to attract and retain a quality workforce

Depopulation of the countryside is a trend in Russia. The younger members of the Russian work force are increasingly moving to cities and urban centres which offer higher pay and a better standard of living. This trend of rural depopulation is resulting in a shortage of the necessary non-management labour force in the agricultural sector. Any inability to attract and retain a good quality workforce to carry out the planned development of the Company's business could have a material adverse effect on its business, financial condition and operational results. In addition to urban migration, the Group competes with rural production factories in attracting a quality workforce, with the rural production factories having the advantage of providing full time year-round employment in contrast to the farming performed by the Group, which is seasonal.

The definition of land under control is broad and should not be equated with land under production

The 'land under control' figures provided in this Prospectus have been prepared by the Company and do not necessarily correspond to the land that is currently under production. The land comprised under this concept includes land which is both registered and unregistered, owned solely or jointly with another company, as well as land that is under long-term registered leases. For a detailed explanation of the concept of 'land under control' see "Business of Black Earth Farming – Land Ownership". Although land may be deemed under control, portions may still require further investment before production can begin, meaning that not all land under control is currently producing a crop. While the Company believes that the figures in this Prospectus provide a fair and accurate estimate of the land under control, there is no generally accepted definition or concept of 'land under control' and there can be no assurance that a third party would not have a different understanding and arrive at a different figure for land under control.

The Group's freehold ownership of agricultural land in Russia may be open to legal challenges

Russian law does not allow a foreign-controlled entity to own agricultural land in Russia. A Russian company is considered a foreign controlled entity when more than 50 percent of its share capital is owned by a foreign entity. Accordingly, the Russian assets of the Group are owned under a cross-ownership structure, as described in "Legal matters and supplementary information – Group Legal Structure".

Whilst this structure complies with the letter of the Russian law and has been used by a number of foreign funds and companies acquiring Russian assets, no assurances can be given that ownership structures, such as that used by the Group, could not be challenged on the basis that they possibly violate the spirit of the law. The Russian courts and legal system generally take a formal approach to legislative interpretation and usually do not go beyond the issues of formal requirements of a legislative act. However, no assurance can be given as to how a Russian court would treat each particular situation brought to its consideration, or as to future developments in the Russian legal system which may give greater weight to substance over form.

If the Company's holding structure of its Russian assets is found to be in breach of Russian law, the Company could be forced to either sell part of its assets, return the asset to the previous owner, or introduce Russian shareholders to its subsidiaries, which may have a material adverse effect on the Company's business, financial condition and results of operations.

The Group's operations may be affected by defects in title to the land plots in Russia

On certain land plots in Russia the Group operates on the basis of short-term leases entered into with the local authorities; approximately 18,000 hectares of the Company's in total 310,000 hectares are leased on such short-term leases. There is a requirement in Russian law that a lease from a governmental authority can be obtained only through tender procedures or, if there is an insufficient number of tender participants, permission may be granted on an individual basis, provided that certain other conditions are satisfied. A lease can be executed only if a cadastre number is attached to the land plot. In respect of all leases that the Group holds from the government, the local authorities had failed to comply with these requirements under Russian law, prior to concluding lease agreements with the Group. If such leases are invalidated on the grounds of formal non-compliance with Russian legal requirements, this may have an adverse effect on the Group's business, as the Group may be deprived of such rights together with any harvest grown on the land plots.

Moreover, in some cases, the acquisition of land plots may not have followed the procedure required by certain pre-emptive rights of other owners or shareholders or spousal consents. If the Group is found to have breached third party rights when purchasing agricultural land plots, there is a risk the Group will have to assign acquired rights to such third parties.

In the event that the Company's title to any of its land is the subject of a challenge that it has been improperly acquired (for example due to non-compliance with local registration procedures) and the Company is unable to defend the claim, the Company risks losing its rights to such land (into which the Company may have invested a substantial amount of money in respect of conditioning or cultivation of the land) which could materially affect the Company's business, operating results and financial condition.

If the Russian properties owned or leased by the Company, or any activities relating to such property, are found in non-compliance with all applicable approvals, consents, registrations or other regulations, the Company may be prevented from or delayed in using such property, and this could have a material adverse effect on the Company's business, financial condition and results of operations.

It may not be possible to convert leases into freehold title to land

The Company holds a number of leases on land and seeks to have such lease rights converted into freehold rights. There can be no assurances that the Company will be successful in converting such leases into freehold rights. Moreover, the registration procedure for obtaining title to land (lease and ownership) is long and complicated, with most of the Company's risk occurring in the very early stages of ownership registration. During the entire procedure, which, without complications resulting in delays, can take up to 20 months, the Company must rely on the goodwill of local and regional authorities to let the Company go through the entire administrative process without sabotage or actions which could cause the Company to lose its entire land holdings during the registration process without the possibility of being compensated for the total amount of money invested.

Repeated or singular events of losing entire land holdings during the registration process could have a material adverse effect on the Company's business, financial condition and results of operation.

The Group makes investments in and cultivates land over which it does not have registered ownership and some of the land under control has not been fully paid for

An important factor for the Company to be welcomed in a region and get necessary support from local collectives and authorities in the Black Earth region of Russia, which is a clear demonstration of its genuine intention to cultivate and crop the land and not seek short-term land asset speculation. Due to the complexity and length of time needed to gain full control over land, the Company often chooses to begin production on land very early in the acquisition process Therefore, the Company has included early stages of land acquisition in its definition of 'land under control'.

This means that land is cultivated over which the Company may not have registered title. The exact cost of acquiring this land cannot be quantified in full at the date of this prospectus, and there is a risk that the cost of purchase may increase during the time taken to finalise registration.

The Group pays in advance for what is due under land acquisition contracts. Until the transactions have been completed the Group risks losing all such prepayments, due to the typically low creditworthiness of its counterparties and difficulties in enforcing claims to recover such funds.

There are also costs which the Group will incur in bringing the land, which is already at the registration stage, into production. Further, depending on the stage of 'land under control', an individual owner could withdraw their consent to the sale or lease of their land, and perhaps accept a higher offer for the land from a competitor. There are no guarantees that there will not be materially adverse changes in laws or the interpretation of existing laws or materiall adverse regional decrees that could limit a Group company in its ability to obtain full ownership title to the land. Such circumstances could result in a Group company losing its title to or interest in land without being able to recover any investment, such as its harvest, land tax payments or prepayments. It is also unlikely that the Group company would receive any compensation for such losses. Such losses or additional costs (mentioned above) could have an adverse effect on the Group's financial condition and operational results.

The Group may have to use third party storage capacity or invest more than initially expected in storage capacity

An important factor for the Group's success and stability is its ability to safely treat and store the production after harvest. In certain regions such capacity is non-existent, while it may be available in other regions. Historically the Company has had to store some of its production in facilities owned by third parties as the Company has not had a sufficient number of silos and grain elevators to store its entire output.

Therefore, the Group has invested into internal infrastructure, capable of fully covering the Group's own storage needs. 2011 was the first year for the Company in handling and storing 100 percent of a normal sized harvest internally. However, the storage capacity will not be sufficient for a good harvest and there is a risk that the Group will still have to partly store its production in facilities owned by third parties or make additional investments in order to increase the storage capacity. There are inevitable losses linked to such third-party facilities since they are often mismanaged and the supply of facilities is limited.

The Group may have to invest more than initially expected in supportive infrastructure and logistics

When storing and handling production internally external factors such as obtaining permits to unload crops from one elevator which can limit storage turnover and create internal bottlenecks with drying handling and storage logistics.

The non-delivery of contracted rail cars may also affect storage turnover and create internal bottlenecks with drying handling and storage logistics. Operation and forwarding of grain rail cars has one dominant market player in Russia, with very few alternatives and all are reliant on the fully state regulated locomotive service for forwarding. Rail transportation logistics hampered the Company's export plans during 2011 and the Company is evaluating how to mitigate this risk going forward. As a result of the need for supportive infrastructure and logistics the Company may invest in this field. However, current appraisals show that such investments would to generate a significant internal rate of return.

Problems with crop handling and logistics may lead to deterioration of crops, thereby materially harming the Group's business, financial condition and results of operations.

Environmental liabilities and compliance costs can harm the Group

The Russian environmental laws impose obligations on land owners to conduct remedial action on contaminated sites. No assurances can be given that the Group's land holdings do not include land that has undisclosed contamination. Environmental obligations for the Group arising from land contamination could materially adversely affect the Group's business, results of operations and financial condition. It is also possible that the Group may become involved in claims, lawsuits and administrative proceedings relating to environmental matters. An adverse outcome in any of these could have a significant negative impact on the Group's business, results of operations, financial condition and prospects and may include the imposition of civil, administrative or criminal liability on the Group or its officers. Changes in environmental, health and safety laws and enforcement policies could result in substantial costs and liabilities and could subject the Group's real estate properties (or those formerly owned or operated by the Group) to more rigorous scrutiny than at the moment. Compliance with changes in such laws could result in significant capital expenditures and other costs and liabilities, thereby materially harming the Group's business, financial condition and results of operations.

Holders of SDRs are not assured of receiving dividends in the near future

Holders of SDRs cannot be certain of receiving a dividend on their investment in the foreseeable future, if at all. It is possible that holders of SDRs will not receive any return on their investment in the Company other than possible capital gains.

The Company is a holding company

The Company is a holding company that conducts its operations through subsidiaries and affiliates. The Company holds no significant assets other than direct and indirect investments in the Group companies and is therefore dependent upon receipt of sufficient dividend income from these companies to meet its own obligations.

Under Russian law, a company is not allowed to pay dividends or make other distributions unless current or retained profits are available to cover such distributions. The Company's ability to benefit from the distribution of any assets of its subsidiaries upon liquidation of any such companies will be subject to the prior claims of such companies' creditors, including trade creditors.

The Company's financial position is dependent on the contractual and legal ability of its subsidiaries to declare and pay dividends. A decrease in dividend income may have an adverse effect on the Company's financial condition and results of operations.

Poor or unexpected weather conditions can affect the Group's results

Weather conditions are a significant operating risk affecting the Group. Poor weather conditions, unpredictable conditions or climate change may adversely affect farm output which, in turn, may adversely affect volume-related revenues earned by the agricultural operations. Moreover, a short vegetation period (as for example in the Northern part of the Black Earth Region) means that the Group is required to intensify its operations in the region and any problems or delays with operations in such a region may have a significantly greater impact on the Group than in regions with a longer vegetation period.

The success of a grain harvest is greatly dependent upon rainfall during the growing season. In a climate of hot dry summers on snowfall during winter periods is important for a successful grain harvest, as the melting snow provides water for the sowing and growing periods. Snow is also essential for protecting winter wheat against frost.

A low level of rainfall, lack of snow for plant cover and source of moisture and/or severe winter frost may have a seriousl detrimental impact on the Group's cereal production, which could have a material adverse effect on the Group's business, financial condition and operational results.

Changes in the climate can affect the Group's results

Effects of global warming are expected to have a regional but not a global effect on food production according to the Food and Agriculture Organization of the United Nations. Current research suggests that the potential for crop production will increase in temperate and northerly latitudes while, it may decline in parts of tropical and subtropical regions.[1] That would suggest a longer growing period for the Company's operating region. A study by the U.S. National Oceanic and Atmospheric Administration on the cause of the 2010 heat wave that severely affected the Company's volumes, found it to be primarily due to a natural phenomenon called atmospheric blocking which occurs when high atmospheric pressure builds up and forces any cool air and rains to detour around it.[2] There is however a risk that the aforementioned studies are not correct. Any changes in the climate could have a material adverse effect on the Group's business, financial condition and operational results.

Changes in agricultural commodity prices may affect the Group's business

Market prices of agricultural commodities are predominantly influenced by a variety of unpredictable factors which are beyond the control of the Company, including weather, planting intentions, governmental (Russian and foreign) agricultural programs and policies, changes in global demand resulting from population growth and higher standards of living and global production of similar and competitive crops.

Hedging activities to reduce volatility via physical future sales or financial options are sought, including crop hedging, but the market remains underdeveloped in Russia where a majority of transactions are on a spot basis. Further, it is difficult to predict the exact global and local supply and demand patterns and hence exact market prices in a given year. In its capacity as a commodity producer the Group is not able to influence general price levels for its products and is therefore subject to completely external factors which may affect the Group's business, financial condition and operational results.

1 FAO: World Agriculture: Towards 2015–2030 Summary report, page 17.

2 GEOPHYSICAL RESEARCH LETTERS, VOL. 38, L06702, 5 PP., 2011

The Group may encounter difficulties in attaining sufficient crop yields

A range of factors affect the germination of crops in the fields, some of which are within the Company's control. Applying agronomical best practices and timely field works include the key measures that the Company is focused on by ensuring that the knowledge and best practises are transferred to field personnel via an efficient decision making process. In addition certain inputs and life science data such as seeds customized for the specific climatic conditions and soil characteristics are not widely available for some of Russia's key crops, which may affect the Group's business, financial condition and operational results.

The Group may encounter difficulties in obtaining inputs such as fertilizers, seeds etc.

Fertilizers, seeds, herbicides and fuel are key inputs in the Company's production process and comprise a high share of the Company's total operating costs. These industries are all characterized by the relatively high level of consolidation where the number of potential suppliers is limited. A consequence of this is a reduction in the Company's purchasing power, which could have a material adverse effect on the Group's business, financial condition and operational results.

The Group may encounter difficulties in obtaining farming equipment and other necessary supplies from certain local suppliers

Timely access to equipment and supplies is essential for the Group's farming operations in the Black Earth Region, where the climate seriously limits the length of seeding and harvesting periods. The majority of the equipment is imported which may be problematic due to opaque import tolling mechanisms in Russia and the Group may be subject to payment of import taxes.

Issues with importing and obtaining equipment may lead to delays in delivery, as it could affect production, for example, in hindering the Group from being able to seed in time, which could have an adverse effect on the Group's business, financial condition and operational results.

Litigation

The process of land registration is regulated by the federal law "Agricultural land turnover/usage", which provisions are controversial and hard to meet, and in some instances cannot be complied with in principle. Please refer to the section "Business of Black Earth Farming – Land ownership" for more information on the process of land acquisition in Russia. This relates primarily to the provisions relating to the acquisition of shares in the right of the common ownership to the land plots (so called "pais"). The difficulties in disputes with pai holders are that the cases against AGRO-Invest are considered by local courts, whose objectivity is generally doubtful. A loss by AGRO-Invest against the pai holders would result in a two-sided restitution, where each side would be required to return that which they received in the transaction.

Due to the nature of the Company's business, the ambiguities and inconsistencies in the Russian legal system and business practices as well as the intricate process of land registration in Russia the Company is continuously involved in a number of legal proceedings in relation to its holdings of land (two of which relate to the same plot of land). In total the land area subject to disputes is 7,379.61 hectares and the disputes relate to claims from the plaintiffs that the meetings for the pai holders as stipulated by Russian law have not taken place, the minutes from such meetings are invalid and that the sale and purchase agreements for the land shall be declared invalid. In three of the Company's disputes the courts have ruled against the Company and the Company intends to appeal the resolutions, and in a fourth case no resolution by the court has yet been made.

Dependency on a major customer

In October 2012, BEF entered into a strategic cooperation agreement with PepsiCo and its subsidiaries in Russia pursuant to which BEF will become a significant supplier of sunflower seeds and potatoes used as inputs in the production of Frito-Lay's potato crisps. It is also anticipated that an agreement for the supply of sugar beets will be executed in January 2013. The PepsiCo cooperation could potentially represent up to 30 percent of BEF's revenue by 2015 and the planned increased area for potato and sugar beet production involves a total capital need of approximately USD 55 million. The Company will undertake material investments to meet the expected order volumes from PepsiCo. If the expected order volumes were to be materially reduced by PepsiCo, or if the business relationship with PepsiCo is terminated, the total revenues of the Company may be reduced and/or the Company may not fully benefit from the investments and this may have an adverse effect on the Company's business, financial condition and results of operations.

Currency risk

The Group is exposed to currency risk on borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the Russian Rouble RUR). Changes in the exchange rates will affect the interest rates payable by the Company. In order to mitigate the Group's foreign exchange exposure, the Company has currency hedges in place. Nonetheless, significant exchange rate movements and other financial market fluctuations could have a material adverse effect on the Group's business, financial condition and results of operations.

The Company does not carry the types of insurance coverage customary in more economically developed countries

The insurance industry is not yet well developed in Russia. Many forms of commercial insurance protection common in more economically developed countries are not yet available in Russia on comparable terms, including coverage for business interruption in relation to agricultural businesses. The Company has insured its primary capital assets in accordance with Russian law and thus, is insured against some, but not all, potential risks and losses affecting its operations, and the Company cannot guarantee that its insurance will be adequate to cover all of its losses or liabilities, which would normally be covered in other countries. Moreover, the Company cannot guarantee that insurance will continue to be available to the Company on commercially reasonable terms.

The Group does not have full coverage for weather-related risks which may impact crop results, its elevators and other owned property, plant and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. If a significant event were to affect one of the Group's facilities, the Company could experience substantial property loss and significant disruptions in its production for which the Company would not be fully compensated. Additionally, depending on the severity of the property damage, the Company may not be able to rebuild damaged property in a timely manner or at all. The Company does not maintain separate funds or otherwise set aside reserves for these types of events. Any such loss or third party claim for damages may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is currently looking into the possibility of taking out a crop insurance as a way of mitigating risk.

Emerging markets such as Russia are subject to greater risks than more developed markets, including significant legal, economic and political risks

Prospective investors should exercise particular care in evaluating the risks involved in emerging market securities, such as the Shares, and must decide for themselves if, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who are familiar with and fully appreciate the significance of the risks involved in investing in such markets. Investors should be aware that emerging markets such as Russia are subject to greater risk than more developed markets, including in some cases significant economic, political and social, and legal and legislative risks. Prospective investors should also note that emerging economies are subject to rapid change and that the information set forth herein may become outdated relatively quickly. The Russian markets were highly volatile during the global financial crisis, which caused market regulators to suspend trading temporarily on our platforms on several occasions, as we experienced significant overall declines during the peak of financial crisis in 2008 and 2009. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy. Financial turmoil in other emerging or developing markets could materially adversely affect the Group's business, financial position, results of operations and prospects, as well as the price of the Company's SDRs. Prospective investors are urged to consult with their own legal and financial advisors before making an investment in the SDRs.

Political risks relating to Russia

Laws and regulations affecting business operating in Russia are subject to rapid changes and the Group's assets and operations could be at risk in the event of negative changes in the political and business environment. These risks entail in particular expropriation, nationalisation, confiscation of assets and legislative changes relating to the level of foreign ownership. Such instability may in some cases have an adverse impact on the Group's business, financial condition and results of operations.

Russia is experiencing political uncertainty which might have negative effects on the Russian economy and the Group's business, financial condition and operational results.

Crime, corruption, illegal or unacceptable business methods and unlawful or arbitrary governmental action

The widespread corruption and non-acceptable business practices conducted in Russia as compared with other more developed countries may decrease a Russian company's ability to compete globally. The operations of the Group could be adversely affected by illegal activities, corruption or claims implicating the Group in illegal activities.

Unlawful, selective or arbitrary government action may have an adverse effect on our business and the value of the Shares

Governmental authorities have a high degree of discretion in Russia and at times appear to act selectively or arbitrarily, without hearing or prior notice, and in a manner that is contrary to law or influenced by political or commercial considerations. Moreover, the Government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Unlawful, selective or arbitrary governmental actions have reportedly included denial or withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions and the expropriation of property. Federal and local government entities also appear to have used common defects in matters surrounding share issuances and registration as pretexts for court claims and other demands to invalidate the issuances or registrations or to void transactions, seemingly for political purposes.

The possibility of unlawful, selective or arbitrary governmental action also enhances opportunities for official corruption and extortion, which is widely reported to be high in Russia. Press reports have described instances in which governmental officials have engaged in selective investigations and prosecutions to further their personal interests. The Russian government has pursued a campaign against corruption, the results of which have not been yet achieved.

Corruption, extortion or the use of governmental power against particular companies or persons (e.g., through tax, environmental or prosecutorial authorities) could adversely affect Russia's economic and investment climate and, if directed against our Russian subsidiaries, may have a material adverse effect on the Group's business, results of operations and financial condition, as well as the price of the Company's SDRs.

The relationship between Russia and the European Union may deteriorate

The European Union is Russia's largest neighbour and trading partner; with European Union trade comprising over 47.1[3] per cent of Russia's overall trade in 2010. Conversely, Russia is the European Union's third-largest trading partner.[4] The European Union primarily exports machinery and finished industrial and consumer goods, whereas Russian predominantly exports fuel and primary products. The European Union Partnership and Cooperation Agreement (PCA), which entered into force with Russia in 1997, forms the basis for bilateral contacts between Russia and the European Union, including the areas of political dialogue, trade and goods, investment and finance, amongst other things, with the eventual goal of establishing a European Union-Russia free trade zone. The PCA provides Russia with a Most-Favoured-Nation (MFN) status, thereby exempting Russian exports from quantitative limitations, excluding steel. The initial PCA expired in November 2007; however, the PCA provides for an annual automatic renewal unless either party gives written notice of its termination of the PCA at least six months before its expiration date. Negotiations regarding the entry into of a new agreement were initiated in 2008.[5] Such agreement is likely to build upon WTO rules.[6]

Should relations between Russia and the European Union deteriorate, actions taken by the government, e.g. in relation to trade, may be reversed, which may have negative effects on the Russian economy and, in consequence, adversely affect the Company's business, financial condition and results of operations.

Economic risks relating to Russia

Economic instability in the Russian Federation could materially adversely affect our business, financial condition or results of operations

From 2000 through the first half of 2008, Russia experienced rapid growth in its gross domestic product, higher tax collections and increased stability of the rouble, providing a certain degree of economic soundness. However, the

3 http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/russia/

4 http://eeas.europa.eu/russia/index_en.htm

5 http://eeas.europa.eu/russia/index_en.htm

6 http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/russia/

Russian economy has been adversely affected by the global financial and economic crisis that began in the second half of 2008, which manifested itself through extreme volatility in debt and equity markets, reductions in foreign investment and sharp decreases in gross domestic product in Russia and around the world. Any of the following risks, which the Russian economy has experienced at various times in the past and some of which have already occurred during the crisis, may have a material adverse effect on the Group's business, results of operations and financial condition, as well as the price of the Company's SDRs:

- significant declines in gross domestic product;
- high inflation;
- increases in, or high interest rates;
- growth of black-and-grey-market economics;
- an unstable currency;
- high government debt relative to gross domestic product;
- the lack of reform in the banking sector and a weak banking system providing limited liquidity to Russian enterprises;
- sudden price declines in the natural resources sector;
- a significant decline in reserves of the Russian Central Bank;
- a large number of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- high levels of capital flight;
- high levels of corruption and the penetration of organised crime into the economy;
- significant increases in unemployment and underemployment;
- a major deterioration of physical infrastructure; and
- the impoverishment of a large portion of the Russian population.

Any deterioration of general economic conditions in Russia could adversely influence the economic stability and therefore could have a material adverse effect on the Group's business, prospects, results of operations, financial condition or the price of the Company's SDRs.

The infrastructure in Russia is inadequate, which could increase costs or result in losses for businesses and disrupt normal business activities

The infrastructure in Russia largely dates back to Soviet times and has not been adequately funded and maintained in the past. As a result, it is unreliable and may fail temporarily or completely at any time. Particularly affected are the rail and road networks; power generation and transmission systems; communication systems; and building stock. In the past, fires have occurred at power stations resulting in large power outages that disrupted transportation, mobile communications, electricity and water supply in commercial and residential buildings. For example, in August 2009, an accident occurred at the Sayano-Shushenskaya Hydroelectric Power Plant, the largest hydro power plant in Russia in terms of installed capacity, when water from the Yenisei River flooded the turbine and transformer rooms at the power plant's dam, killing more than 70 people and causing billions of roubles in damage. As a result of the accident, the plant halted power production, leading to severe power shortages for both residential and industrial consumers. Abnormal adverse weather conditions, such as very low temperatures and heavy snowfalls in winter, among others, also have the abovementioned consequences.

The poor condition and further deterioration of the infrastructure in Russia harms the national economy, disrupts the transportation of goods and supplies, adds costs to doing business and can interrupt business operations. The Russian government is actively reorganising the nation's rail, electricity and communications systems. Any such reorganisation may result in increased charges and tariffs while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. These factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Legal and regulatory risks relating to Russia

Weaknesses relating to the Russian legal system and Russian legislation

The Russian legal framework applicable to a market economy is still under development. Since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime established by the 1993 Federal Constitution (the *"Federal Constitution"*), the Civil Code, other federal laws and decrees, orders and regulations issued by the Russian President, the Russian government and federal ministries, which are, in turn, complemented by regional and local rules and regulations. These legal standards at times overlap with or contradict one another. The recent nature of much Russian legislation and the rapid evolution of the Russian legal system cast doubt on the enforceability and underlying constitutionality of certain laws and result in ambiguities, inconsistencies and anomalies.

Russia is a civil law jurisdiction, and, as such, judicial precedents generally have no binding effect on subsequent decisions. Among the risks of the current Russian legal system are: the limited availability of judicial and administrative guidance on interpreting Russian legislation; substantial gaps in the regulatory structure due to delay or absence of implementing legislation; the relative inexperience of judges and courts, especially in lower courts, in interpreting Russian legislation and in business and corporate law generally; the relative lack of independence of the judiciary; the difficulty in enforcing court judgments in practice; and corruption and bankruptcy procedures that are insufficiently developed and subject to abuse.

The concept of fiduciary duties being owed by management or directors to their companies or shareholders is underdeveloped. Violations of disclosure and reporting requirements or breaches of fiduciary duties could have a material adverse effect on our business, prospects, results of operations, financial condition or the price of the Company's SDRs.

Further, although reform has come a long way in Russia, the agricultural sector both globally and in Russia and remains prone to government regulation and policies limiting free trade and affecting market prices. 2010 and 2011 saw Russia enact an export ban on grains as well as direct market interventions to reduce crop price volatility. Entry into the World Trade Organization during 2012 will likely reduce the probability of trade distortions. Domestic government support for selected sub sectors of Russian agriculture is however likely to remain.

The Group is subject to various government entities whose approval procedures are often complicated and contradictory, compliance with which can be costly and time consuming

The Group's operations and properties are subject to regulation by various government entities and authorities. The approval and consent requirements vary between entities and authorities; they are numerous, sometimes contradictory and subject to change without public notice and they are occasionally applied retroactively. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of laws, regulations and standards, the issuance and renewal of permits and in monitoring compliance with the terms thereof. Compliance with the requirements imposed by these authorities may be costly and time-consuming and may result in delays in the commencement or continuation of the Group's operations or of some of its projects. Moreover, the Group's failure to comply with such requirements may result in the imposition of sanctions, including civil, administrative and criminal penalties applicable to the relevant member of the Group and criminal and administrative penalties applicable to its officers. In certain cases, the Group may be required to cease certain business activities and/or to remedy past infringements. Any such decisions, requirements or sanctions may restrict the Group's ability to conduct its operations or to do so profitably. The Group is continuously developing its legal and regulatory compliance measures to address these concerns and believes that it is in compliance in all material respects with applicable laws and regulations. However, additional effort on compliance with, or any violation of, current and future laws or regulations could result in material expenditures by the Group or otherwise have a material adverse effect on the Group's business, financial condition and results of operations.

Shareholders liability under Russian legislation could cause us to become liable for the obligations of our subsidiaries

The civil code of the Russian Federation (the *"Civil Code"*) and the Joint Stock Companies Law, generally provide that shareholders in a Russian joint stock company are not liable for the obligations of the joint stock company and bear only the risk of loss of their investment. This may not be the case, however, when one person is capable of determining decisions made by another person or entity. The person or entity capable of determining such decisions is deemed an "effective parent". The person whose decisions are capable of being so determined is deemed an "effective subsidiary". Under the Joint Stock Companies Law, an effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions if:

- this decision making capability is provided for in the charter of the effective subsidiary or in a contract between the companies; and
- the effective parent gives obligatory directions to the effective subsidiary.

In addition, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt resulting from the action or inaction of an effective parent. This is the case no matter how the effective parent's ability to determine decisions of the effective subsidiary arises. For example, this liability could arise through ownership of voting securities or by contract. In these instances, other shareholders of the effective subsidiary may claim compensation for the effective subsidiary's losses from the effective parent which caused the effective subsidiary to take action or fail to take action knowing that such action or failure to take action would result in losses. Accordingly, we could be liable in some cases for the debts of our subsidiaries. This liability could have a material adverse effect on our business, results of operations and financial condition.

Russian legislation may not adequately protect against expropriation and nationalisation

The Russian government has enacted legislation to protect foreign investment and other property against expropriation and nationalisation. In the event that such property is expropriated or nationalised, legislation calls for fair compensation. However, there is no assurance that such protections would be enforced. Expropriation or nationalisation of our business could have a material adverse effect on our business, prospects, results of operations, financial condition or the price of the Company's SDRs.

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement

The paragraphs below provide general information regarding Russian taxes and are not intended to be inclusive of all possible issues related to the application of various Russian taxes and duties.

In general, taxes payable by Russian companies are substantial and numerous. These taxes include, among others, profits tax, value added tax ("VAT"), property tax, land tax, excise duties and payroll-related taxes.

The Russian government continues to develop Russian tax legislation, so the taxation system in the Russian Federation is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Current Russian tax legislation is, in general, based upon the formal manner in which transactions are documented, and it construes transactions based on their form rather than substance. However, the Russian tax authorities are increasingly taking a "substance over form" approach. In general, taxes payable by Russian companies are substantial and numerous. These taxes include, among others, profits tax, value added tax ("VAT"), property tax, land tax, excise duties and payroll-related taxes.

In practice, the Russian tax authorities often interpret tax laws in a way that does not favour taxpayers, who often have to resort to court proceedings to defend their position against the tax authorities.

Generally, taxpayers are subject to inspection in relation to a period of three calendar years preceding the year in which an audit is carried out. Previous audits do not exclude subsequent claims relating to the audited period because Russian tax law authorizes upper-level tax inspectorates to revisit the results of tax audits conducted by subordinate tax inspectorates. The tax inspectorate is also entitled to carry out a further field audit in the event of liquidation or reorganization of the taxpayer, as well as if the latter files an adjusted tax return to reduce the amount of tax due. This limitation of the tax audit period corresponds to the statute of limitations on the tax offences, which is also limited to three years from the date on which a tax offence was committed or from the date following the end of the tax period during which the tax offence was committed (depending on the nature of the tax offence).

Tax audits or inspections may result in additional tax liabilities, significant penalties and interest for late payment, as well as enforcement measures, in particular if the relevant tax authorities conclude that the Russian subsidiaries did not satisfy their tax obligations in any given year. Such audits or inspections may also impose additional burdens on the Group by diverting the attention of the management and financial personnel of the Group, requiring resources for defending its tax position, including tax litigation, result in additional costs (such as legal and consulting costs) and complicate tax planning and related business decisions. This may have a material adverse effect on the Group's business, results of operations, financial condition, and prospects or the trading price of the SDRs.

Despite the Russian government's steps to reduce the overall tax burden on taxpayers in recent years, there can be no assurance that new tax legislation imposing additional taxes and/or penalties is not introduced in the future and that such legislation will not be enforced in an arbitrary and/or inconsistent manner thereby increasing tax burdens on taxpayers. Although it is unclear how these measures would operate, they could affect the Group's overall tax costs and may result in significant additional taxes becoming payable, and could have a material adverse effect on the Group's business, results of operations, financial condition, or prospects.

Risk of unjustified tax benefit for the Group

On 12 October 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued a resolution concerning judicial practice with respect to unjustified tax benefit. The resolution sought to clarify the difference between acceptable tax planning and tax evasion. In context of this resolution, a tax benefit means a reduction in the amount of tax liability resulting from a reduction of the tax base, the receipt of a tax deduction or tax concession or the application of a lower tax rate and the receipt of a right to a refund (offset) or reimbursement of tax. Pursuant to the resolution, a tax benefit may be deemed unjustified, if an operation or transaction in which such tax benefit is received lacks a reasonable economic rationale or if true economic intent of such operation or transaction is inconsistent with the manner in which it has been reported for tax purposes. As a result, a tax benefit cannot be regarded as a business objective.

The fact that the same economic result may have been achieved with a lesser tax benefit accruing to the taxpayer does not constitute grounds for a tax benefit to be deemed unjustified.

The tax authorities have actively sought to apply this concept in challenging taxpayers' positions, inconsistently interpreting the tax regulation in respect of unjustified tax benefit, and may continue using this approach in the future. Although the intention of the resolution was to clarify the definition of acceptable tax planning and curb tax evasion, there can be no assurance that the tax authorities will not seek to apply this concept arbitrarily and not consistently with the intent of the Supreme Arbitration Court.

If the tax authorities conclude that any transactions performed within the Group, as well as transactions performed with third parties, have no strong economic rationale and are aimed at receiving an unjustified tax benefit, the tax authorities or arbitration courts may treat the transactions as resulting in an "unjustified tax benefit" for any of the parties involved, which may lead to the imposition of additional taxes payable by the Group.

These tax risks may impose additional burdens and costs on the Company's operations, including management resources. Further, these risks and uncertainties complicate the Company's tax planning and related business decisions, potentially exposing the Group to significant fines, penalties and enforcement measures, and could materially adversely affect the Company's business, results of operations, financial condition, and prospects or the trading price of the SDRs.

The Russian tax authorities may challenge the Group's transfer pricing practices

On 1 January 2012, new Russian transfer pricing legislation came into effect. Due to limited formal guidance and absence of relevant court practice there is uncertainty relating to the application of the new transfer pricing legislation by the Russian tax authorities.

This legislation entitles the tax authorities to apply transfer pricing adjustments and impose additional tax liabilities in respect of transactions which are considered "controlled" for the transfer pricing purposes. In particular, "controlled" transactions include, among others, all cross-border transactions with related parties and certain domestic related-party transactions. The taxpayers are obliged to notify the Russian tax authorities of "controlled" transactions and to prepare and retain documentation evidencing that such transactions have been entered into on arm's-length terms.

If such additional tax liabilities are imposed, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Current Russian thin capitalisation rules could affect the ability of Russian subsidiaries to deduct interest on certain borrowings and give rise to a withholding income tax liability on excess interest reclassified into dividends

Russian tax legislation includes thin capitalisation rules which limit the amount of interest that can be deducted by Russian companies of the Group for corporate income tax purposes on "controlled" debts. "Controlled" debts are broadly loans granted to a Russian company either by a foreign shareholder owning directly or indirectly more than 20 percent of the share capital of a Russian company or by another Russian company that is affiliated with such foreign shareholder as well as loans secured by such foreign shareholder or its affiliated Russian company. Currently, the practical implementation of these rules by the tax authorities is quite inconsistent due to different clarifications issued by the regulatory authorities, especially regarding guarantees issued with respect to loans provided by third parties.

There is also an emerging trend of change in arbitration court practice regarding two issues relating to the "thin capitalization" rules: the possible application of these rules where a loan was granted by a foreign "sister" company and it is proved that the actual lender was the foreign parent company (i.e., the indebtedness under the loan should be treated as controlled) and the possible application of these rules even where the relevant double tax treaty includes non-discrimination provisions.

Russian subsidiaries of the Group may be affected by thin capitalization rules if the above criteria are met. In this event, the interest payments made by such companies relating to the controlled debt may be treated as dividend payments, which are not deductible for corporate income tax purposes and are subject to withholding income tax at the rates applicable to dividends. As a result, an additional tax burden (including penalties and interest)could be imposed.

A new Protocol to the 1998 Double Tax Treaty between Cyprus and Russia (ratified in 2012) explicitly treats interest payments as dividends, if they are subject to the same taxation treatment by the source state tax legislation as income from shares, i.e. allows for application of Russian "thin capitalization" rules. These provisions enter into force as from 1 January 2013 and may apply to excessive interest expenses of Russian subsidiaries incurred under controlled debt in favour of Cyprus companies of the Group.

Withholding tax on dividends

According to the Russian Tax Code, payments of dividends by Russian companies of the Group in favour of foreign companies are subject to Russian withholding income tax at the rate of 15 percent. Under the double tax treaty between Cyprus and Russia, the withholding tax rate on dividends may be reduced to 5 percent if the recipient has directly invested in the capital of the Russian subsidiary not less than the equivalent of USD 100,000 (Euro 100,000 with effect from 1 January 2013) or 10 percent for other Cypriot shareholders.

In order to apply treaty benefits to dividends payable by Russian subsidiaries, the Cypriot holding company should be the beneficial owner of the income. There is no guidance in Russian legislation and court practice on the application and interpretation of the "beneficial ownership" concept. However, the Ministry of Finance of the Russian Federation issued several clarification letters stating that treaty relief should not be available on the basis of the mere fact that the dividend income was received by an entity having the legal right to such income and located in a country with which Russia has a double tax treaty. The Ministry of Finance further stated that for the purposes of applying double tax treaties, the recipient of dividend income should be the direct beneficiary and should not act as an agent or conduit for another person who in fact receives the benefit of the income. If the recipient of dividends is not the beneficial owner of the income, such dividends would be subject to Russian withholding income tax at the rate of 15 percent.

Changes in the interpretation of the applicability to the Group of the favourable withholding tax rates provided for in the double tax treaty between Russia and Cyprus could restrict the Company's ability to fund operations, which could in turn have a material adverse effect on the Group's business, results of operations and financial condition, as well as the ability to pay dividends.

The Group currently benefits from tax exemptions, which may be discontinued in the future

The Group benefits from certain tax exemptions in Russia. The Russian Tax Code provides for two tax regimes with reduced tax rates applicable to qualifying agricultural producers and that currently apply to the Group, the unified agricultural tax regime and the beneficial corporate income tax regime (for entities which have not transferred to the unified agricultural tax regime). Most of the Company's Russian subsidiaries are entitled to apply the beneficial corporate income tax regime. For a description of these tax regimes, see ”Taxation – Tax considerations in Russia”.

There is no guarantee that the existing favourable tax regimes in Russia from which the Group benefits from will not be discontinued or altered in the future. Any such event could have a material adverse effect on the Group's business, results of operations and financial condition.

RISKS RELATED TO THE SDRS

General stock market risk

A prospective investor should be aware that an investment in the Subscription Rights, BTA's and SDRs is associated with a high degree of risk. In addition to the Company's performance, the SDR price is dependent on a number of factors that neither the Company nor the Managers can influence. Such factors may include the economic climate, market interest rates, capital flows, political uncertainties, market and behavioural psychology. Even if the Company's activities develop positively, it cannot be ruled out that a holder of SDRs will make a capital loss upon divestment of the SDRs.

Exercise of warrants or options could dilute current investor holdings of SDRs

If an investor purchases SDRs in the Company at a price above the strike price of the outstanding warrants or options, and if the warrants are exercised, this may be dilutive of the investors' shareholding (see "Share capital and ownership structure – Options and warrants" for further information).

There can be no certainty that a liquid market for trading in the Subscription Rights or BTAs will develop

The Subscription Rights and BTAs are expected to trade on Nasdaq OMX Stockholm on from and including 26 November 2012, up to and including 4 December 2012. There can be no guarantee that active trading in the Subscription Rights or BTAs will develop on Nasdaq OMX Stockholm during this period or that significant liquidity will be available during the period of trading of the Subscription Rights and BTAs.

Holders of SDRs who do not exercise or sell their Subscription Rights may incur losses and will suffer significant dilution of their holdings of SDRs in the Company

If a holder of SDRs does not exercise its Subscription Rights or does not sell its Subscription Rights within the prescribed time periods, such holder's Subscription Rights will laps with no value and the holder will not be entitled to any compensation. Accordingly, holders and financial intermediaries must ensure that all required instructions on the exercise of the Subscription Rights are duly complied with. See section *"Terms and conditions"*. If a holder or its financial intermediary fails to follow the procedures applicable to exercising the Subscription Rights, the Subscription Rights will lapse with no value and will no longer exist. Furthermore, to the extent that a holder of SDRs does not exercise its Subscription Right, such holder's proportionate ownership and voting interest in the Company will be reduced.

Other important information

The national currency of the Russian Federation is the Russian rouble ("RUR"), which is the Company's functional currency and the currency in which the consolidated financial statements are presented. All financial information presented in RUR has been rounded to the nearest thousand. In addition to presenting the consolidated financial statements in RUR, supplementary information in US dollar ("USD") has been presented for the convenience of the readers of the consolidated financial statements. The USD amounts have not been subject to an audit or review by the Company's independent auditors. As some financial information in this prospectus has been rounded, the numerical figures shown as totals in this prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them.

Unless otherwise specified or unless the context otherwise requires, "EUR" refers to euro, "GBP" refers to United Kingdom pound, "RUR" refers to Russian rouble, "SEK" refers to Swedish krona and "USD" refers to United States dollar.

As at 30 June 2012, the Group's total land under control was approximately 310,000 hectares. There is no generally accepted definition or concept of 'land under control' and the land comprised under this concept includes land which is both registered and unregistered. For a detailed explanation of the concept of 'land under control' used in this prospectus please see "Business of Black Earth Farming" – "Land Ownership". While the Company believes that the figure for land under control provide a fair and accurate estimate of such land, there is no guarantee that a third party would not have a different figure for land under control.

Official statistics and other data published by Russian federal, regional and local government and federal agencies are substantially less complete and reliable than those of western countries, and there can be no assurance that the official sources from which some of the information set forth in this Prospectus has been drawn are reliable or complete. Official statistics may also be produced on different bases than those used in western countries. Any discussion of matters relating to Russia herein must therefore be subject to uncertainty due to concerns about the completeness and reliability of available official and public information.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements". All statements other than statements of historical facts included in this prospectus, including without limitation, those regarding the Company's financial position, business strategy, the Company's management's, or as appropriate Directors', plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these statements are forward-looking statements. Such forward-looking statements and information reflect the current views and beliefs of the Board of Directors or are assumptions based on information available to the Company. When used in this Prospectus, words like "aims", "anticipates", "believes", "estimates", "expects", "may", "plans", and "wants" and other similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements and should be regarded as forecasts of or indications of future events, trends or the like. Although the Company believes that the forecasts and future results, performance and achievements are based on reasonable assumptions and expectations, the Company cannot guarantee the materialisation of these forecasts. Such forward-looking statements are subject to certain known and unknown risks, uncertainties, assumptions and other factors, including risks or uncertainties, assumptions and other factors, including risks or uncertainties associated with the Company´s technological development, growth, management, relations with customers and suppliers and other factors referenced in this Prospectus. Additional factors include, but are not limited to, those discussed under the section "Risk factors". Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results, performance or achievements that may be expressed or implied by forward-looking statements may differ materially from those described in this Prospectus as anticipated, believed, estimated or expected.

Accordingly, without limiting the expressed or implied limitations, or denial of either responsibility of liability of the Company or of Pareto Öhman (or their respective officers, directors, employees, affiliates, representatives, advisers and agents) set out elsewhere in this prospectus, potential investors should not place undue reliance on these forward-looking statements. These forward-looking statements speak only as at the date of this prospectus. Except as required by law or regulation, the Company and the Board of Directors expressly disclaim any obligations or undertaking to publicly release or disseminate, after the date of this prospectus, any updates of or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The audited historical consolidated financial statements as of and for the years ended 31 December 2009, 2010 and 2011 respectively, as incorporated by reference in this Prospectus, "Consolidated Financial Statements as of and for the year ended 31 December 2009", "Consolidated Financial Statements as of and for the year ended 31 December 2010" and "Consolidated Financial Statements as of and for the year ended 31 December 2011" have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and audited by Deloitte AB, independent auditors, as stated in their reports appearing therein. The historical consolidated interim financial statements as of and for the six month period ended 30 June 2011 has been prepared in accordance with IFRS and are unaudited. The historical consolidated interim financial statements as of and for the six month period ended 30 June 2012 has been prepared in accordance with IFRS and has been reviewed by Deloitte AB, independent auditors. In 2011, the Company assessed its accounting policy with regard to the valuation of agricultural produce. The Company has previously valued biological assets at fair value less estimated point-of-sale costs at the point of harvest. Subsequent to harvest, agricultural produce was measured at the lower of cost and net realizable value in accordance with IAS 2 Inventories. As a consequence, the Company's consolidated statement of financial position did not reflect the current market value of its agriculture produce (inventory). According to the Company's new accounting policy which is based on IAS 41 Agriculture, harvested crop is transferred to inventory at fair value less cost to sell at the date of harvest. Thereafter, finished goods are stated at net realizable value. The impact of the change in accounting policy was applied retrospectively in accordance with IAS 8 Accounting and as a result, a number of adjustments were made to the 2010 consolidated financial statements. Please note that the financial information included in this prospectus is retrieved from each individual year's annual report. Thus, no information contained in this prospectus is restated, save for certain information set out in section "Selected consolidated financial information of Black Earth Farming" on page 42. Restated financial information is incorporated in this prospectus by reference.

AVAILABLE INFORMATION

The Articles of Association and the annual reports of the Company for the financial years 2009 until 2011 are available on the Company's website www.blackearthfarming.com, and at its registered office located at 8 Church Street, St. Helier, Jersey JE4 0SG, Channel Islands, where a copy of the Company's Memorandum of Association is also available. Any interested party may obtain a copy of these items from the Company without charge. References to the Company's website in this prospectus should not be deemed to incorporate the information on the Company's website by reference.

Invitation to subscribe for shares or SDRs in Black Earth Farming Limited

On 21 October 2012, Black Earth Farming's Board of Directors resolved, subject to approval by the extraordinary general meeting, to undertake a rights issue of new Shares. On 13 November 2012, at an extraordinary general meeting of Black Earth Farming, the shareholders resolved to approve the rights issue and to authorize the Board of Directors to execute the rights issue, as well as adopted other resolutions required for the rights issue. On 13 November 2012, the Board of Directors resolved on the detailed terms and conditions of the proposed rights issue, thereby resolving to issue 83,067,778 Shares, each with a nominal value of USD 0.01 and represented by 1 (one) SDR. The Rights Issue will, if fully subscribed, entail that the number of SDRs in the Company increases from 124,601,667 to 207,669,445 SDRs, which corresponds to an increase of 66.7 percent. SDR holders refraining from subscribing for SDRs in the Rights Issue will be subject to a dilution effect of in total 83,067,778 New SDRs, corresponding to up to 40.0 percent of the total number of SDRs in the Company after the Rights Issue.

For holders of SDRs, the issue of new shares results in the Rights Issue whereby each eligible SDR holder will, pursuant to the terms set out in this Prospectus, receive two (2) Subscription Rights for each existing SDR held. Three Subscription Rights will entitle the holder to subscribe for one (1) New SDR[1].

The subscription price per New SDR has been fixed at 6.38, which implies that after full subscription, the Rights Issue will provide Black Earth Farming with new capital amounting to approximately SEK 518 million after deductions of issue costs[2].

Certain of Black Earth Farming's largest shareholders, namely Kinnevik New Ventures AB and Vostok Komi (Cyprus) Limited, as well as the Board of Directors and the senior executives of the Company, jointly representing approximately 50.4 percent of the capital and votes in the Company, have respectively undertaken to subscribe for their respective pro rata SDRs (see section "Subscription undertaking").

Due to restrictions stipulated in the securities laws of Australia, Canada, Hong Kong, Japan, Singapore, South Africa, Switzerland and the United States of America, no New SDRs will be offered to SDR holders with registered addresses in any of these countries except to certain qualified institutional buyers in the United States (see Restriction on Sale and Transfer of Securities). SDR holders who are not allowed to participate will receive the net amount from the sale of Subscription Rights that these holders would have otherwise been entitled to.

Invitation to subscribe for SDRs in Black Earth Farming Limited, with preferential rights for holders of SDRs in Black Earth Farming Limited, is hereby made in accordance with the terms and conditions described in this Prospectus.

Stockholm 16 November 2012

Black Earth Farming Limited
The Board of Directors

1 By subscribing for New SDRs, the subscriber will instruct Pareto Öhman to subscribe for new shares in Black Earth Farming which will be deposited with Pareto Öhman on the subscriber's behalf and represented by New SDRs.

2 Issue costs are estimated to total approximately SEK 12.3 million.

Background and reasons for the offering

Black Earth Farming develops and farms agricultural land primarily in the fertile Black Earth Region in southwest Russia. BEF has secured a high quality asset base with 81 percent ownership of 310 thousand hectares of mostly prime farm land. Investments have also been made in machinery equipment and storage facilities. Since 2011 circa 230 thousand hectares has been cropped. A new management team has started to implement change to improve operational performance and profitability. Several key strategic initiatives have been initiated including: raising crop yields, improved marketing to improve prices and price risk management as well as overhead cost reductions.

Good progress has been made during 2012 with operational performance and some improvements to crop yields and marketing are starting to come through. This is a multi-year process that is crucial to turn around performance. Raising crop yields and improving price risk management via exports entail higher initial and in some cases ongoing direct costs per hectare. The initiatives of raising soil Ph, relieving soil compaction, reconfiguring fertilizer applications, improving seed management and reducing weeds require higher initial working capital. However the likely returns on the above expenditures should be significant given the sensitivity of revenue and profits to crop yield and price.

Marketing progress has so far been concentrated on developing in house an export program and the competencies. However new relationships with high quality domestic counterparties in addition to export sales will also be important for improved price risk management. As part of this strategy BEF has entered into a strategic relationship with PepsiCo in Russia. BEF will become a significant supplier of sunflower seeds and potatoes used in the production of Frito-Lay's potato crisps. It is also anticipated that an agreement for the supply of sugar beets will be executed in January of 2013. The relationship provides BEF and PepsiCo with the opportunity to mutually benefit from a secure supplier relationship, reduced counterparty risk, lower volatility via forward pricing and future growth opportunities. The collaboration will have a significant positive impact on BEF´s business as it offers the potential to fix prices in advance for a significant quantity of its production while also diversifying into competitively advantaged higher margin irrigated crops. The PepsiCo relationship could potentially represent up to 30 percent of BEF's revenue by 2015 and this combined with the export program changes the profitability, growth potential and risk profile of BEF.

The Board of Directors and management of BEF believe that the changes and initiatives currently being undertaken are highly positive and vital to improve results going forward. In order to fund the investment and working capital needs required for PepsiCo and the operational turnaround, a strengthened equity base is proposed given the Company´s current capital structure and the inherent volatility of business. For this reason the Board of Directors of BEF have resolved to undertake a new share issue with preferential rights for existing shareholders in the amount of SEK 530 million before issue expenses.

The proceeds of the issue will be used by BEF in accordance with the following;

- Approximately SEK 365 million for capital expenditures and working capital relating to the PepsiCo cooperation agreement
- Approximately SEK 165 million for working capital of BEF to raise crop yields and lower the cost per ton of production

The capital expenditure relates to BEF's planned increased area for production of potatoes and sugar beets under the PepsiCo supply agreements. These crops have the potential to significantly increase profitability. The investment is a logical diversification into competitively advantaged irrigated crops that broaden BEF's enterprise mix from grains and oilseeds. The collaboration should increase revenues and profitability, reduce price risk and offers significant future growth prospects. The amount set aside for working capital is deemed to be sufficient to cover BEFs needs until the operations are cash flow positive. The Board of Directors of BEF believes that the Rights Issue is the best way to raise the necessary capital to realise the value of BEF going forward.

The Board of Directors are responsible for the content of this Prospectus. The Board of Directors hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Stockholm 16 November 2012

Black Earth Farming Limited
The Board of Directors

Statement by the CEO

During the last 18 months the key focus for Black Earth Farming has been to consolidate and focus on improving our operational performance and become profitable. I have frequently stated that the asset base the company has acquired and built up is of high quality in terms of land, machinery and storage facilities. There is significant fundamental value in our land bank and with a new management team in place since 2011 the turnaround process to unlock that value has been started. Improvements have been made in operational performance during 2012. In parallel with these initiatives we have the prospect to embark upon the next step of the strategic development of the Company by signing a cooperation agreement with PepsiCo as we announced on 22 October 2012. This is a significant opportunity for BEF to develop a strategic partnership with a high quality counterparty and become an integral part of the supply chain of the largest food company in Russia.

We have previously outlined in the main plans for the current grain and oilseed business; raising crop yields to lower the cost per ton of production, improving price and risk management to reduce volatility as well as reducing indirect and overhead costs. Good progress has been made during 2012 on the five crop yield initiatives; correcting soil pH and soil compaction, improving weed control, applying more of certain fertilizers and improving internal seed management techniques. The benefits of these initiatives are expected to come through as increased crop yields over the next two to three years. The resulting increase in direct costs has a higher working capital need in the near term but the likely returns on the above expenditures are significant given the sensitivity of revenue and profits to crop yield and price. Results have started to come through in 2012 with some better spring crop yields and we expect steady improvements as this multi-year process continues. Our efforts to improve marketing and risk management are also a critical part of the turnaround strategy. During 2012, harvest and storage logistics have been much better managed and controlled while our sales and export program is running more smoothly and allowing for an increased proportion of fixed and higher priced sales, often direct with end customers. The strategic relationship with PepsiCo fits well with these initiatives and will be a key element in managing price risk going forward.

With the PepsiCo cooperation BEF will become a significant supplier of sunflower seeds and potatoes, used in the production of Frito-Lay's potato crisps. It is also anticipated that an agreement for the supply of sugar beets will be executed in January of 2013. The collaboration will have a major positive impact on the business as it offers the potential to fix prices in advance for a significant quantity of its production while also diversifying into competitively advantaged higher margin irrigated crops. I am keen to stress that this will not in any way reduce our focus on the current process of turning the core business around as the scale up of the area dedicated to PepsiCo will be gradual and within the capacity and competencies of the management team. It allows us to scale up the five thousand hectares planted with sugar beets during 2012 towards a potential of twenty thousand hectares together with a key domestic customer. In addition, potatoes will give us diversification into a new business area with substantial potential to supply a growing market as well as substitute imports. We have managerial experience of growing potatoes among our management team and several of us have supplied potatoes to Frito-Lay previously. The area will be expanded gradually from the 30 hectare test field planted in 2012 towards 1,500 hectares in 2015. We have a competitive advantage here as our geographical location is in close proximity to major processors and key domestic consumer markets and the soil and climatic conditions are suitable to grow potatoes as wells as other vegetables. Potatoes and sugar beets are more capital intensive crops than grains and oilseeds but also higher value in terms of revenue and potential profitability per hectare. Growing high oleic sunflower seeds for Frito-Lay domestically is also beneficial for us as the crop is more costly to export than wheat or rapeseeds, due to its lower bulk density as well as export tariffs reducing the benefits of forward pricing in international markets.

In conclusion I believe we have made good progress implementing necessary changes and some of those improvements are starting to come through. We remain very focused on driving the turnaround of the current grain and oilseed business. At the same time we have seized a significant opportunity with the PepsiCo agreement which aligns with our current initiatives but also provides a first step in the next strategic phase for Black Earth Farming. The chance to become a major supplier and strike a strategic partnership with such a prestigious global business as PepsiCo is too good to miss and a fantastic prospect for BEF. Potatoes and sugar beet are crops that are competitively advantaged in our regions, they diversify risk and offer significant potential returns on capital and growth prospects. The PepsiCo contract could potentially represent 30 percent of our revenue by 2015 and this, combined with our export program, could enable approximately 60 percent of revenue to be contracted and priced before the planting season. A fundamentally different basis and proposition to our historical dependence on the domestic spot market. The changes we have already started making should absolutely be followed through. The PepsiCo agreement should increase revenues and profitability, reduce price risk and offers significant growth potential going forward.

Richard Warburton
CEO
Black Earth Farming Limited

Terms and conditions

Preferential rights to subscribe

Those eligible SDR holders, who on the record date of 20 November 2012 were registered as holders of SDRs in the Euroclear system, will receive two (2) Subscription Rights for every existing SDR held. Three Subscription Rights give the holder the right to subscribe for one (1) New SDR.

Subscription price

The subscription price has been fixed at SEK 6.38 per each New SDR. No brokerage fees will be charged.

Record date

The record date with Euroclear to determine which holders of SDRs are entitled to receive Subscription Rights as a result of the Rights Issue is 20 November 2012. Thus, the SDRs were traded without Subscription Rights attached starting on 16 November 2012.

Trading in Subscription Rights

Trading in Subscription Rights will occur on NASDAQ OMX Stockholm during the period from and including 26 November 2012 up to and including 4 December 2012. SDR holders are to directly contact Pareto Öhman or another bank or securities institution with required licenses for providing brokerage services in connection with the purchase or sale of Subscription Rights.

Subscription period

Subscription for New SDRs will take place during the period from and including 26 November 2012 up to and including 7 December 2012. On expiry of the subscription period, Subscription Rights which have not been exercised will expire and will be deleted from the Subscription Right owner's VP account without notification from Euroclear. The Board of Directors is entitled to extend the subscription period.

Directly registered SDR holders

This Prospectus and an issue statement with an attached pre-printed payment note will be distributed directly to the eligible SDR holders, or representatives of SDR holders, who, on the record date 20 November 2012 were registered in the SDR register maintained by Euroclear. The issue statement includes, for example, data on the number of Subscription Rights received and the number of SDRs that may be subscribed for. Those registered in the special list kept alongside the SDR register, as holders of pledged SDRs and certain others will not receive an issue statement but will be notified separately. A securities note (Sw. *VP-avi*) that shows the registration of Subscription Rights in the SDR holders' securities account (Sw. *VP konto*) will not be distributed.

SDRs held by nominees

SDR holders, whose SDRs holding is registered with a nominee bank or other nominees, will not receive a Prospectus nor an issue statement from Euroclear. The use of preferential rights to subscribe for SDRs as well as payment thereof must instead occur according to the instructions of the nominee.

Subscription[1] for New SDRs using first priority preferential rights

Subscription and payment by SDR holders resident in Sweden

Subscription for New SDRs using first priority preferential rights will be effected through payment in cash by 7 December 2012 at the latest. As already stated above, directly registered SDR holders or their representatives will receive an issue statement with an attached pre-printed payment note. Subscription through payment shall either be made using the distributed pre-printed payment note or the approved subscription form as per options below.

A. Payment note

The pre-printed payment note shall be used for payment if all Subscription Rights received on the record date, referred to as "exact allocation" (Sw. *jämnt teckningsbara*), in the issue statement from Euroclear are to be exercised. The subscription form shall not be used.

B. Subscription form

A special subscription form with preferential rights (Sw. *anmälningssedel med företrädesrätt*) shall be used for subscription if the Subscription Rights were acquired or disposed of, or if the number of exercised Subscription Rights for other reasons differs from the number stated in the issue statement. The subscription form can be obtained from Pareto Öhman by ringing the telephone number +46 8 402 51 32. The pre-printed payment note shall not be used in this case.

The subscription form shall be sent to by post or handed in to:

Pareto Öhman AB
Emissionsavdelningen/Black Earth Farming
Box 7415
103 91 Stockholm, Sweden
Visiting address: Berzelii Park 9, Stockholm, Sweden

Subscribers who are not existing customers with Pareto Öhman shall enclose a certified copy of an ID document

1 Technically, by subscribing for New SDRs, the subscriber will instruct Pareto Öhman to subscribe for new Shares in Black Earth Farming which will be deposited with Pareto Öhman on the subscriber's behalf and represented by New SDRs.

valid for the person signing the subscription form. In the event that the subscriber is a legal entity that is not an existing customer of Pareto Öhman, the application form shall be accompanied by authorisation documents which show the right to sign the acceptance form.

The completed subscription form and payment must be received by Pareto Öhman no later than 15:00 on 7 December 2012. The subscription form must be sent by post well ahead of 7 December 2012, which is the final subscription date, to the pre-printed address set out in the form. Note that the application is binding. Incomplete or incorrectly completed subscription forms may be rejected without consideration.

The same procedure applies to subscribers who were not registered shareholders as at the record date but have acquired Subscription Rights during the subscription period. If the paid amount is greater than the amount subscribed for, the surplus amount will be repaid as soon as possible.

Subscription and payment by SDR holders not resident in Sweden

SDR holders entitled to subscription who are not resident in Sweden and who cannot use the pre-printed payment note, must pay in Swedish kronor in accordance with the payment instructions below.

Beneficiary:	Pareto Öhman AB P.O. Box 7415 SE-103 91 STOCKHOLM
Bank:	Skandinaviska Enskilda Banken Rissneleden 110 SE-106 40 Stockholm
Bank account number:	5565-1034064
IBAN:	SE49 5000 0000 0556 5103 4064
BIC:	ESSESESS

On payment, the subscriber's name, address, VP account and reference number as set out in the issue statement must be presented. The subscription form and payment must be received by Pareto Öhman AB, Emissionsavdelningen/ Black Earth Farming, SE-103 91 STOCKHOLM, Sweden no later than 7 December 2012.

Subscription[2] for New SDRs using second priority preferential rights or without using preferential rights

New SDRs not subscribed for using first priority preferential rights will be offered to all SDR holders for subscription using second priority preferential rights. If the number of SDRs offered in this manner does not cover the amount subscribed for using second priority preferential rights, the SDRs will be allotted on a pro rata basis based on the number of SDRs subscribed for by priority preferential rights or, if this is not possible, by lot.

If all New SDRs are not subscribed for using first or second priority preferential right, as described above, the Board of Directors shall decide, within the limit of the maximum amount of the rights issue, on allotment of New SDRs to other subscribers who have declared interest to subscribe without using preferential rights. Allotment will be carried out on a pro rata basis, based on the relevant number of New SDRs subscribed for.

Those who subscribe with second priority preferential rights or without preferential rights must use the approved subscription form on which the requested number of New SDRs must be stated. Subscription forms are available through Pareto Öhman at telephone number +46 8 402 51 32, as well as on www.paretoohman.se and on www.blackearthfarming.com. The completed form must be received by Pareto Öhman, Emissionsavdelningen/Black Earth Farming, SE-103 91 STOCKHOLM, Sweden, no later than 7 December 2012. Note that the application is binding. Incomplete or incorrectly completed subscription forms may be rejected without consideration.

Subscribers who are not existing customers with Pareto Öhman shall enclose a certified copy of an ID document valid for the person signing the subscription form. In the event that the subscriber is a legal entity that is not an existing customer of Pareto Öhman, the application form shall be accompanied by authorisation documents which show the right to sign the acceptance form.

Only one form per subscriber will be considered. Notification of any allotment of New SDRs subscribed for without preferential rights will be given on a contract note, due to be issued around 13 December 2012. Those who are not allotted any New SDRs will not receive notification thereof. New SDRs subscribed for without preferential rights must be paid for in cash no later than three banking days after issue of the contract note. New SDRs not paid for in time may be re-allotted to someone else. If the subscription price received after such a re-allotment is lower than the initial subscription price in the Rights Issue, the person who was firstly allotted these New SDRs may be responsible for all or part of the price difference. Also, the person who was firstly allotted these New SDRs may also be liable to pay any costs of such a re-allotment.

Note that SDR holders, whose SDR holding is registered with a nominee bank or other nominees, shall contact their nominee when subscribing using second priority preferential rights or when subscribing without preferential rights.

BTA – paid and subscribed New SDRs

Subscription through payment will be registered with Euroclear as soon as possible, normally a few banking days after payment. Thereafter, the subscriber will receive a securities note confirming that registration of the BTA has occurred in the subscriber's VP account. The subscribed and paid New SDRs are denominated in the Euroclear system as paid

2 By subscribing for New SDRs, the subscriber will instruct Pareto Öhman to subscribe for new Shares in Black Earth Farming which will be deposited with Pareto Öhman on the subscriber's behalf and represented by New SDRs.

and subscribed New SDRs, i.e. BTAs. Conversion of BTA 1 is expected to be carried out around 17 December 2012. Conversion of BTA 2 is expected to be carried out around 27 December 2012.

Trading in BTA

Trading in BTA 1 on NASDAQ OMX Stockholm will take place during the period from and including 26 November 2012 up to and including 12 December 2012. There will be no trading in BTA 2. Pareto Öhman and other banks and securities institutions holding the required licenses will provide brokerage services in connection with the purchase or sale of BTAs.

Trading in New SDRs

Black Earth Farming's SDRs are listed on NASDAQ OMX Stockholm (Mid Cap). After final execution of the Rights Issue, the New SDRs will, subject to necessary approvals by the relevant marketplace, also be listed on NASDAQ OMX Stockholm. The New SDRs are expected to be available for trading around 14 December 2012.

Announcement of rights issue result

The preliminary result of the Rights Issue is expected to be announced by a press release around 13 December 2012.

Dividend rights

The New SDRs entitle the holder to receive dividends from and including fiscal year 2012. Payment of dividends is carried out by Euroclear. For further information see chapter "Dividends and dividend policy".

Prospectus and subscription forms

The Prospectus and subscription forms can be obtained from Pareto Öhman office in Sweden or from www.paretoohman.se. Subject to certain customary limitations arising from securities laws and regulations, the Prospectus and forms for subscription without preferential rights are also available on Black Earth Farming's web site (www.blackearthfarming.com) and on Pareto Öhman's website (www.paretoohman.se).

SDR holders resident in certain unauthorized jurisdictions

The allotment of Subscription Rights and the issuance of New SDRs by exercise of Subscription Rights to persons who bare resident in or citizens of countries other than Sweden may be affected by securities legislation in such countries. See "Restrictions on sale and transfer of Securities" on p. 108–110. Consequently, subject to certain exceptions, SDR holders whose SDRs in the Company are registered directly in a securities account and whose registered address is in Australia, Canada, Hong Kong, Japan, Singapore, South Africa, Switzerland and the US, will not receive this prospectus. Nor will they receive any Subscription Rights on their respective securities accounts. The Subscription Rights that otherwise would have been registered in the name of such SDR holders will be sold and the sales proceeds, less a deduction for costs, will be paid to such shareholders. Amounts of less than SEK 100 will not be paid out.

Supplementary Information

The Company has no right to discontinue the Rights Issue. In the event that an excess amount has been paid by a subscriber, Pareto Öhman will ensure that such excess amount is repaid. Incomplete or incorrectly completed subscription forms, as well as subscription forms sent in late, may be rejected without consideration. Any subscription payment made will in such cash be repaid by Pareto Öhman.

Questions

Contact Pareto Öhman, Emissionsavdelningen/Black Earth Farming, SE-103 91 STOCKHOLM, Sweden, telephone +46 8 402 50 00, for questions regarding the Rights Issue.

In order to ensure that the Subscription Rights received do not become void and without value, the SDR holder must either use the Subscription Rights by subscribing for New SDRs no later than 7 December 2012 or by selling the Subscription Rights received that the holder does not intend to use no later than 4 December 2012.

Terms and conditions:
Each SDR entitles the holder to two (2) Subscription Rights. Three (3) Subscription Rights entitles the holder to subscribe for one new SDR in BEF.

Subscription price:	6.38
Record date:	20 November 2012
Subscription period:	26 November 2012–7 December 2012
Trade with subscription rights:	26 November–4 December 2012

1. Allocation of subscription rights

On the record date of 20 November 2012

1 Swedish depository right	=	**2 subscription rights**
Every existing Swedish depository right in BEF entitles the holder to ...		... two (2) subscription rights

2. Subscription and payment for subscription with preferential rights

During the subscription period 26 November–7 December 2012

3 subscription rights	+	**Subscription payment of SEK 6.38**	=	**1 new SDR**
Three (3) subscription rights together with ...		... payment of SEK 6.38 ...		... one (1) new SDR is issued

3. Instructions for exercising subscription rights

Directly registered SDR holders

SDR holders whose SDRs are held at a VP account at Euroclear will receive a issue statement from Euroclear where the number of subscription rights received are indicated

→ If all the allocated subcription rights are exercised, the notice of payment from Euroclear shall be used as the basis for subscription by way of payment

→ If a number of subscription rights other than that indicated in the issue statement from Euroclear is exercised, the application form for subscriptions with preferential rights shall be used as the basis for subscription by way of payment. Such an application form may be obtained from Pareto Öhman by ringing the telephone number 08-402-5132

→ Last date for payment is 7 December 2012

Nominee registered SDR holders

Nominee registered SDR holders will not receive any issue statement from Euroclear; subscription will instead occur according to instructions from the nominee

→ Payment according to instructions of the nominee

Last day for trade including the right to receive subscription rights

Trading with subscription rights

Last day for subscribing

November	**16**	17	18	19	**20**	21	22	23	24	25	26	27	28	29	30	31	1	2	3	4	5	6	**7**	8	December

Record date for receiving subscription rights

Subscription period

Dividends and dividend policy

The profits of Black Earth Farming available for dividends and resolved to be distributed shall be distributed pro rata to the shareholders in accordance with their respective share in the assets and profits of the Company. The General Meeting may declare dividends accordingly, but no dividends shall exceed the amount recommended by the Board of Directors. No dividends shall be payable otherwise than in accordance with the 1991 Companies (Jersey) Law and the articles of association of the Company (the "Articles of Association"). There are no fixed dates on which entitlement to dividends arises. Subject to the provisions of the 1991 Companies (Jersey) Law and the Articles of Association, the Board of Directors may from time to time pay to holders of SDRs such interim dividends as appear to the Board of Directors to be justified by the profits of the Company.

No dividends or other monies payable in respect of a SDR shall bear interest as against the Company unless otherwise provided by the rights attached to the SDRs. Any dividends which have remained unclaimed for a period of ten years from its due date of payment shall, if the Board of Directors so resolves, be forfeited and shall cease to remain as a debt for the Company and shall thereafter belong to the Company.

The Company is a holding company that conducts its operations through subsidiaries and affiliates predominantly based in Russia. Accordingly, its ability to pay dividends or make other distributions is dependent on receipt of sufficient income from these companies. The Company has never declared nor paid any cash dividends on its capital stock and does not anticipate paying cash dividends in the foreseeable future. The Company currently intends to retain future earnings to fund the development and growth of its business. However, if the Company does decide upon cash dividends, the Group structure allows for dividends to flow from the Russian operating companies through to the Company (see also "Risk Factors – The Company is a holding company"). Furthermore, the bonds issued by the Company are subject to certain covenants as stipulated in the bond agreement, including the covenant that the Company or its subsidiaries should not declare a dividend or distribution of capital, redeem or purchase any of its shares or make other similar distributions to shareholders in an amount exceeding 30 percent of the most recent financial year's net profit on a consolidated basis.

Capitalisation and indebtedness

The following tables set out the Company's capitalisation and net indebtedness, as at 31 August 2012, on an actual basis in accordance with IFRS and has been prepared solely for the purpose of this Prospectus. The information below should be read together with the sections "Selected consolidated financial information of Black Earth Farming", "Financial and operating review" and the Company's interim report for the period January–June 2012, the Company's annual report for the year 2011, the Company's annual report for the year 2010 and the Company's annual report for the year 2009, which all have been incorporated in this Prospectus by reference, see section "Documents incorporated by reference". The information contained in the following tables over the Company's capitalisation and indebtedness is unaudited.

In addition to presenting the information in RUR, supplementary information in USD has been presented for the convenience of readers. Amounts are translated from RUR to USD at the closing exchange rate at 31 August 2012 of RUR 32.2934 to USD 1.00.

The unsecured debt primarily consists of the corporate bond issued in 2010 that carries an interest rate of 10 percent and matures in July 2014.

Black Earth Farming's capitalisation

In thousands of	As at 31 August 2012 RUR	 USD
Current debt:		
Guaranteed	0	0
Secured	0	0
Unguaranteed/unsecured	435,961	13,500
Total current debt	435,961	13,500
Non-current debt (excluding current portion of long-term debt):		
Guaranteed and secured	0	0
Unguaranteed/unsecured	3,676,115	113,835
Total non-current debt (excluding current portion of long-term debt)	3,676,115	113,835
Shareholders' equity	32,921	1,019
Other capital contributions	11,275,731	349,165
Reserves	148,044	4,584
Retained earnings including profit/loss for the period	-4,380,329	-135,642
Total	7,076,367	219,127

Black Earth Farming's net indebtedness

In thousands of	As at 31 August 2012 RUR	 USD
A Cash	564,713	17,487
B Cash equivalents	0	0
C Trading securities	0	0
D Liquidity (A) + (B) + (C)	564,713	17,487
E Current financial receivable	0	0
F Current bank debt	0	0
G Current portion of non-current debt	0	0
H Other current financial debt	435,961	13,500
I Current financial debt (F) + (G) + (H)	435,961	13,500
J Net current financial indebtedness (I) – (E) – (D)	-128,752	-3,987
K Non-current bank loans	0	0
L Bonds issued	3,676,115	113,835
M Other non-current loans	0	0
N Non-current financial indebtedness (K) + (L) + (M)	3,676,115	113,835
O Net financial indebtedness (J) + (N)	3,547,363	109,848

Selected consolidated financial information of Black Earth Farming

This section contains selected consolidated financial information of Black Earth Farming as at and for the years ended 31 December 2009, 2010 and 2011. The information as at and for the years ended 31 December 2009, 2010 and 2011 have been extracted from the "Consolidated Financial Statements as at and for the year ended 31 December 2009", the "Consolidated Financial Statements as at and for the year ended 31 December 2010" and the "Consolidated Financial Statements as at and for the year ended 31 December 2011" which all have been audited by Deloitte AB, independent auditors, and prepared in accordance with IFRS.

The information as at and for the six months ended 30 June 2012 has been extracted from "Black Earth Farming Ltd Interim Report 1 January–30 June 2012", which has been prepared using accounting policies consistent with IFRS and reviewed by Deloitte AB. The information as at and for the six months ended 30 June 2011 has been extracted from "Black Earth Farming Ltd Interim Report 1 January–30 June 2011", is unaudited and has been prepared using accounting policies consistent with IFRS and reviewed by Deloitte AB.

In addition to presenting the financial statements in RUR, supplementary information in USD has been presented for the convenience of readers. For the years ended 31 December 2009, 2010 and 2011 all amounts are translated from RUR to USD at the closing exchange rate at 31 December 2011 of RUR 32.1961 to USD 1.00. For the six months ended 30 June 2011 and 2012 all amounts are translated from RUR to USD at the closing exchange rate at 30 June 2012 of RUR 32.8169 to USD 1.00. The USD equivalent figures are provided for information purposes only and do not form part of the consolidated financial statements and are unaudited. The following selected consolidated financial information of Black Earth Farming should be read together with the sections "Capitalisation and indebtedness", "Financial and operating review" and the Company's annual reports for the years 2009, 2010 and 2011, as well as "Black Earth Farming Ltd Interim Report 1 January–30 June 2011" and "Black Earth Farming Ltd Interim Report 1 January–30 June 2012", which all have been incorporated in this Prospectus by reference, see section "Documents incorporated by reference".

In 2011, the Company assessed its accounting policy with regard to the valuation of agricultural produce. The Company has previously valued biological assets at fair value less estimated point-of-sale costs at the point of harvest. Subsequent to harvest, agricultural produce was measured at the lower of cost and net realizable value in accordance with IAS 2 Inventories. As a consequence, the Company's consolidated statement of financial position did not reflect the current market value of its agriculture produce (inventory). According to the Company's new accounting policy which is based on IAS 41 Agriculture, harvested crop is transferred to inventory at fair value less cost to sell at the date of harvest. Thereafter, finished goods are stated at net realizable value.

The impact of the change in accounting policy was applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, resulting in the restatement of the 2010 consolidated financial statements. There is no material impact of the change in accounting policy on 2009 results, as inventory was originally recorded at net realizable value that was lower than cost at 31 December 2009. As a result of the accounting policy change, the following adjustments were made to the 2010 consolidated financial statements:

In thousands of RUR, except per share data	As originally reported (audited)	After restatement (unaudited)	Difference
Condensed Consolidated Statement of Financial Position as at 31 December 2010			
Inventories	1,141,799	1,265,484	123,685
Accumulated deficit	-3,979,498	-3,855,813	123,685
Condensed Consolidated Statement of Comprehensive Income for the year ended 31 December 2010			
Gain/(loss) on revaluation of biological assets	166,308	379,145	212,837
Change in net realisable value of agricultural produce	0	118,835	118,835
Cost of sales	-1,470,397	-1,678,384	-207,987
Net loss for the year	-1,294,247	-1,170,562	123,685
Loss per share, basic and diluted	-10.39	-9.39	1.00

In thousands of USD, except per share data	As originally reported	After restatement	Difference
Condensed Consolidated Statement of Financial Position as at 31 December 2010			
Inventories	35,464	39,306	3,842
Accumulated deficit	-123,602	-119,760	3,842
Condensed Consolidated Statement of Comprehensive Income for the year ended 31 December 2010			
Gain/(loss) on revaluation of biological assets	5,165	11,776	6,611
Change in net realisable value of agricultural produce	0	3,691	3,691
Cost of sales	-45,670	-52,130	-6,460
Net loss for the year	-40,199	-36,357	3,842
Loss per share, basic and diluted	-0.33	-0.29	0.03

Please note that the financial information included in this prospectus is retrieved from each individual year's annual report. Save for the table above, no information contained in this prospectus is restated. Restated financial information is incorporated in this prospectus by reference.

Statement of comprehensive income

In thousands of	RUR H1 2012	RUR H1 2011	RUR 2011	RUR 2010	RUR 2009	USD H1 2012	USD H1 2011	USD 2011	USD 2010	USD 2009
Continuing operations										
Revenue	1,255,084	355,821	2,067,053	1,430,038	2,394,743	38,245	10,843	64,202	44,416	74,380
Gain/(loss) on revaluation of biological assets	241,508	365,874	516,066	166,308	-111,311	7,359	11,149	16,029	5,165	-3,457
Change in net realisable value of agricultural produce after harvest	27,778	-144,579	-83,786	0	0	846	-4,406	-2,602	0	0
Total revenue and gains	1,524,370	577,116	2,499,333	1,596,346	2,283,432	46,451	17,586	77,628	49,582	70,923
Cost of sales	-1,285,439	-433,006	-2,332,213	-1,470,397	-2,316,199	-39,170	-13,195	-72,438	-45,670	-71,940
Gross profit/(loss)	238,931	144,110	167,120	125,949	-32,767	7,281	4,391	5,191	3,912	-1,018
Distribution expenses	-90,217	-61,741	-271,485	-107,825	-302,646	-2,749	-1,881	-8,432	-3,349	-9,400
General and administrative expenses	-281,697	-306,514	-657,211	-659,425	-849,202	-8,584	-9,340	-20,413	-20,482	-26,376
Taxes other than on income	-31,717	-24,202	-59,525	-66,934	-22,379	-966	-737	-1,849	-2,079	-695
Government grants	7,665	10,935	62,459	72,498	72,810	234	333	1,940	2,252	2,261
Impairment of goodwill and PPE	0	0	1,413	-255,456	13,457	0	0	44	-7,934	418
Other income and expenses	23,705	-33,323	-55,667	-59,757	-40,482	722	-1,015	-1,729	-1,856	-1,257
Operating income/(loss)	-133,330	-270,735	-812,896	-950,950	-1,161,209	-4,063	-8,250	-25,248	-29,536	-36,067
Financial income	10,637	28,501	36,634	30,413	151,136	324	868	1,138	945	4,694
Financial expenses	-237,787	-190,289	-526,434	-434,960	-295,831	-7,246	-5,799	-16,351	-13,510	-9,188
Profit/(loss) before income tax	-360,480	-432,523	-1,302,696	-1,355,497	-1,305,904	-10,985	-13,180	-40,461	-42,101	-40,561
Income tax benefit (expense)	-75,041	-312	-39,412	61,250	14,107	-2,287	-10	-1,224	1,902	438
Profit/(loss) for the period from continuing operations	-435,521	-432,835	-1,342,108	-1,294,247	-1,291,797	-13,271	-13,189	-41,685	-40,199	-40,123
Loss for the period from discontinued operations	0	0	0	0	-57,496	0	0	0	0	-1,786
Total comprehensive income for the period attributable to owners of the parent	-435,521	-432,835	-1,342,108	-1,294,247	-1,349,293	-13,271	-13,189	-41,685	-40,199	-41,909

Statement of financial position

In thousands of	RUR 30 June 2012	RUR 30 June 2011	RUR 31 Dec 2011	RUR 31 Dec 2010	RUR 31 Dec 2009	USD 30 June 2012	USD 30 June 2011	USD 31 Dec 2011	USD 31 Dec 2010	USD 31 Dec 2009
ASSETS										
Non-current assets										
Property, plant and equipment	6,162,004	5,957,169	6,019,548	5,922,255	5,530,890	187,769	181,527	186,965	183,943	171,788
Goodwill	42,584	0	0	0	234,321	1,298	0	0	0	7,278
Other intangible assets	5,138	8,715	6,845	10,336	13,409	157	266	213	321	416
Financial assets	0	658	0	1,431	11,055	0	20	0	44	343
Biological assets (livestock)	25,199	23,091	23,514	19,740	20,289	768	704	730	613	630
Other non-current assets	164,314	203,383	88,646	125,094	157,848	5,007	6,198	2,753	3,885	4,903
Deferred tax assets	60,333	118,606	111,766	128,352	75,723	1,838	3,614	3,471	3,987	2,352
Total non-current assets	6,459,572	6,311,622	6,250,319	6,207,208	6,043,535	196,837	192,328	194,133	192,794	187,710
Current assets										
Inventories	505,846	594,389	1,910,709	1,141,799	848,923	15,414	18,112	59,346	35,464	26,367
Biological assets (crop production)	2,523,735	2,024,796	532,598	409,969	425,884	76,904	61,700	16,542	12,733	13,228
Trade and other receivables	363,680	389,040	474,074	416,609	520,125	11,082	11,855	14,725	12,940	16,155
Cash and cash equivalents	686,443	1,781,279	985,452	2,982,817	3,211,219	20,917	54,279	30,608	92,645	99,739
Total current assets	4,079,704	4,789,504	3,902,833	4,951,194	5,006,151	124,317	145,946	121,221	153,782	155,489
Total assets	10,539,276	11,101,126	10,153,152	11,158,402	11,049,686	321,154	338,275	315,353	346,576	343,200
EQUITY AND LIABILITIES										
Equity										
Share capital	32,921	32,921	32,921	32,921	32,921	1,003	1,003	1,023	1,023	1,023
Share premium	11,275,731	11,275,731	11,275,731	11,275,731	11,275,731	343,595	343,595	350,220	350,220	350,220
Reserves	188,176	148,044	178,189	152,556	126,930	5,734	4,511	5,534	4,738	3,942
Accumulated deficit	-5,633,442	-4,285,158	-5,197,921	-3,979,498	-2,691,651	-171,663	-130,578	-161,446	-123,602	-83,602
Total equity	5,863,386	7,171,538	6,288,920	7,481,710	8,743,931	178,670	218,532	195,332	232,379	271,584
LIABILITIES										
Non-current liabilities										
Non-current loans and borrowings	3,491,223	2,964,052	3,265,713	3,297,387	1,838,091	106,385	90,321	101,432	102,416	57,090
Deferred tax liabilities	55,640	10,041	42,153	19,618	26,795	1,695	306	1,309	609	832
Total non-current liabilities	3,546,863	2,974,093	3,307,866	3,317,005	1,864,886	108,080	90,627	102,741	103,025	57,923
Current liabilities										
Current loans and borrowings	365,900	427,369	165,166	167,422	188,006	11,150	13,023	5,130	5,200	5,839
Trade and other payables	763,127	528,126	391,200	192,265	252,863	23,254	16,093	12,151	5,972	7,854
Total current liabilities	1,129,027	955,495	556,366	359,687	440,869	34,404	29,116	17,281	11,172	13,693
Total liabilities	4,675,890	3,929,588	3,864,232	3,676,692	2,305,755	142,484	119,743	120,022	114,197	71,616
Total equity and liabilities	10,539,276	11,101,126	10,153,152	11,158,402	11,049,686	321,154	338,275	315,353	346,576	343,200

Statement of cash flows (condensed)

In thousands of	RUR H1 2012	RUR H1 2011	RUR 2011	RUR 2010	RUR 2009	USD H1 2012	USD H1 2011	USD 2011	USD 2010	USD 2009
Cash flow utilised by operating activities	-31,946	-611,780	-332,019	-470,330	-598,663	-973	-18,642	-10,312	-14,608	-18,594
Cash flow utilised by investing activities	-462,092	-349,610	-547,453	-740,905	-1,258,942	-14,081	-10,653	-17,004	-23,012	-39,102
Cash flow from financing activities	183,099	-162,644	-181,027	1,291,337	-352,479	5,579	-4,956	-5,623	40,108	-10,948
Net increase/(decrease) in cash and cash equivalents	-310,939	-1,124,034	-1,952,336	-222,804	-1,606,574	-9,475	-34,252	-60,639	-6,920	-49,900
Cash and cash equivalents at the beginning of period	985,452	2,982,817	2,982,817	3,211,219	4,604,591	30,029	90,893	92,645	99,739	143,017
Effect of exchange rate fluctuations on cash and cash equivalents	11,930	-77,504	-45,029	-5,598	213,202	364	-2,362	-1,399	-174	6,622
Cash and cash equivalents at the end of period	686,443	1,781,279	985,452	2,982,817	3,211,219	20,917	54,279	30,608	92,645	99,739

Statement of changes in equity

In thousands of	RUR	RUR	RUR	RUR	RUR
	Share capital	Share premium	Equity-settled employee benefits reserve	Retained earnings/ (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
Issue of Shares	23	5,821	0	0	5,844
Total comprehensive income for the year	0	0	0	-1,349,293	-1,349,293
Recognition of share-based payments	0	0	32,823	0	32,823
Balance as at 31 December 2009	32,921	11,275,731	126,930	-2,691,651	8,743,931
Balance as at 31 December 2009	32,921	11,275,731	126,930	-2,691,651	8,743,931
Total comprehensive income for the year	0	0	0	-1,294,247	-1,294,247
Recognition of share-based payments	0	0	32,026	0	32,026
Cancellation of warrants	0	0	-6,400	6,400	0
Balance as at 31 December 2010	32,921	11,275,731	152,556	-3,979,498	7,481,710
Balance as at 31 December 2010, originally reported	32,921	11,275,731	152,556	-3,979,498	7,481,710
Restatements	0	0	0	123,685	123,685
Total comprehensive income for the year	0	0	0	-1,342,108	-1,342,108
Recognition of share-based payments			25,633	0	25,633
Balance as at 31 December 2011	32,921	11,275,731	178,189	-5,197,921	6,288,920

In thousands of	USD	USD	USD	USD	USD
	Share capital	Share premium	Equity-settled employee benefits reserve	Retained earnings/ (accumulated deficit)	Total equity attributable to owners of the parent
Balance as at 1 January 2009	1,022	350,040	2,923	-41,693	312,291
Issue of Shares	1	181	0	0	182
Total comprehensive income for the year	0	0	0	-41,909	-41,909
Recognition of share-based payments	0	0	1,019	0	1,019
Balance as at 31 December 2009	1,023	350,220	3,942	-83,602	271,584
Balance as at 31 December 2009	1,023	350,220	3,942	-83,602	271,584
Total comprehensive income for the year	0	0	0	-40,199	-40,199
Recognition of share-based payments	0	0	995	0	995
Cancellation of warrants	0	0	-199	199	0
Balance as at 31 December 2010	1,023	350,220	4,738	-123,602	232,379
Balance as at 31 December 2010, originally reported	1,023	350,220	4,738	-123,602	232,379
Restatements	0	0	0	3,842	3,842
Total comprehensive income for the year	0	0	0	-41,685	-41,686
Recognition of share-based payments	0	0	796	0	796
Balance as at 31 December 2011	1,023	350,220	5,534	-161,446	195,332

Key ratios

	RUR H1 2012	RUR H1 2011	RUR 2011	RUR 2010	RUR 2009	USD H1 2012	USD H1 2011	USD 2011	USD 2010	USD 2009
Ratios										
Equity ratio	56%	65%	62%	67%	79%	56%	65%	62%	67%	79%
Debt/equity ratio	66%	47%	55%	46%	23%	66%	47%	55%	46%	23%
Share data										
Net asset value (thousands)	5,863,386	7,171,538	6,288,920	7,481,710	8,743,931	178,670	218,532	195,332	232,379	271,584
Net asset value per SDR	47.06	57.56	50.47	60.04	70.17	1.43	1.75	1.57	1.86	2.18
Profit/(loss) per SDR	-3.50	-3.47	-10.77	-10.39	-10.83	-0.11	-0.11	-0.33	-0.32	-0.34
Number of SDRs at the end of the period	124,601,667	124,601,667	124,601,667	124,604,667	124,604,668	124,601,667	124,601,667	124,601,667	124,604,667	124,604,668
Employee data										
Number of full-time employees at the end of the period	1,974	1,881	1,816	1,910	2,041	1,974	1,881	1,816	1,910	2,041
Harvested hectare per employee	nm	nm	124	97	120	nm	nm	124	97	120
Total gross harvest per employee (tons)	nm	nm	292	125	348	nm	nm	292	125	348
Revenue per employee (thousands)	nm	nm	1,130	770	1,568	nm	nm	35	24	49

Definitions

Equity ratio	SDR holders' equity in relation to total assets
Debt/Equity ratio	Total amount of non-current loans and borrowings in relation to total shareholders' equity
Net asset value	SDR holders' equity
Net asset value per SDR	SDR holders' equity divided by the number of shares outstanding at end of period
Basic profit/(loss) per SDR	Net profit attributable to SDR holders holding SDRs divided by the number of SDRs issued
Diluted profit/(loss) per SDR	Net profit attributable to SDR holders holding ordinary SDRs divided by the number of outstanding SDRs on a fully diluted basis
Number of SDRs at the end of the period	The number of SDRs issued by and outstanding in BEF as at the end of the period in question
Number of full-time employees at the end of the period	The number of full-time employees within BEF as at the end of the period in question
Average number of employees during the period	The number of total employees multiplied by the length of service and divided by the period in question
Harvested hectares per employee	Amount of harvested hectares in a specific year divided by the average number of employees within that year
Total Gross Harvest per employee	Amount of gross harvest in tons produced in a specific year divided by the average number of employees within that year
Revenue per employee	Revenue from sale of goods and services divided by the average number of employees for the period

Financial and operating review

The section contains information in respect of Black Earth Farming's financial condition, changes in financial condition and results of operations as at and for the years ended 31 December 2009, 2010 and 2011, and for the six months ended 30 June 2011 and 2012. The initial pages 48–55 describe the financial result and condition of the Group and the operational review then follows on pages 56–59. The information as at and for the years ended 31 December 2009, 2010 and 2011 have been extracted from the "Consolidated Financial Statements as at and for the year ended 31 December 2009", "Consolidated Financial Statements as at and for the year ended 31 December 2010" and "Consolidated Financial Statements as at and for the year ended 31 December 2011" which all have been prepared in accordance with IFRS. The consolidated financial statements of the Company as at 31 December 2009 and for the year then ended, as at 31 December 2010 and for the year then ended and as at 31 December 2011 and for the year then ended, included in this Prospectus, have been audited by Deloitte AB, independent auditors, as stated in their report appearing therein. The information as at and for the six months ended 30 June 2012 has been extracted from "Black Earth Farming Ltd Interim Report 1 January–30 June 2012", which has been prepared using accounting policies consistent with IFRS and reviewed by Deloitte AB. The information as at and for the six months ended 30 June 2011 has been extracted from "Black Earth Farming Ltd Interim Report 1 January–30 June 2011", is unaudited and has been prepared using accounting policies consistent with IFRS and reviewed by Deloitte AB. As described in detail in section "Presentation of financial and other information" on page IV, this Prospectus does not contain any restated financial information, save for certain restated information set out on page 42. Restated financial information is incorporated in this Prospectus by reference.

In addition to presenting the financial statements in RUR, supplementary information in USD has been presented for the convenience of readers. For the years ended 31 December 2009, 2010 and 2011 the exchange rate used was RUR 32.1961 to USD 1.00 as at 31 December 2011. For the six months ended 30 June 2011 and 2012 all amounts are translated from RUR to USD at the closing exchange rate at 30 June 2012 of RUR 32.8169 to USD 1.00.

The following financial and operating review should be read together with the sections "Capitalisation and indebtedness", "Selected consolidated financial information of Black Earth Farming", and the Company's annual report for the year 2009, the Company's annual report for the year 2010 and the Company's annual report for the year 2011, as well as "Black Earth Farming Ltd Interim Report 1 January–30 June 2011" and "Black Earth Farming Ltd Interim Report 1 January–30 June 2012", which all have been incorporated in this Prospectus by reference, see section "Documents incorporated by reference".

FINANCIAL REVIEW

The Company is involved in the acquisition and subsequent management of agricultural assets in Russia. The Company's activities include production of crops as well as limited dairy and meat production and distribution of products in Russia. Crops are usually harvested during July until late October. Although the Company's investments in growing crops are valued at fair value less point-of-sale costs, the Company's business is subject to seasonal fluctuations.

Revenue

Black Earth Farming generates its main revenue from the production and selling of crops. The crop segment primarily generates revenue during the autumn/winter and early spring. The Company also has a very limited meat and dairy production accounting for approximately 1 percent of total revenues, which has small but more equally distributed revenue streams throughout the year. Increasing the Company's profitability by boosting crop revenue is mainly a product of six factors, apart from weather conditions. Five of these factors can be controlled or influenced by the Company and the sixth one being general price levels which is a completely external factor. The Company works with all the controllable factors to increase revenue over time. These factors are 1.) Selection of climatically suitable and profitable crop cultures, given prevailing prices as well as other production factors, 2.) Increase in the amount of cropped hectares, 3.) Increase crop yield per hectare through disciplined fieldwork and good agronomy, 4.) Increase quality of the harvested product which generates a price premium, especially by obtaining good seeds, and 5.) Timing of sales – access to elevators is critical to enable secure post harvest handling of crops and flexible timing of sales. Storage of grain at elevators enables selling at a point where supply is comparatively low and prices higher and allows for transactions with bigger clients.

Revenue from sales of goods and services

Six months ended 30 June 2011 and 2012

For the six months ended 30 June 2012, revenue from sales of goods and services from continuing operation increased significantly in comparison to the same period in 2011, and amounted to RUR 1,255 million up from RUR 356 million.

Financial years 2009, 2010 and 2011

In 2011, revenue from sales of goods and services amounted to RUR 2,067 million, corresponding to an increase of 45 percent compared to 2010. 2011 revenue from sales of goods and services was negatively affected by both low volumes of wheat, barley and rape harvested during 2011, as well as reduced prices due to poor quality. Furthermore, revenues recorded in 2011 were reduced by unfavourable weather conditions, as heavy rain fall lead to difficult harvesting conditions following an early season dry spell.

In thousands of	RUR 2011	RUR 2010	RUR 2009	USD 2011	USD 2010	USD 2009
Revenue	2,067,053	1,430,038	2,394,743	64,202	44,416	74,380
Gain/(loss) on revaluation of biological assets	516,066	166,308	-111,311	16,029	5,165	-3,457
Change in net realisable value of agricultural produce after harvest	-83,786	n/a	n/a	-2,602	n/a	n/a
Total revenue and gains	2,499,333	1,596,346	2,283,432	77,628	49,582	70,923

Total revenue and gains

Six months ended 30 June 2011 and 2012

Total revenue and gains for the six months ended 30 June 2012 increased significantly in comparison with the same period in 2011, and amounted to RUR 1,524 million, up from 577 million for the first half of 2011. This was due in large part to the large increase in sales of goods and services as well as a net realisable value of agricultural produce after harvest which amounted to RUR 27.8 million compared with RUR –144.6 million in the six months period in 2011. There was a slight decrease in the gain on revaluation of biological assets which was RUR 241.5 million for six months ended 30 June 2012 compared to RUR 365.9 million for the corresponding period in 2011.

The main reason for the increase in revenue from sales of goods and services was that BEF was able to secure access to rail cars, enabling export shipments during 2012. Furthermore, the 90 thousand tons of crops remaining were sold during the second quarter of 2012 at higher prices than inventory value as at 31 March 2012. In addition, wheat prices increased by 11 percent year-on-year to USD 167 per ton as domestic grain prices have been rising steadily during 2012 as a result of both dry conditions in several parts of Russia as well as higher global prices.

As at 30 June 2012, 1.8 thousand tons of crops were held in inventory as the majority of 2011 crops were sold in preparation for the 2012 harvest. Biological assets (crops to be harvested in the first half of 2012) were re-valued to estimated fair value at time of harvest less distribution costs.

The revaluation of biological assets has been performed in accordance with the requirements of IAS 41 Agriculture which states that a biological asset shall be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sale costs.

Financial years 2009, 2010 and 2011

Total revenue including revaluation gains increased by 57 percent for 2011 compared to 2010 but is still 30 percent lower than 2009. The main driver for the large increase in revenue from sales of goods and services is the large increase in commercial crop output which also resulted in a larger gain on revaluation of biological assets. The increase in commercial crop output is a result of normalized weather conditions and improvements in the Company's farming operations and consequently larger volumes sold in recent financial reporting periods. In 2011, gain on revaluation of biological assets amounted to RUR 516,066 thousand, representing 20 percent of total revenue and gains. The gain is derived by using final harvest volumes multiplied by market prices at the time harvest was concluded, which differs per crop, less incurred production costs and expected selling expenses. Post harvest the P&L is affected via change in net realizable value driven by market price developments affecting the crop inventory value.

Production	2011	2010	2009
Harvested area (ha)	227,651	179,767	183,042
Change	*27%*	*-2%*	*29%*
Commercial Gross Harvest (ton)	533,576	231,404	531,305
Change	*131%*	*-56%*	*22%*
Amounts of tons sold	399,473	277,694	617,360
Change	*44%*	*-55%*	*427%*
Average received price per ton (RUR)	5,044	4,989	3,795
Change	*1%*	*31%*	*-37%*

Prices for sold products had a small positive effect on the revenue from sales of goods and services in 2011. The average realised price increased from RUR 4,989 per ton in 2010 to RUR 5,044 in 2011 implying an increase of 1 percent. The prices peaked in January 2011, following the Russian drought in 2010. The quarterly realised price is generally affected by the sales mix but during the fourth quarter, high moisture levels and poor quality of crops sold were key factors affecting the price of the 2011 crop. Logistical bottlenecks, such as a Russia wide shortage of railcars delaying export sales and limiting storage turnover, in combination with internal issues with storage and logistics also affected prices negatively.

As a result of the increased output there are generally also larger amounts of finished crops held in inventory to be valued at each of the more recent reporting dates. In 2010, revenue from sales of goods and services suffered from harsh weather conditions and declined by 40 percent compared to 2009. Higher prices for crops sold in 2010 compared to 2009 somewhat neutralized the negative effect caused by adverse weather conditions, and was further offset by a reported gain on revaluation of biological assets. Below are the prices used for valuing the inventory of the most important crops as at 31 December 2011 compared to 31 December 2010 and 31 December 2009.

	RUR/ton 31 Dec 2011	RUR/ton 31 Dec 2010	RUR/ton 31 Dec 2009
Wheat - 3 class	5,825	7,335	3,700
Wheat - 4 class	5,500	7,175	3,300
Wheat - 5 class/feed	4,975	7,010	2,800
Corn maize	4,500	8,670	4,500
Barley - Malting	6,500	11,000	3,500
Barley - Feed	4,975	8,630	2,100
Rape seed	10,500	16,000	6,700
Sunflowers	11,000	20,980	9,900
Soya	11,000	14,250	-
Sugar beet	1,900	-	-

Expenses

Agriculture in Black Earth Farming's climatic zone allows for one harvest each year, meaning that the Company has one production cycle each year. The Company's main cost items in the last two years of serious production are cost of sales representing 50–62 percent of costs in 2009–2011, distribution expenses representing 4–8 percent of total costs in 2009–2011 and general and administrative expenses representing 17–23 percent of total costs in 2009–2011. Financial expenses, predominantly related to bond interest and discount amortization, also made up a large cost item in 2009–2011, representing 8–14 percent of total costs. The increase in financial costs between 2009 and 2011 is a result of the refinancing of the first bond with a larger amount, however at a lower interest rate. General and administrative expenses are expected to decrease continuously and be reflected in the result from quarter to quarter. However, it is only for every new harvest, i.e. production cycle that the Company has the opportunity to reduce costs of production which is subsequently reflected in the costs of goods sold from each harvest. Black Earth Farming is continuously working on cost efficiency improvements in production. However, the effect from these improvements does not appear on the statement of comprehensive income until the next harvest is brought in and started to be sold. Postponing sales of crops harvested in one year until the next calendar year can also have skewing effects.

Cost of sales

Six months ended 30 June 2011 and 2012

Cost of sales for continuing operations for the six months ended 30 June 2012 amounted to RUR 1,285 million, up from RUR 444 million for the corresponding period in 2011.

In thousands of	RUR 30 June 2012	RUR 30 June 2011	USD 30 June 2012	USD 30 June 2011
Materials	581,819	167,334	17,729	5,099
Depreciation and amortization charge	153,160	73,367	4,667	2,236
Salary and social taxes	80,496	60,704	2,453	1,850
Third party crop handling services	47,635	11,386	1,452	347
Operating leasing	23,337	7,146	711	218
Taxes	21,023	8,743	641	266
Loss of crops	14,066	15,102	429	460
Repair expenses	11,797	-	359	-
Other expenses	35,801	14,011	1,091	427
Effect of revaluations (BA & change in NRV)	316,305	86,219	9,638	2,627
Total	1,285,439	444,012	39,170	13,530

Financial years 2009, 2010 and 2011

Total amount of cost of sales for the twelve months of 2011 amounted to RUR 2,332,213 thousand or USD 72,438 thousand. Total amount of cost of sales for the twelve months of 2010 amounted to RUR 1,470,397 thousand (USD 45,670 thousand) and RUR 2,316,199 thousand (USD 71,940 thousand) in 2009. The main driver for changes in cost of sales has been market price developments on input goods. Indirect production expenses have in the past been, and will in the future be, given a lot of attention. Better condition of current fields in production, better utilization of existing machinery, equipment, personnel as well as more timely and disciplined field operations will be the main drivers for improvements in production costs in the near to mid-term. The gross profit margin on sold goods and services excluding gain/loss on revaluation of biological assets and agricultural produce increased from 9 percent in 2010 to 12 in 2011. The increase mainly derives from increasing in material costs and the effect of revaluations. Cost of sales can be divided into the following subcategories:

In thousands of	RUR 2011	RUR 2010	RUR 2009	USD 2011	USD 2010	USD 2009
Materials	1,114,751	767,055	1,310,344	34,624	23,824	40,699
Depreciation and amortization charge	330,070	316,228	348,433	10,252	9,822	10,822
Salary and social taxes	162,013	139,840	258,050	5,032	4,343	8,015
Third party crop handling services	99,672	66,579	235,244	3,096	2,068	7,307
Loss of crops	41,761	79,897	19,889	1,297	2,482	618
Operating leasing	30,371	32,362	48,047	943	1,005	1,492
Taxes	28,858	14,478	12,287	896	450	382
Repair expenses	11,295	7,017	18,379	351	218	571
Other expenses	65,008	46,941	65,526	2,019	1,458	2,035
Effect of revaluations (BA & change in NRV)	448,414	0	0	13,928	0	0
Total	2,332,213	1,470,397	2,316,199	72,438	45,670	71,940

Distribution expenses

Six months ended 30 June 2011 and 2012

Distribution expenses – mainly pertaining to transport, storage, cleaning and drying of the Company's output are correlated with the size of the harvest. Distribution expenses have become a more significant cost item as the Company has grown its production but also changed delivery terms to include transport in order to realize higher prices. Distribution expenses decreased marginally in the six months ended 30 June 2012 compared to the same period in 2011 from RUR 91.5 million to RUR 90.2 million.

Note that a portion of costs incurred to operate new elevators relating to intergroup revenue have been apportioned to distribution costs, and therefore both six months ended 30 June 2012 and 2011 have been revised accordingly.

Financial years 2009, 2010 and 2011

Distribution costs are volume driven and increased significantly in 2011 compared to 2010, as transport and delivery expenses were incurred for export cargoes of which there were none in 2010. 2011 harvest volumes also increased significantly compared to 2010 and operating expenses relating to the newly commissioned elevators are included in distribution expenses as at the third quarter of 2011 as handling of the 2011 harvest commenced. In 2010, distribution expenses constituted a historically low share of total costs, due to harsh weather conditions and consequently small crop output. Due to large crop output in 2011 compared to 2010, distribution costs, as a share of total costs and also as a absolute amount, increased and amounted to RUR 271,485 thousand, corresponding to a 7 percent of total costs (USD 8,432 thousand). The main item in distribution expenses are transportation and delivery services and storage services.

In thousands of	RUR 2011	RUR 2010	RUR 2009	USD 2011	USD 2010	USD 2009
Distribution expenses	271,485	107,825	302,646	8,432	3,349	9,400

General and administrative expenses

Six months ended 30 June 2011 and 2012

General and administrative expenses for continuing operations for the six months ended 30 June 2012 amounted to RUR 281.7 million compared to RUR 306.5 million in the corresponding period in 2011. Note that security measures and internal warehouse was to be included in the cost of sales rather than general and administrative expenses and therefore both six months ended 30 June 2012 and 2011 have been revised accordingly.

The details of the reclassifications made are as follows:

In thousands of	RUR	RUR	RUR	USD	USD	USD
Six months period ended 30 June 2011	Before reclassification	Recast	Difference	Before reclassification	Recast	Difference
Cost of sales	-433,006	-444,012	-11,006	-13,195	-13,530	-335
Distribution expenses	-61,741	-91,525	-29,784	-1,881	-2,789	-908
General and administrative expenses	-306,514	-265,724	40,790	-9,340	-8,097	1,243

Financial years 2009, 2010 and 2011

In 2011, general and administrative expenses amounted to RUR 657,211 thousand (USD 20,413 thousand), approximately equal to 2010 when general and administrative expenses amounted to RUR 659,425 thousand (USD 20,482 thousand), at the same time harvested area increased by 27 percent compared to 2010 and production output increased by 131 percent. The main item in general and administrative expenses is personnel expenses and the average number of employees decreased by 2.2 percent in 2011 compared to 2010. Strengthening of mid and senior management positions within production and sales during 2H 2011 offset initial cost savings. In 2009 general and administrative expenses amounted to RUR 849,202 thousand (USD 26,376 thousand). Between 2010 and 2009, general and administrative expenses decreased by about 22 percent while the average number of employees decreased by 6 percent.

In thousands of	RUR 2011	RUR 2010	RUR 2009	USD 2011	USD 2010	USD 2009
General and administrative expenses	657,211	659,425	849,202	20,413	20,482	26,376

Operating loss

Six months ended 30 June 2011 and 2012

The operating loss from continuing operations amounted to RUR 133.3 million for the six months period ended 30 June 2012. This was a 50.8 percent improvement compared to the corresponding period in 2011 where the operating loss was RUR -270.7 million. The operating loss in the first half of 2012 was positively influenced by increased gross profitability, lower general and administrative expenses and other income and expenses, the latter amounting to RUR 23.7 million.

Financial years 2009, 2010 and 2011

The operating loss decreased from RUR 950,950 thousand (USD 29,536 thousand) in 2010 to RUR 812,896 thousand (USD 25,248 thousand) in 2011, mainly explained by improved crops yields as weather conditions normalized following the 2010 Russian drought. The operating loss amounted to RUR 1,161,209 thousand or USD 36,067 thousand for the twelve month period ended 31 December 2009. Despite the increase in revenues in 2011, driven by volume growth, the operating result did not improve significantly as the Company's profitability is sensitive to crop price movements which affect not only realised revenues but also changes to inventory, including crops in storage as well as standing in fields, between reporting dates. This is especially true during the harvest season as changes in inventory value marked to market are not only driven by crop prices, but also by preliminary estimates of net harvest volumes at 30 June and 30 September.

Net profit/loss

Six months ended 30 June 2011 and 2012

Net loss from continuing operations for the six month period ended 30 June 2012 amounted to RUR 435.5 million, which is comparable to the corresponding period in 2011 where net loss was RUR 432.8 million. Although the Company had higher revenues in this period compared to that in 2011, cost of sales was also much higher, coupled with a marginally higher distribution expense, a slight decrease in government grants and an increase in tax expense. EBITDA adjusted for revaluation gains amounted to RUR 77.3 million in first half of 2012 compared to RUR 228.6 million for the same period in 2011. During the second period, a RUR 218.9 million loss due to FOREX translation affected the net result negatively.

Financial years 2009, 2010 and 2011

The net loss for the twelve months ended 31 December 2011 amounted to RUR 1,342,108 thousand or USD 41,685 thousand compared to a net loss of RUR 1,294,247 thousand or USD 40,199 thousand in 2010. Net loss for the twelve months ended 31 December 2009 amounted to RUR 1,349,293 thousand or USD 41,909 thousand. Between 2009 and 2010 financial expenses increased due to the repurchasing of bonds and foreign exchange differences, negatively affecting the net result in 2010 compared to 2009. Between 2011 and 2010 income tax went from RUR 61,250 thousand (USD 1,902 thousand) to RUR –39,412 thousand (USD –1,224 thousand), thus increasing net loss by the same amount.

Investments

Six months ended 30 June 2011 and 2012

Cash flow from operations before changes in working capital for the first half of 2012 amounted to RUR 88.5 million compared to the corresponding period in 2011 when it amounted to RUR –240 million. Increases in working capital of RUR –31.9 million from RUR –597.4 million and net capital expenditures of RUR 462 million as well as proceeds of RUR 183.1 million from bond sales resulted in a total cash outflow of RUR 310.9 million during first half of 2012, compared to RUR 1,124 million during the same period in 2011. Investments into machinery and equipment of RUR 565 million is up from RUR 345.7 million in the first half of 2011 as machinery and storage capacity has been improved in preparation for the 2012 harvest.

Financial years 2009, 2010 and 2011

In 2011, cash outflows used by investing activities totalled RUR 547,453 thousand (USD 17,004 thousand), corresponding to a decrease of 26 percent. The investments mainly consisted of purchase of machinery, equipment and other fixed assets in the amount of RUR 556,605 thousand (USD 17,288 thousand) and secondly of land acquisition and registration in the amount of RUR 45,906 thousand (USD 1,426 thousand). In 2010 cash flows used by investing activities totalled RUR 740,905 thousand (USD 23,012), representing a decrease of approximately 41 percent compared to 2009. The investments mainly consisted of machinery and equipment purchases in the amount of RUR 715,063 thousand (USD 22,210 thousand) and secondly of land acquisition and registration in the amount of RUR 70,049 thousand (USD 2,176 thousand). In 2009 cash flows used by investing activities totalled RUR 1,258,942 thousand (USD 39,102 thousand). The investments mainly consisted of machinery and equipment purchases and land acquisition and registration.

Current and future investments

With a strategic cooperation agreement signed with PepsiCo and announced on 22 October 2012, the Company plans to invest in increased areas of potatoes and sugar beet in the Black Earth Region in Russia. The planned increase in area for potato production involves a capital need of approximately USD 35 million over 3 years, as the area is planned to increase to 1,500 hectares by 2015 with potential production of approximately 45,000 tons. Investment will be required in irrigation equipment, specialist machinery and storage buildings. The agreement will contribute to increased consumption of locally produced raw materials for PepsiCo who is the largest industrial buyer of potatoes in Russia. Sugar beet production is expected to increase gradually to 20,000 hectares over 3 years with potential production volumes of 600,000 tons. This entails a capital need of USD 20 million in terms of specialised machinery equipment and working capital needs.

The Company's on-going and near term investments will mainly be directed towards replacing and adding to machinery capacity as well as reducing bottlenecks and complementing storage facilities in connection to its places of operations in the Black Earth region in Russia.

Planned machinery and equipment investments amount to RUR 661,600 thousand in 2012 as additional capacity will alleviate timely field works during peak seasons. Having own storage makes the Company less dependent on external parties and will reduce costs of storage. The Company has approximately 500 thousand tons of internal storage capacity and plans to invest RUR 237,300 thousand during 2012 to improve the efficiency of grain handling and storage operations. Grain not covered by the Company's own facilities and in need of storage will be stored in capital light silo bags adjacent to current storage sites. In addition to infrastructure investments, a sum of RUR 15,400 is held for any potential additional investments for small scale complementing land acquisitions and ownership registrations. In total planned 2012 investments amount to RUR 923,100 thousand. As at the date of this prospectus, approximately RUR 817.8 million had been invested in 2012.

The sources of funds for the current and future investments are mainly internally generated from operating activities together with proceeds, in the form of cash and cash equivalents, from the Rights Issue.

Property, plant and equipment

Six months ended 30 June 2011 and 2012

In thousands of	RUR 30 June 2012	RUR 30 June 2011	USD 30 June 2012	USD 30 June 2011
Land	1,788,091	1,886,633	55,538	58,599
Buildings	2,189,334	1,958,379	68,000	60,827
Machinery and equipment	1,870,215	1,841,802	58,089	57,206
Vehicles	145,844	162,731	4,530	5,054
Fixtures and fittings	12,513	21,703	389	674
Construction in progress	156,007	85,921	4,846	2,669
Total	6,162,004	5,957,169	191,391	185,029

No material encumbrances exist in relation to the Company's property, plant and equipment

Financial years 2009, 2010 and 2011

The following table demonstrates the distribution of property plant and equipment as at 31 December 2011, 2010 and 2009.

In thousands of	RUR 2011	RUR 2010	RUR 2009	USD 2011	USD 2010	USD 2009
Land	1,875,441	1,859,945	1,851,837	58,251	57,769	57,517
Buildings	2,228,936	2,035,286	900,979	69,230	63,215	27,984
Machinery and equipment	1,634,190	1,788,876	2,027,280	50,757	55,562	62,967
Vehicles	138,486	186,556	236,663	4,301	5,794	7,351
Fixtures and fittings	10,030	9,093	11,359	312	282	353
Construction in progress	132,465	42,499	560,123	4,114	1,320	17,397
Total	6,019,548	5,922,255	5,588,241	186,965	183,943	173,569

As at 31 December 2011, property, plant and equipment amounted to RUR 6,019,548 thousand (USD 186,965 thousand), corresponding to an increase of 2 percent compared to 2010, when property, plant and equipment was reported as RUR 5,922,255 thousand (USD 183,943 thousand). As at 31 December 2009, property plant and equipment amounted to RUR 5,588,241 (USD 173,569 thousand).

Working capital

Six months ended 30 June 2011 and 2012

On 30 June 2012, working capital amounted to RUR 2,630,134 thousand or USD 81,691 thousand. Working capital on 30 June 2011 amounted to RUR 2,480,099 thousand or USD 77,031 thousand. The following table represents the changes in working capital for the periods January to June in 2012 and 2011:

In thousands of	At end of period RUR	At end of period USD	Change since previous period RUR	Change since previous period USD
30 June 2012	2,630,134	81,691	150,035	4,660
30 June 2011	2,480,099	77,031	595,310	18,490

Financial years 2009, 2010 and 2011

On 31 December 2011, working capital amounted to RUR 2,526,181 thousand or USD 78,462 thousand. Working capital on 31 December 2010 amounted to RUR 2,982,817 thousand or USD 92,645 thousand. The following table represents the changes in working capital for the period 2009–2011:

In thousands of	At end of period RUR	At end of period USD	Change since previous period RUR	Change since previous period USD
31 December 2011	2,526,181	78,462	626,384	19,455
31 December 2010	1,899,797	59,007	357,728	11,111
31 December 2009	1,542,069	47,896	-1,062,504	-38,223

Liquidity and financing

Six months ended 30 June 2011 and 2012

The Company had RUR 686 million in cash and cash equivalents as at the end of the first half of 2012. The cash position of the company as at 30 June 2011 was RUR 1,781 million. At the end of June 2012, the net debt position of RUR 3,170 million implied a net debt to equity ratio of 54 percent. At the end of June 2011, the net debt position of RUR 2,445 million implied a net debt to equity ratio of 22 percent. In July 2012, the Company obtained a working capital facility amounting to RUR 805 million. Please see "Significant events after 30 June 2012" for further details.

Financial years 2009, 2010 and 2011

As at 31 December 2011 the Company's cash and cash equivalents amounted to RUR 985,452 thousand (USD 30,608 thousand). RUR denominated holdings were limited to 57 percent of total cash and cash equivalents. The Group is exposed to currency risk on borrowings, consisting of one outstanding bond loan which matures in 2014 and is denominated in EUR, which differs from the functional currency of the Group. Cash flows for the years 2011, 2010 and 2009 were as below:

In thousands of	RUR 2011	RUR 2010	RUR 2009	USD 2011	USD 2010	USD 2009
Cash flow utilised by operating activities	-332,019	-470,330	-598,663	-10,312	-14,608	-18,594
Cash flow utilised by investing activities	-547,453	-740,905	-1,258,942	-17,004	-23,012	-39,102
Cash flow from financing activities	-181,027	1,291,337	-352,479	-5,623	40,108	-10,948
Net increase/(decrease) in cash and cash equivalents	-1,952,336	-222,804	-1,606,574	-60,639	-6,920	-49,900

Cash outflow from financing activities for the year 2011 amounted to RUR –181 027 thousand (USD –5,623 thousand) compared to RUR 1,291,337 thousand (USD 40,108 thousand) in 2010. In June 2010 the Company issued bonds (face value amount of 750,000,000 SEK) with 10 percent interest payable annually from July 2010 until its maturity in July 2014. The Group repurchased part of its bonds in 2011 at a weighted average of 102.6 percent of its nominal value. The repurchase cost totalled RUR 292,658 thousand (USD 9,181 thousand), which included nominal value of RUR 268,330 thousand (USD 8,418 thousand) and accrued interest of RUR 24,328 thousand (USD 763 thousand). As a result of these transactions, the Group realized a net loss of RUR 12,356 thousand (USD 388 thousand). In December 2011 the Group sold SEK 18.7 million of its bonds that were purchased during the first half of 2011. The Group received a total of RUR 87,303 thousand (USD 2,712 thousand) from the sale. The issued bonds are subject to certain covenants as stipulated in the bond agreement, see "Legal matters and supplementary information – Bonds issue" for further information about the covenants. The Group complied with all covenants stipulated in the bond agreement since its issuance in 2010 and complied with the covenants of the bond issued in 2007.

Financial resources and seasonal variations

As at 30 June 2012 the Company's short-term financial resources consisted of cash in the amount of RUR 686,443 thousand (USD 20,917 thousand) and sellable inventory in the amount of RUR 505,846 thousand (USD 15,414 thousand). Black Earth Farming's long-term financial resources consisted of its fixed assets, which can either be sold or used as collateral for possible future financing. The Company's line of business has an inherent seasonal variation in terms of revenue and costs. Approximately 40 percent of the expenditures are incurred in the fall of the preceding year for any given harvest, and the remaining approximately 60 percent incurred during spring and summer the same year as the harvest. As the Company controls storage facilities, a significant part of the harvest can be stored and sales thereby spread out in time to capture favourable market conditions. The lag in revenue in relation to costs has been financed with external funds during ramp-up in production, however it will, as the production level stabilises, be financed with funds generated from operations.

Statement of working capital needs

The Company lacks sufficient working capital for the current needs over the coming 12 months. The Company forecasts a lack of working capital by May 2013 and that the total working capital requirement for the year amounts to approximately RUR 805,000 thousand (USD 25,000 thousand). In order to resolve this long-term financing and to increase the financial and operational flexibility of the Company the Board of Directors has resolved and an Extraordinary Shareholders' meeting approved the rights issue at hand. Through the Rights Issue the Company is expected to receive approximately RUR 2,480,160 thousand (USD 78,434 thousand), after transaction costs.[1] The Rights Issue is partly committed through subscription undertakings by shareholders of the Company (see "Legal matters and supplementary information" under heading "Subscription Undertaking" on page 99).

It is the opinion of the Company, that the cash flow from operating activities together with cash and cash equivalents after the issue will give the Company sufficient working capital to cover the needs over the coming 12 months. Should the Company fail to attract sufficient interest from its shareholders in the rights issue the Company has significant fixed assets which could be divested to free up cash.

1 Source: Bloomberg, exchange rates SEK/USD 0.148, SEK/RUR 4.680

Tendencies and expected future trends

The Company´s historical results have demonstrated a high amount of volatility where the main driver has been weather related events affecting revenue via crop volumes and/or prices. There is a degree of inherent volatility in both volume and price within crop growing businesses but the Company is working actively to reduce the major swings with several initiatives under way to raise both production volumes and realized prices. In terms of pricing the long term outlook for international and Russian agricultural commodity prices is favorable given the drivers of increased demand albeit with short term volatility driven by weather related supply factors. Although Black Earth Farming is a price taker in a commoditized market, actions to improve client counterparties, expand direct export sales and manage price risk via forward sales are expected to affect pricing and price volatility favorably going forward. The company is also looking to broaden and diversify its range of crops, from grains and oilseeds which display differing levels of yield and price volatility, to include beets and potatoes as well which are more client-specific crops grown on contract which reduces price volatility. In terms of volumes, several specific initiatives to improve crop yields are under way which is expected to increase total production volumes over the coming 2–3 year period. Removing the constraints to crop yields involves higher direct costs per hectare and increases the initial working capital needs but it will bring necessary improvements to the long term cost per ton of production and thus profitability of the business. The improvements are expected to be gradual over a multi-year period, and although the likelihood of improved profitability will be higher, weather induced volatility will continue to be a factor affecting the Company´s results going forward.

Significant events after 30 June 2012

On July 11, the Company obtained a USD 25 million credit facility from its two major shareholders Investment AB Kinnevik (via its wholly owned subsidiary Kinnevik New Ventures AB) and Vostok Nafta (via its wholly owned subsidiary Vostok Komi (Cyprus) Limited) to fund working capital requirements. The facility is unsecured, carries an annual interest rate of 11 percent and matures in June 2013. The Company can, at its sole discretion, prepay the entire loan at any time prior to the maturity date. The majority was repaid during August and September as the harvest and sales of 2012 crops commenced wherefore USD 1 million of the facility was utilised as of 30 September. The parties have agreed that the amount outstanding if any will be used as partial payment to subscribe for their pro rata share of the rights issue.

On 22 October 2012, BEF entered into a strategic cooperation agreement with PepsiCo and its subsidiaries in Russia. BEF will become a significant supplier of sunflower seeds and potatoes used as inputs in the production of Frito-Lay's potato crisps. It is also anticipated that an agreement for the supply of sugar beets will be executed in January of 2013. The agreement will enable both parties to capture the joint benefits of reduced counterparty risk, lower volatility via longer term pricing as well as significant future growth opportunities. The supply chain agreement has the potential to transform Black Earth Farming´s business since it offers the potential to price forward a major part of total volumes while also diversifying the production towards higher value crops. The planned increased area for potato and sugar beet production involves a total capital need of approximately USD 55 million.

Sensitivity analysis

The table below sets out the effect of two important factors on Black Earth Farming's operating result. The effect on the operating result has been calculated on basis of the Company's consolidated financial statements for the year ended 31 December 2011.

Parameter	10% increase USD thousand	2011 USD thousand	Change
Volume (area and/or yield)	6.3	-34.2	16%
Price	6.3	-34.2	16%

Operational performance

Land

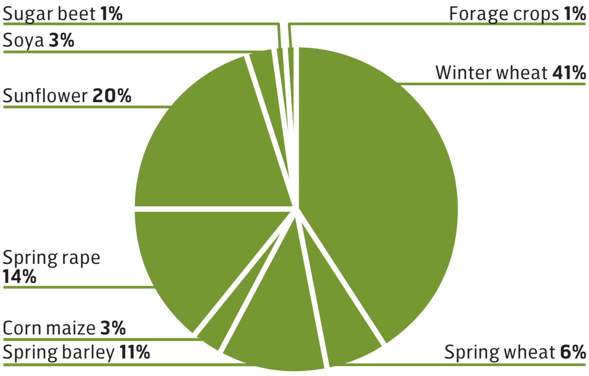
In line with the Company's current land acquisition strategy; the development of the Company's total land holdings has slowed down. The amount of land under control as at 31 December 2011 amounted to about 318 thousand hectares which represents a 3.0 percent decrease compared to 31 December 2010 and at the same time a 3.6 percent decrease from 31 December 2009. Approximately 18 thousand hectares were in the process of registration with the relevant authorities as at 31 December 2011 and 260 thousand hectares had already been registered, to be compared with 34 and 250 thousand hectares respectively as at 31 December 2010. As at 31 December 2009 approximately 75 thousand hectares were in the process of registration with the relevant authorities and 216 thousand hectares had at that point already been registered, which represents an increase in owned land by 20 percent. As at 30 June 2012, the book value per hectare under registered ownership amounted to approximately USD 220. On 31 December 2011, the Group also held 44 thousand hectares under long-term lease contracts running up to 49 years.

Thousand hectares of land	30 June 2012	30 June 2011	31 December 2011	31 December 2010	31 December 2009
Thousand hectares of land	2012	2011	2011	2010	2009
Land in registered ownership	251	256	260	250	216
Land in the process of ownership registration with relevant authorities	15	22	18	30	75
Land under long-term lease agreements	44	48	44	48	39
Total amount of controlled land	310	326	318	328	330

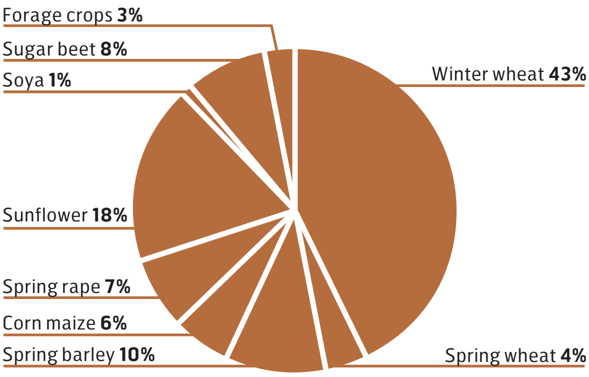
The process of obtaining the ownership rights to agricultural land in Russia has been complicated as well as time consuming. The end of this process is now approaching with an additional 18 thousand hectares to be registered. The remainder will be held in long term lease agreements generally spanning up to 49 years. Consolidation and further improvement of the operational efficiencies in and around the existing farm blocks remains the key target. Thus a process of divesting non-core areas of pasture land and lower quality soils was initiated during 2011 where no land is being cropped. The current near term focus is not on expanding the land bank, but on finalizing the registration process of controlled land into full ownership and raising crop production efficiency on the current foot print. Any additional land will only be considered if the operational fit with the existing crop areas is exceptional from a logistical point of view in terms of synergies.

In April 2012 9,564 hectares in the Voronezh region were sold for approximately RUR 91,840 thousand which implies an average price of RUR 9,709 per hectare. The land was a mix of grass land not suitable for cropping as well as low quality arable land with high levels of chalk. The price range was RUR 3,600–15,600 per hectare for grass to crop land where 48 percent of the area was grass land. A profit on sale of approximately RUR 32,800 thousand was recorded in Q2 2012 as the carrying value in the statement of financial positions was RUR 6,232 per hectare. The sale is in line with the strategy to consolidate the land area to the clusters with the best potential in terms of operating performance.

Breakdown of planted area (2011 cropped area)



Breakdown of net harvest in tons (2011)



Production

Black Earth Farming has since its inception in 2005 broken long fallow on approximately 260 thousand hectares in total. The fields have been cultivated or developed back into a productive state by extensive disk-tilling to eliminate long time established weeds coupled with field levelling. The crop area has expanded rapidly from 6 thousand hectares in 2006 to 231 thousand hectares in 2011 wherefore the focus is currently on the main challenge of raising crop yields. Improving this area is crucial and involves several factors involving technical agronomy and organisational changes to improve not only technical knowledge and decision making, but also implementation and execution. In early 2011 a new technical partner undertook an audit of historic decision making processes and made recommendations regarding strategy and crop management going forward. Part of this review has been identifying what underlying data and analysis is missing for BEF's cropping region and filling the information gaps through internal research and crop trials. This will take some time but once completed it will be a significant competitive advantage.

The Company started the 2012 harvest in early July and had 80 percent harvested as of 18 October with results summarized in the table below. The 2012 crop structure is different from previous years' as wheat represents a lower share of the total area and the spring crop footprint is much larger than usual. The crop mix has also changed with the introduction of larger areas of corn and soya and the increase in sugar beet.

Average yields were for winter wheat were 2.3 tons per hectare and 2.5 tons per hectare for spring barley. The yield results for winter wheat are in same range as last year which were below expectations. The crops were relatively well established in the autumn but a very late spring, immediately followed by a sharp increase in temperatures and three consecutive weeks of dry weather in May meant that the wheat rocketed though initial growth stages under stressed conditions and as a consequence many tillers, stems and ears were lost at this stage. Spring was late by 10-20 days and this reduces available growing days by circa 10 percent. There was also some considerable variation in yield between regions with northern Tambov being relatively dry whilst western and southern regions had good rainfall from the end of May. The majority of the initiatives being undertaken, such as correcting soil Ph and relieving soil compaction will benefit 2012 spring crops. Winter crops have benefited relatively less from the corrective actions undertaken since 2011.

Yields for spring wheat, corn, spring rape, sunflower and soybean crops are among the best ever achieved. Spring rape would have been a very good yield if crop had not been lost due to strong winds and rain just prior to harvest. The 2012 spring crop results have benefitted to an extent from the planned crop initiatives to improve yields but more so from the combination of better execution and management and more favorable weather.

The winter seeding for the 2012/2013 crop year was completed in September with a total of 74,000 hectares of winter crops successfully seeded and established. With 230 thousand hectares planned for crops in 2013 the cropping ratio, defined as the percentage of total controlled land which is actually planted and harvested increased from 55 percent to 72 percent.

Planted area breakdown

(ha)	2012	2011	2010	2009	2008	2007
Winter wheat	74,100	93,627	72,677	84,698	48,636	16,805
Spring wheat	4,300	13,093	10,157	3,824	4,339	n/a
Spring barley	22,700	26,535	13,793	43,053	42,638	20,180
Corn maize	26,300	6,149	8,592	8,084	9,950	1,215
Winter triticale	n/a	n/a	302	2,740	n/a	n/a
Total grains	127,500	139,404	105,521	142,399	105,563	38,200
Winter rape	n/a	n/a	536	7,045	875	5,005
Spring rape	36,700	33,494	29,051	7,132	13,149	7,035
Sunflower	33,100	46,518	36,761	26,466	19,378	2,541
Soya	18,200	7,863	7,899	n/a	n/a	n/a
Total oilseeds	88,000	87,875	74,247	40,643	33,402	14,581
Sugar beet	5,100	1,621	n/a	n/a	n/a	n/a
Total commercial crops	220,600	228,900	179,768	183,042	138,965	52,781
Forage crops	1,700	1,951	1,013	381	2,968	670
Total planted area	**222,300**	**230,851**	**180,781**	**183,423**	**141,933**	**53,451**

Average net crop yield

(ton/ha)	2012 (Gross)*	2011	2010	2009	2008	2007
Winter wheat	2.3	2.4	1.9	3.3	4.1	2.9
Spring wheat	2.8	1.6	1.4	2.1	2.9	n/a
Spring barley	2.5	1.9	1.4	2.8	3.3	1.9
Corn maize	6.4	4.9	0.6	3.1	2.3	2.8
Winter triticale	n/a	n/a	0.7	2.2	n/a	n/a
Winter rape	n/a	n/a	0.5	1.4	1.6	1.2
Spring rape	1.4	1.1	0.5	1.2	1.3	0.8
Sunflower	2.1	2.0	0.8	1.7	1.3	1.6
Soya	1.3	0.9	0.2	n/a	n/a	n/a
Sugar beet	30.7	25.6	n/a	n/a	n/a	n/a

** 80 percent of area harvested*

Net harvest

(ton)	2012	2011	2010	2009	2008	2007
Winter wheat		220,608	137,703	280,648	201,377	48,093
Spring wheat		21,187	13,791	7,863	12,472	n/a
Spring barley		49,166	19,595	122,375	138,752	38,466
Corn maize		29,989	5,152	25,251	22,651	1,335
Winter triticale		n/a	211	5,930	n/a	n/a
Total cereal grains		320,950	176,451	442,067	375,252	87,894
Winter rape		n/a	246	10,014	1,395	6,083
Spring rape		36,887	15,497	8,470	16,657	5,647
Sunflower		92,805	28,904	45,580	25,285	4,126
Soya		7,114	1,818	n/a	n/a	n/a
Total oilseeds		136,806	46,465	64,064	43,337	15,856
Sugar beet		41,531	n/a	n/a	n/a	n/a
Total commercial crops		499,287	222,916	506,131	418,589	103,749
Forage crops		14,597	3,686	3,381	22,928	2,659
Total output		**513,884**	**226,602**	**509,512**	**441,517**	**106,408**

Progress on five key initiatives to raise crop yields

Progress has been made during 2012 regarding the five key priorities being undertaken to lift the crop yield potential and remove constraints. The focus areas include;

Lime application to correct soil pH

Acidic soils reduce crop yield, with research demonstrating that pH levels close to five can reduce crop yields in wheat by 30 percent. To correct for low soil pH levels, lime needs to be applied, which in its cheapest form is a by-product from sugar refineries. The challenge is regarding logistics as application rates of eight tons per hectare involve large tonnages of product to transport, load and spread in order to treat larger areas. During the autumn of 2011 12,000 hectares were applied with lime targeted at the most acidic soils and an additional 40,000 hectares are on plan to be completed in 2012. Another 20,000 hectares is planned for 2013 whereafter the major corrections will have been undertaken.

Deep cultivations to relieve soil compaction

Soil structure and compaction restricts crop root growth which results in lower yields and poorer performance during dry conditions. Limited amounts of deep cultivations have previously been performed so in places operations have exacerbated the problem although the main issue is compaction left from Soviet times. 37,000 hectares were subsoiled to shatter the earth and remove pans at depths of 20 centimetres and below during 2011 with an additional 60,000 hectares on target for 2012. This has been incorporated in the annual cultivation program over several years to rotationally relieve compaction and improve structure of approximately 30,000 hectares annually.

Fertilizer, potash and sulphur applications

Potash has historically only been applied on a replacement basis which has led to under-application and not necessarily been linked to soil test data. Potash is very important for water relationships within plants and thus low levels of potash in the soil have compounded drought stress problems. Approximately 46,000 hectares where potash levels were low were corrected during the autumn of 2011 with an additional 15,000 hectares treated in 2012. Additional sulphur will also be applied to crops where the data shows a significant yield response and an economic benefit.

Weed management through glyphosate application

Substantial areas of crops suffered from heavy bindweed populations. According to research, field bindweed can reduce wheat yields by up to 30 percent and barley yields by up to 65 percent. Over 200,000 hectares were sprayed with glyphosate pre- and post 2011 harvest during the summer and autumn (five times the area in previous years) to reduce the problem. In 2012 approximately 130,000 hectares were treated and the area is expected to decline going forward as the majority of the problem areas have been corrected.

Seed management

Black Earth Farming uses a high proportion of home grown crops for seeding wheat. Management of internally grown seed crops was improved ahead of the 2012 harvest to include the appropriate site selection, weed control, applications of additional fungicides and micronutrients.

Sales and Marketing

During previous years, the vast majority of sales have been executed domestically on the spot market. The list of customers generally varies from local breweries and oil crushers to large international grain traders. Sales have previously been conducted on an ex-works basis, i.e. the buyer organises transport to collect crops at the Company's farm gate. With the increased elevator capacity in addition to direct rail access enabling 3,000 tons to be loaded daily, the price per ton received is expected to improve. Contract terms including loading, transport and longer distance delivery via rail to the buyer can be included in the price as well as providing access to export markets. Internalising the trade margin from producer to end customer is a key advantage, particularly in Russia where this margin is unusually high by international standards. Sales including transhipment will also enable consolidation of larger crop volumes with specific qualities facilitating larger and better priced contracts.

In 2011, the Company commenced direct export sales and successfully shipped 33,000 tons of wheat to key milling customers in Europe. This strategy was carried out in greater volume during 2012 allowing the Company to control the flow of its commodities, price crops forward and capture the premium available in the export markets. Export capability is crucial not only for selling at higher prices but also for managing price risk by locking in prices via forward sales. Russia lacks a functioning domestic physical forward or futures market due to the low trust among counterparties. The high levels of defaulted contracts result in substantial price discounts for most types of offered forward contracts. In order to improve this situation, the Company is focusing on establishing partnerships with quality counterparties internationally and domestically in order to improve price risk management. There are large potential end customers domestically in Russia with the opposite side of the problem needing to find large scale reliable suppliers to mitigate price volatility of agricultural commodities. Extensive work is taking place to forge alliances on this front, of which the aforementioned cooperation agreement with PepsiCo is the first example.

Industry overview

The following chapter provides an overview of the global as well as the Russian agricultural market with emphasis on grains and oilseeds.

The global agricultural market

Grains and oilseeds have in the past primarily been used for human food or feed for animals. The oil price development in combination with environmental concerns has, in addition, given rise to an increasing demand for agricultural crops as raw material in energy production. The main drivers of the agricultural sector are world population growth, which means increased demand for food products and rising disposable income, which typically brings about an increased demand for high-protein foods, in turn boosting demand for grains. In addition, environmental concerns have brought about a trend towards alternative energy sources such as bio fuels. This development has been underpinned by international treaties as well as national control measures for the purpose of reducing the dependency on fossil fuels and thereby counteracting global warming.

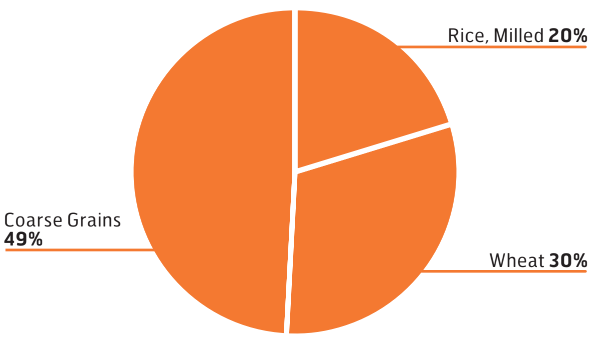
Grain sector

Grains are commonly divided into wheat, rice and coarse grains. Coarse grains, in turn, include barley, oats, rye, corn maize, sorghum and millet. World grain production in the 2011/2012 market year is estimated to be 2,283 million tons, which is an increase by 4.5 percent compared to the previous year. For 2011/2012, coarse grains are expected to account for almost half of the global grain production. It is estimated that global grain consumption will grow by 2.6 percent from 2,208 million tons to 2,264 million tons between 2010/2011 and 2011/2012. Consequently, production will exceed consumption by 19 million tons, thus increasing year-end stocks[1].

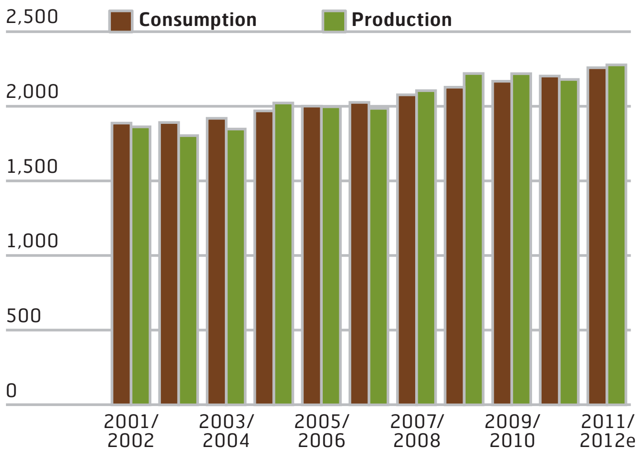
The world's five largest grain producers, China, the United States, the European Union, India and Russia, are expected to account for approximately 63 percent of the global grain output in 2011/2012. Global wheat trading volumes amounted to approximately 119 million tons in 2011/2012. The largest importers are expected to be Egypt (11 million tons), Brazil (7 million tons) and the Indonesia (7 million tons). The largest exporters of wheat are expected to be the United States (27 million tons), the European Union (17 million tons) and Australia (21 million tons).

Global coarse grain trading volumes are projected to be 129 million tons in 2011/2012, of which approximately 79 percent were corn maize. The largest importers of coarse grains are expected to be Japan (19 million tons), Mexico (12 million tons) and Saudi Arabia (10 million tons) and the largest exporters are expected to be the United States (44 million tons), Argentina (20 million tons) and Ukraine (17 million tons)[1]. The total grain area harvested in the world has stabilised over the past five years, and is expected to amount to some 693 million hectares for 2011/2012. India and China are anticipated to contribute with the two largest areas, corresponding to approximately 15 percent and 13 percent of the total harvested hectares respectively[1].

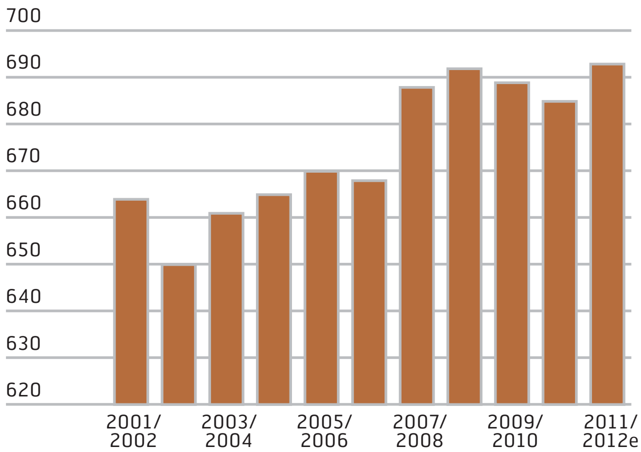
Global grain production by category , 2011/2012e



Global grain production and consumption, million tons



Total grain area harvest globally, million hectares

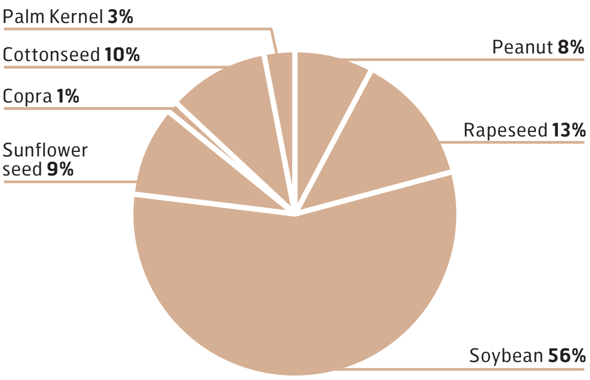


1 United States Department of Agriculture, PSD Online, 2012

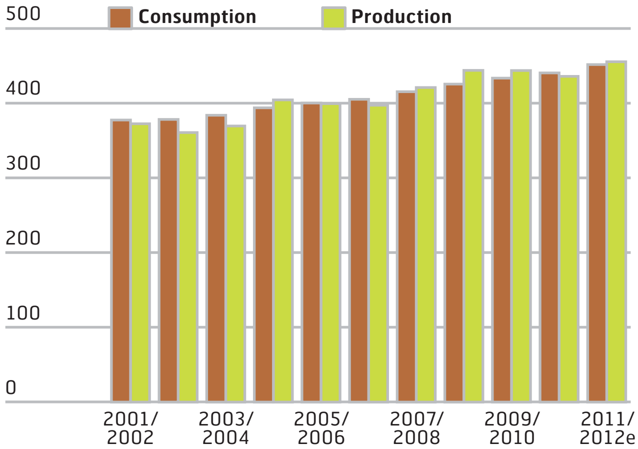
Oilseed sector

The main oilseeds are copra (coconut), cottonseed, palm kernel, peanut, rapeseed, soybean and sunflower seed. The world production of oilseeds for 2011/2012 is estimated at almost 452 million tons, which is a slight decrease of 0.5 percent compared to the previous year. For 2011/2012, soybean is expected to account for some 56 percent of the global oilseed production. It is estimated that global oilseed consumption will grow by 3.4 percent from 443 million tons to 458 million tons between 2010/2011 and 2011/2012. Consequently, consumption will exceed production by 208 thousand tons, thus decreasing year-end stocks[2]. Global oilseed trading volumes in 2011/2012 are projected to be 113 million tons, of which soybean constituted approximately 86 percent. The three largest soybean importers are expected to be China (57 million tons), the European Union (16 million tons) and Mexico (5 million tons). The largest exporters are expected to be Brazil (38 million tons), the United States (34 million tons) and Argentina (10 million tons)[2]. The total oilseed area harvested in the world has been experiencing an upwards trend over the past five years and is expected to amount to some 262 million hectares for 2011/2012[2].

Global oilseed production by category (per cent), 2011/2012e



Global oilseed production and consumption, million tons



2 United States Department of Agriculture, PSD Online, 2012

The Russian agricultural market

Prior to the revolution in 1917, Russia was known as the "granary" of Europe. The Black Earth Region and other nearby regions were feeding not only Russia but also large parts of Europe. As a result of the revolution land was nationalised and landowners, and nearly the entire peasantry, were eliminated thus devastating agricultural traditions and generations of expertise. Under the Soviet system, the agricultural sector was reorganised into state or collective farms known as Sovkhozes and Kolkhozes. Despite using some of the richest and most fertile land in the world, the system was highly inefficient.

Since Perestroika in the 1980's, the Russian government undertook a number of reforms in order to reduce the role of the state in the economy, including steps to address private land ownership. The Law on Land Reform enacted under Yeltsin in the 1990's permitted land to be pledged but not bought or sold. The agricultural sector was officially ordered to reorganise, respond to market forces and competition, and to accept the disappearance of state procurement and subsidies.

In 2001–2002, Russian legislative bodies approved the privatisation of agricultural land and its right to be bought and sold, including the principal of land cession. The system of property rights state registration and property transactions was also established.

More recently, and after several years of diligent reform efforts, amendments to the Land Code have been made. The revised Land Code is dynamic and represents a radical departure from the previous Soviet-era legislation. The subject of land reform and ownership rights is of the greatest importance to potential investors, the agricultural sector and the government alike. The land reforms triggered a boom in both foreign and domestic investments in agricultural land between 2005 and 2008. Although land can be expropriated if not put to work, many investors purchased land as a pure asset play and kept operational investments at an absolute minimum. When the financial crisis hit Russia during the second half of 2008, those investors found themselves in an unfavourable position as the value the land fell and the prospects of attaining new credit disappeared. In addition, many farmers and agricultural companies that lacked storage capacity or sufficient cash at hand were forced to sell their produce directly from the fields despite the low price that prevailed due to the record harvest in the autumn of 2008.

In 2005, Russian government declared agriculture a sector of national importance with the goal of transforming the agribusiness into a more economically sustainable business, as well as to retain people in the sector.

In December 2008, the government pledged to provide the agricultural sector with RUR 866 billion in credit resources, including RUR 520 billion in loans to agricultural producers in priority industries on terms of subsidized interest rates. These measures were taken to somewhat mitigate the effects of the global financial crisis, especially the credit crunch, on Russian agriculture. As before the crisis, farm mortgages continue to be almost non-existent due to continued land-ownership confusion that limits the ability to use land as collateral, as well as shortages of professional appraisers and assessors.

In March 2009, President Medvedev ordered the creation of a state grain-trading company based on the Agency for Commodity Market Regulation, which has managed interventions on the grain market and runs other state regulatory programs. The new company is incorporated as the United Grain Company OJSC or UGC and is designed to consolidate 33 companies in 19 Russian regions holding major grain elevators and export terminals[3]. The main purpose of the grain-trading company is to strengthen Russia's grain potential, including developing the national port infrastructure and storage facilities, as well as a system of transporting and selling grain. The government initially held 100 percent of the shares. However, as at the end of 2011, the government was under an order to sell 49 percent minus one share in the company, preparing the company for privatisation[4]. The company is expected to export 2.5 million tons of grain in 2011/2012. Nevertheless, farmers' financial constraints, limited infrastructure, conversion of grain area to fodder crops, along with land ownership issues and tight competition in the world grain markets, could potentially limit Russia's export opportunities in the coming decade[5].

Russia became the third-largest wheat exporter in 2009. However, in 2010, drought and wild-fires caused widespread destruction of more than one-third of Russia's grain crop. As a result, Russia banned exports of grain from 15 August 2010, in order to guard against food inflation. Whilst world wheat prices soared, domestic prices fell half those of world levels, discouraging the planting of new crops in Russia. The export ban was finally lifted in July 2011[6]. However, there is a risk that Russia will introduce an export duty on grain in 2012.

Shortly after the export ban was lifted, the Russian Ministry of Agriculture, issued an update to the draft of the Agricultural Development Program 2013 -2020, which envisages an annual increase in the federal budget financing of the program from RUR 189.2 billion in 2013 to RUR 335.2 billion in 2020. The total financing of the Agricultural Development Program over nine years, from federal, provincial and commercial sources, is planned to be RUR 6.8 trillion, and signals a move from credit support to direct subsidisation[7].

Activity within the Russian farm sector has picked up during 2011 with several large sized farmland transactions announced in neighbouring and proximate regions to BEF´s operations. In March 2011 the London listed integrated agricultural company RusAgro acquired 97 thousand hectares in Belgorod which neighbours Kursk and Voronezh in the central Black Earth Region. The price of RUB 2.3 billion (USD 71.7 million) implies a price of 740 USD per hectare.[8]

Other positive signals for Russia's agricultural sector has been the USD 75 million investment Olam International Limited, a leading global processor of agricultural products, that has been made in the Russian Dairy Company, LCC, a growing player in the Russian dairy industry, for large scale development of dairy and grains farming in the Penza region of Russia, a region adjacent to the Black Earth Region. Olam purchased 75% of Rusmolko, with 52 thousand hectares of cultivated land and almost 4 thousand heads of dairy cattle in the region of Penza. It is expected that the partnership, RUSMOLCO, will require a total of USD 400 million to be spent over four years in the first phase of the investment plan. Olam International Limited believes that RUSMOLCO will become one of Russia's largest private milk producers as well as a leading grains farming operation in Russia.[9] Additional acquisitions by Trigon Agri and Sistema JSFC have also demonstrated the appreciation potential of Russian farm land as the sector continues to develop.[10]

Macroeconomic overview

Russia has undergone extensive structural changes in the last two decades. The Russian economic recovery began after the sharp devaluation of the Russian rouble in 1998 and since then, great progress has been made in restructuring the Russian economy. The Russian economy has experienced a significant growth in GDP, during the period 2002–2011 GDP grew from approximately USD 355 billion to USD 1,254 billion, corresponding to an annual growth of approximately 15.1 percent, despite a 7.8 percent contraction in GDP during 2009 after the financial crisis of 2008. Nevertheless, the Russian GDP per capita as at 2010 is estimated to be only approximately 29 percent of the average GDP per capita in the Euro area, which indicates the Russian economy's potential[11]. The overall growth of the economy is also reflected in declining unemployment levels and increasing disposable incomes, facilitated by a deceleration in inflation, and thus increasing the purchasing power of the population[12,13]. The average wage has increased from USD 142 in 2002 to USD 788 in 2011, a growth of approximately 21 percent per year. However, an estimated 13.1 percent of the population still remain below the poverty line[14].

The number of Russians with an average income above RUR 8,000 per month has increased substantially, which indicates the strong economic development many Russian have experienced during the last few years. The growth in

3 World Bank, "A State Trading Enterprise for Grains in Russia?", October 2009

4 Reuters, "Russian govt to sell 49 pct of state grain trader", 9 November 2011

5 USDA FAS GAIN Report Number: RS1028

6 The Financial Times, "Russia announces plans to lift grain export ban", 30 May 2011

7 USDA FAS GAIN Report Number: RS1143

8 Rus Agro PLC IPO Prospectus, dated 8 April 2011

9 Olam International Limited, Press Release 30 January 2012

10 www.sistema.com, www.trigonagri.com

11 IMF, World Economic Outlook Database, 2012

12 Rosstat, "Russia in figures", 2008

13 Bank of Finland, "BOFIT Forecast for Russia 2011–2013", 26 September 2011

14 US Government, CIA World Factbook, 2009 estimate

GDP in recent years is partly explained by high prices for raw materials, which have contributed to Russia's current account surplus going from a deficit of USD 0.1 billion in 1997 to a surplus of USD 71.5 billion at the end of the third quarter of 2011, peaking at USD 103.5 billion during 2008. As a consequence of the growth of the Russian economy, the national debt, measured as a percentage of GDP, has fallen from 42.1 percent in 2002 to 10.0 percent at the end of the third quarter of 2011[15,16]. Public finances are expected to be in balance for 2011, but the government is expected to run a budget deficit in the following years. The deficit for 2012-2014 is expected to be about 1 to 2 percent of GDP, as long as oil prices remain above USD 100[16].

Russia's strong public finances are also reflected in growth in currency reserves and increased value of the stabilisation fund, which amounted to USD 112.0 billion in 2011[17], against the basis of a weakened rouble against the dollar over the last three years[18]. The country's international reserves[19] are among the largest in the world amounting to USD 498.6 billion at the end of 2011[20], thus making the Russian state a net lender.

Following a period of financial crises and hyperinflation during the 1990s, Russian inflation decreased substantially, amounting to 6.1 percent in 2011. The decreasing inflation rate contributed to the fall of the general interest rate from an average lending rate[21] of 41.8 percent in 1998 to 8.8 percent in 2011. The positive economic trend in Russia has also contributed to reduced unemployment, which at the end of 2011 amounted to 6.3 percent[22].

Recently, the global financial crisis and the sharp fall in oil and raw material prices have had a significantly negative impact on the Russian economy. The sharp fall in commodity prices had been concerning for Russia, its exports being heavily dependent on natural gas, oil and metals. Vast amounts of capital left Russia, which put pressure on the rouble, created liquidity problems and caused a sharp stock market decline. The rouble depreciated significantly against the US dollar and has yet to reach pre-financial crisis levels.

Russia's economic development, going forward, will be strongly linked to global development and also to the oil price. This link will be further emphasised as a result of Russia's accession to the World Trade Organisation ("WTO") on 16th December 2011. The accession is expected to cement the integration of Russia into the global economy, bringing greater certainty and stability to business operators and trading partners, as well as strengthening the rule of trade law and opening up new trading opportunities within the country. The most immediate consequence of WTO membership is the reduction of the maximum import tariff on agricultural goods from 13.2 percent to 10.8 percent[23].

Farmland

Russia's main agricultural area, the Black Earth region, lies in one of the world's two black earth belts, the other being situated in Canada. The region was named in reference to the abundantly present black, highly fertile soil, commonly referred to as "chernozem" or black earth. A special characteristic of the black soil is that it contains a very high percentage of organic matter in the form of humus. The soil is rich in phosphorus and some areas have a high clay content. The black earth layer is usually deep, often being more than one metre but occasionally as deep as six metres. Apart from the large quantities of naturally present nutrients, the high humus content in black earth gives the soil a structure and moisture-retention capacity that makes it highly suitable for farming.

Russian farmland has been mismanaged for many years. The Black Earth Region and other nearby regions suffer from financial and structural deficiencies and at the same time vast areas of prime farmland are under-utilised or lie fallow. Thus, yields in Russia are low compared to agriculturally developed countries. Factors behind the low yields include: inadequate or improper crop rotation; low fertiliser usage and minimal usage of pest control applications; and poor soil management and use of low-tech equipment.

Investments into the Russian agricultural sector, as well as structural measures, have been inadequate for many years and the Russian transportation infrastructure, including roads, railroads and port capacity has been neglected.

15 Rosstat, "Russia in figures", 2008

16 Bank of Finland, "BOFIT Forecast for Russia 2011–2013", 26 September 2011

17 In 2008 the Russian Stabilisation fund was split into the Reserve Fund and the National Welfare Fund

18 Bloomberg, 2012

19 The international reserve assets are highly liquid financial assets held by the Bank of Russia and the General Government of Russia. The international reserve assets are made up of foreign currency reserves, monetary gold, special drawing rights, reserve position at the IMF, and other reserve assets

20 International Monetary Fund, December 2011

21 Average-weighted rate on credits to enterprises and organisations (including Sberbank) for a term of up to one year.

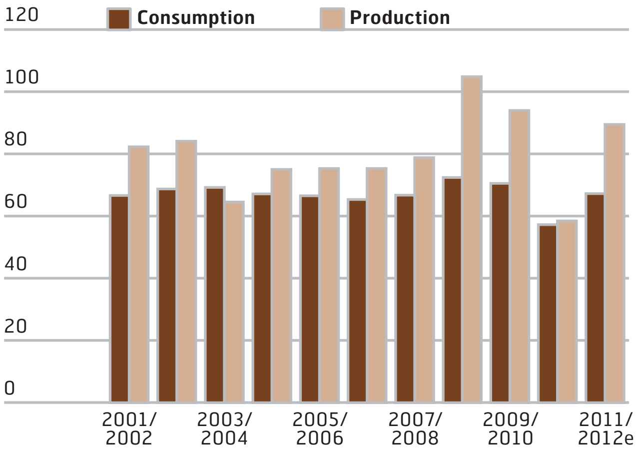
22 Bank of Finland, BOFIT Russia Statistics, 2012

23 World Trade Organisation, "Director-General's statement on Russia's accession" 16 December 2011; The New York Times, "Russia Clears Last Hurdle for World Trade Membership", 10 November 2011

Grain sector

Russia was the world's fifth largest total grain producer in 2009/2010, accounting for approximately 4.2 percent of world output. Following the drought in the summer of 2010, Russia's share of world grain production fell to 2.7 percent in 2010/2011. However, projections for 2011/2012 forecast that production levels will recover to pre-2010 levels. Russia's total grain production is projected to be 89.7 million tons for 2011/2012. Wheat constitutes the largest part of the Russian grain output, estimated at 56 million tons (62.7 percent of Russia's grain output) for 2011/2012[24].

Russian grain production and consumption, million tons



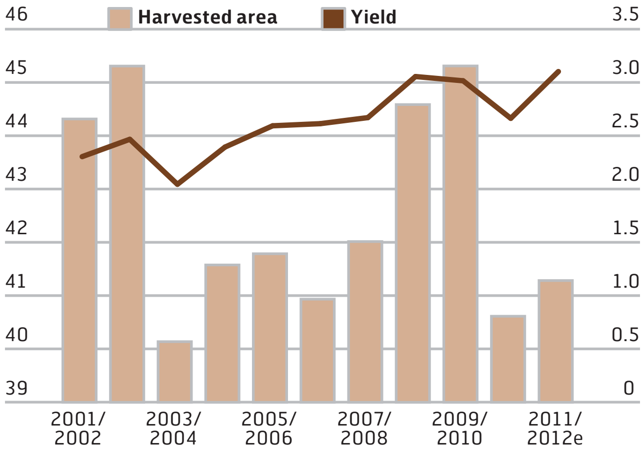
The number of harvested hectares of grain in Russia has been in a decreasing trend over the last decade. However, the number of harvested hectares has stabilised at around 40 million in recent years. Between 2001/2002 and 2009/2010 the average grain yield increased by 30.9 percent[24]. Following the drought of 2010/2011, the yields of 2011/2012 are expected to increase by 2.8 percent from 2009/2010 figures. Russian grain exports have risen significantly during the last decade making Russia a net exporter since 2001/2002. The net export for 2011/2012 is estimated to be approximately 24.8 million tons. Russian grain is predominantly exported to northern Africa, southern Europe and countries in the Middle East[25].

Russian grain imports and exports, million tons

24 United States Department of Agriculture, PSD Online, 2012

25 USDA FAS Russian Wheat Exports Potential, 2010

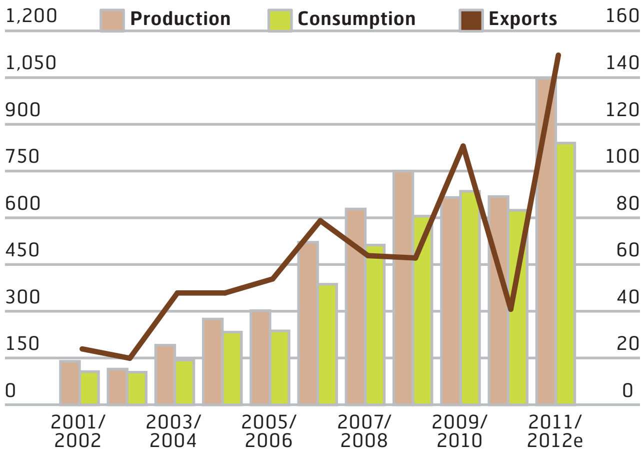
Harvested area of grain (million hectares) and average yield (tons per hectare) in Russia



Oilseed sector

Russia has increased its rapeseed production significantly during the last five years. Its production is estimated to rise to 1,050 thousand tons for 2011/2012, corresponding to an increase of 57.4 percent since 2009/2010. During the same period, the domestic consumption is expected to increase from 687 thousand to 842 thousand tons. Russia is expected to export some 150 thousand tons of rapeseed in 2011/2012[26].

Russian production, consumption (left) and export (right) of rape seed, thousand tons

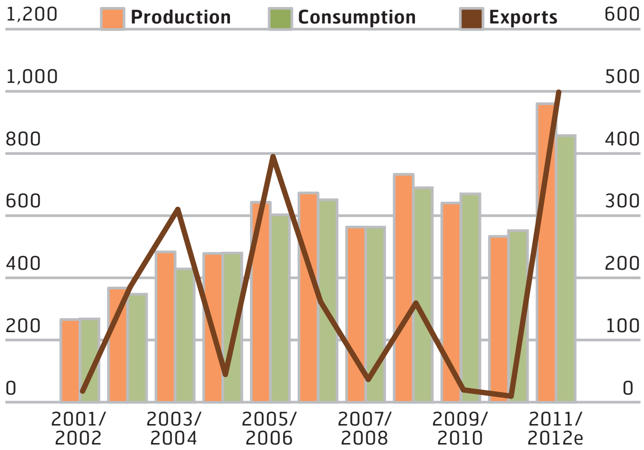


Russia is the largest sunflower seed producer in the world with an expected production of 9.6 million tons during 2011/2012, corresponding to 24.8 percent of expected world output. Both production and domestic consumption of sunflower seed have increased substantially, whereas exports have decreased, compared to ten years ago. Russian exports of sunflower seed have been volatile during the last decade with a low watermark of 10 thousand tons in 2010/2011. The exports in 2011/2012 are estimated at 500 thousand tons[27].

26 United States Department of Agriculture, PSD Online, 2012

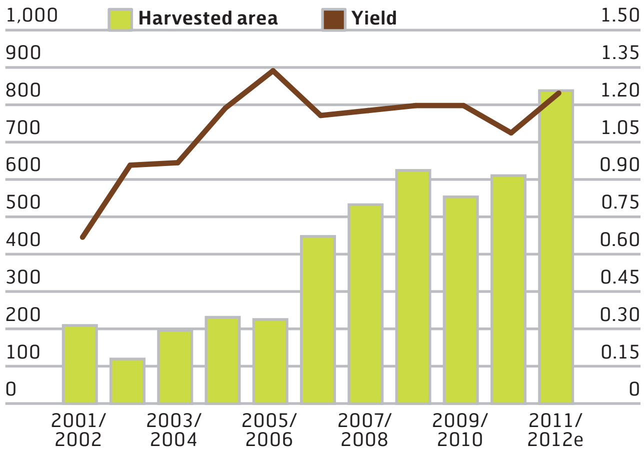
27 United States Department of Agriculture, PSD Online, 2012

Russian production, consumption (left) and export (right) of sunflower seed, thousand tons

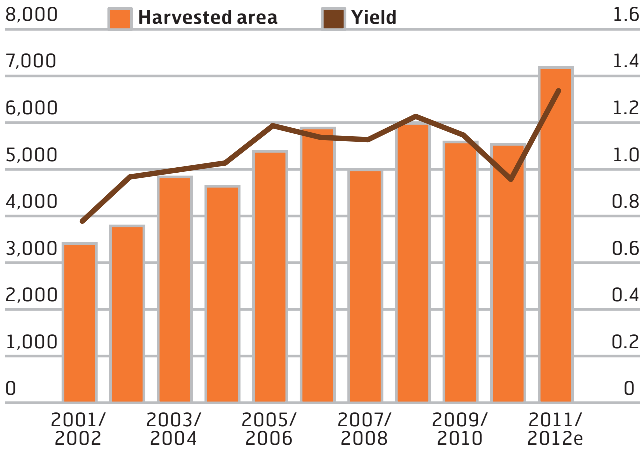


The number of harvested hectares of rapeseed in Russia has increased significantly over the last few years. 840 thousand hectares of rapeseed are expected to be harvested in 2011/2012, up from 555 thousand hectares in 2009/2010[28]. The number of harvested hectares of sunflower seed has been somewhat more stable although an increasing trend is clearly evident. The number of harvested hectares is estimated to be 7.2 million for 2011/2012, an increase of 28.6 percent from 2009/2010 figures[29].

Russian harvested area of rapeseed, thousand hectares (left) and average yield, tons per hectare (right)



Russian harvested area of sunflower seed, thousand hectares (left) and average yield, tons per hectare (right)



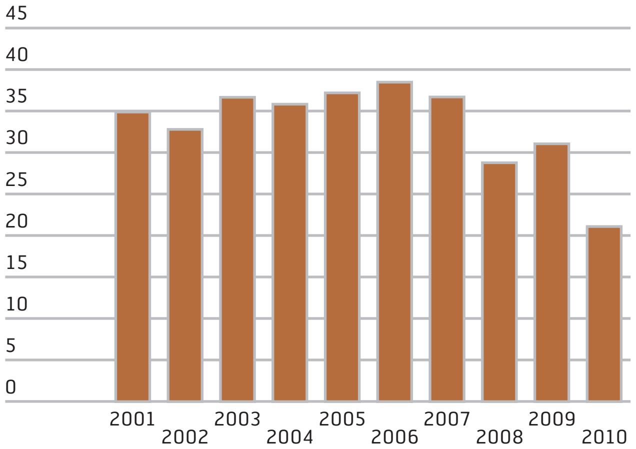
28 United States Department of Agriculture, PSD Online, 2012

29 United States Department of Agriculture, PSD Online, 2012

Potato sector

Russia is the third largest producer of potato in the world. In 2010, it produced 21.1 million tonnes of potatoes.[30] It is the fourth largest consumer per capita, consuming 131 kg/head in 2009[31]. Potato production is spread across all Russia, with key production regions located in Central and Volga regions. Harvested area in Russia has actually declined over the last decade, from 3.2 million ha in 2001 to 2.1 million ha in 2010. Production of potatoes in Russia has been variable, with production peaking at 38.6 million tonnes in 2006, then declining to 21.1 million tonnes in 2010 as a result of the drought.

Production of potatoes (million tonnes) in Russia



Domestic potato production is divided into three main institutional sectors: big commercial farming enterprises, peasant farms and subsistence plots of the rural population and dachas of city dwellers. Eighty percent of production occurs on subsistence plots. There are only a handful of very large potato producers in Russia growing over 1,000 ha of potatoes, the two largest being OAO National Land Corporation and OAO Mallino. The limited number of large producers forces many buyers of large quantities of potatoes to rely on imports, illustrated by Russian import statistics showing an increase from 375,610 tonnes in 2005 to 656.554 tonnes in 2010. However, potato production is currently undergoing significant structural changes due to an aging and diminishing rural population, and the shifting of city dwellers from traditional garden beds to lawns.[32]

Approximately 75 percent of potatoes produced commercially in Russia are processed for potato chip (crisps) manufacture. PepsiCo controls 85 percent of this output. The remaining 25 percent is split between dried potato products, potato puree manufacture and potato starch manufacture.[33] PepsiCo estimates its current annual import requirements to approximately 70,000 tons.[34]

30 FAOSTAT, Food and Agriculture Organization of the United Nations, September 2012

31 FAOSTAT, Food and Agriculture Organization of the United Nations, September 2012

32 IKAR – Institute for Agricultural Market Studies

33 IKAR – Institute for Agricultural Market Studies

34 The Moscow Times, "PepsiCo investing $70M in Local Agriculture", 27 September 2012

Sugar sector

Sugar beet production has fallen over the past two years in Russia to 22.5 million tons in 2010 from 29 million tons in 2008. This resulted in a shortage, which increased competition between producers for sugar beet and pushed prices up. The price of white sugar rose 23 percent y/y in Russia in 2010.[35]

In terms of volume, Russian sugar consumption exhibited a slight downward trend in the 2000s (2003–2010 CAGR of –1.0 percent). This development mainly reflected a decline in direct sugar consumption by households, whereas indirect consumption by industrial customers (confectioneries, food-processing companies, etc.) continued to rise. Consequently, the share of direct sugar consumption gradually decreased from 58 percent in 2003 to approximately 51 percent in 2010.[36]

In order to support domestic production of sugar from sugar beets and achieve stable domestic sugar prices, the Russian government imposes an import duty on raw sugar. The size of the import duty is inversely related to the market price of raw sugar. The duty floats within a range of USD 140-270/ton during sugar beet production season (August–April) and within a range of USD 50–250/ton in May-July to ensure an adequate supply of raw sugar for year-round production of white sugar. The import duty on white sugar is set at a prohibitive USD 340/ton. In 2011, the government moved the cane sugar season to start earlier two months ahead of schedule, lowering the import duty on raw sugar from March 1, in order to give domestic sugar producers sufficient resources to load production facilities and hold down the domestic sugar price.[37]

Competitive Situation

The Russian agribusiness sector is fragmented and its players can be divided into three main categories. The first two categories have limited financial resources and consist of individual farmers, collectives and local entrepreneurs respectively. The third category consists of agricultural enterprises which started to emerge on a large scale as the land ownership laws were reformed. The establishment of these enterprises has been driven by various factors e.g. the sector's untapped potential in terms of productivity, relatively low rates for high-quality arable land, vertical integration in order to achieve better control over inputs etc. These enterprises are the main competitors to Black Earth Farming for land assets, storage infrastructure, farming expertise and customers etc.

There are few agricultural Companies active in Russia today with western management disciplines, high corporate governance level and good and transparent external information, there are even fewer companies whose shares are listed on a recognised market place.

35 Bloomberg

36 Soyuzrossakhar, Rosstat

37 Source: Federal Customs Service, Customs Union

Top 10 Russian Farm Land Holders (Controlled land)

	Company	Total land bank, thousand hectares	Share of total Russian farmland	
1	Prodimex	570	0.5%	*Private*
2	Ivolga Holding	500	0.4%	*Private*
3	Razgulay	460	0.4%	*Public*
4	Napko	460	0.4%	*Private*
5	Zolotoy Kolos	450	0.4%	*Private*
6	Rusagro	414	0.3%	*Public*
7	Vamin Tatarstan	400	0.3%	*Private*
8	Tatfondbank	400	0.3%	*Private*
9	Siberian Agricultural Holding (SAHO)	400	0.3%	*Private*
10	**Black Earth Farming**	**318**	**0.3%**	***Public***
		4,372	3.6%	
	Selected Other Listed Peers			
	Alpcot Agro	183	0.2%	*Public*
	Trigon Agri	130	0.2%	*Public*

Source; IKAR, Company reports

Black Earth Farming is by far not the largest holder of agricultural land in Russia. Reportedly there are several other private holdings which control land in the amount of 400–600 thousand hectares, with Black Earth Farming remaining one of the 10 largest holders of Russian farmland.

Among the corporate entities holding agricultural land in Russia today, there are four main categories, crop processing or trading companies which have started to integrate vertically to secure the raw material, real estate companies and land funds that invest for speculative purposes, meat and dairy producers using land as grazing grounds or pure fodder production and the category which Black Earth Farming belongs to which is diversified soft commodity producers with no or some other diversification or vertical integration.

Market share and industry data

This Prospectus contains historical economic, market and industry data and forecasts. Whereas the market and industry data contained in this Prospectus has been taken from sources, using methods which the Company believes to be reliable, such information has not been independently verified and the Company cannot guarantee the accuracy and completeness of such information. Market statistics and information are subject to uncertainty and are not necessarily reflective of actual market conditions. As a result, readers should be aware that the economic and industry data and forecasts included in this Prospectus may not be reliable indicators of the Company's past or future results.

This Prospectus also contains information about the markets in which the Company operates and its competitive position within those markets. This Prospectus includes market size and other information for each of the regions of operations as well as country in which the Company operates or other countries which have a large influence on global market conditions. The Company is not aware of any exhaustive industry or market reports that cover or address the markets in which it operates. The Company believes that the market share information contained in this Prospectus is fair and accurate and fairly reflects its competitive position within such markets. However, these estimates and other market information have not been verified by an independent expert or third party and the Company cannot assure an investor that a third party would obtain or generate the same results.

The Company confirms that information sourced from a third party has been accurately reproduced, and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Business of Black Earth Farming

This chapter is an overview of Black Earth Farming's history, strategies and main activities and a description of the Company's operating structure.

History

Black Earth Farming was established in 2005, and was among the first foreign-financed companies that undertook considerable investments into the Russian agricultural sector. The Company has by means of its early establishment gained a strong market position in the regions of Kursk, Tambov, Lipetsk and Voronezh in the central "Black Earth" area of Russia.

During the first years the Company was mainly focused on acquiring and obtaining full freehold ownership to agricultural land. In 2006 Black Earth Farming received its first fully registered land ownership certificates which were a significant milestone as it confirmed that the land acquisition process was consistent with Russian legislation and worked in practice. Black Earth Farming is now at the final stage of the process of registering land into ownership and is focused on raising the productivity of the current asset base. Any potential further land acquisitions will target plots within close proximity to existing land masses. As at 31 December 2011 Black Earth Farming controlled 318,000 hectares of land, corresponding to an area about the size of Luxembourg, with 260,000 hectares in full free hold ownership.

The Company raised initial funding from the family backed Swedish investment companies Vostok Nafta and Kinnevik who remain key long term shareholders. Following several private placements and a bond issue to fund the expansion of the Company's land bank, BEF successfully completed an IPO on 28 December 2007. Shares were listed in the form of Swedish Depository Receipts, on the OMX First North exchange in Stockholm and raised SEK 1,920 million, approximately USD 250 million. On 22 June 2009 the Company changed listing to NASDAQ OMX Stockholm where the shares are currently listed under the ticker BEF SDB. Significant investments in a large modern western machinery fleet and storage infrastructure have been undertaken since then to expand the area under production as well as to secure internal storage and grain handling capacity.

The Company's key milestones are listed below.

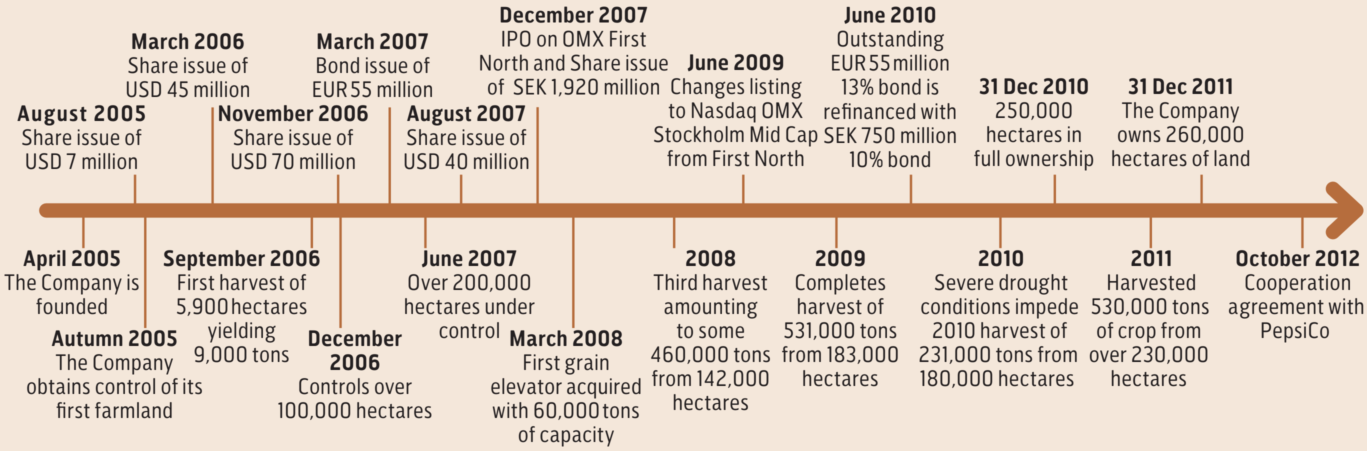
Business concept

Black Earth Farming's business concept is to acquire, develop and farm agricultural land assets in Russia, primarily in the Black Earth Region and secondarily in other regions endowed with fertile agricultural land.

Vision

Black Earth Farming seeks to create shareholder value by developing a critical land mass and generate robust profitability in one of the largest developing agricultural markets in the world, with the long term vision to develop into a leading vertically integrated and diversified agricultural companies.

Black Earth Farming Mile Stones



Strategy

BEF's initial strategy has been on acquiring and securing ownership of a vast land area as well as investing in supporting machinery and storage infrastructure for crop production. With a strong asset base secured the focus is now firmly on lifting the operating performance, namely improving crop yields with the ultimate target of lowering the cost per ton of production to world-class standards. This includes:

- Control over land: The Company takes every measure to ensure that the acquisition process of land is closely monitored and in compliance with all the relevant legislation. The Company prioritizes land which is geographically close to existing production clusters. Additionally, Black Earth Farming examines the existence of elevators in proximity to the land area and assesses the infrastructure in general, e.g. regarding railroad and loading capabilities. Currently, the Company is finalizing the process of registering land for ownership.
- Economies of scale: To create logistic efficiencies and other synergies the Company has formed and consolidated several production clusters within its controlled land, each being governed by professional management with support from the central organization. The central organization coordinates investments and purchases of seed, fertilizers and other inputs to benefit from scale discounts. The cluster model optimizes the utilisation of management resources since the production clusters consist of consolidated land areas.
- Best practice/technology: Black Earth Farming seeks to significantly increase productivity by introducing modern agricultural farming practices. The Company hires internationally-experienced expertise and adopts efficient farming methods supported by western technology and science. An exclusive partnership with a technical agronomic business is retained to utilize the best advice on all aspects of soil management, crop variety selection, crop nutrition and crop protection. This includes securing and examining data, either from trials or published and unpublished sources, as well as training and education for staff to ensure proper implementation.

Main activities

The Company's activities can be divided in five main areas. The primary activity is "crop production", consisting of "input/machinery procurement" and "field works and harvesting". The other activities are, "crop handling and storage", "sales and marketing", "land ownership" and "crops management".

Crop production

Crop production comprises "input/machinery procurement" and "field works and harvesting".

Input/machinery procurement

Each production cluster is supported from the central organisation in terms of procurement of the major input items as well as expenditures on equipment and maintenance. The central organisation coordinates investments and purchases to benefit from scale discounts and terms. The logistics of co-ordinating the inputs and machinery are very important for an industrial farming operation since the seasonal timeframes for cultivation, planting, harvesting and other field works is limited. The industries in each sub-category of major inputs are generally highly consolidated with a limited number of suppliers thus the company has limited power to influence purchasing prices for e.g. fertilizers and fuel.

Field works and harvesting

BEF's crop production is focused on applying western farming techniques and management with the aim of generating high yields of good quality at low costs given certain external conditions such as soil quality and climatic zone. The choice of which specific crops to grow is mostly governed by operational factors such as crop rotation needs, maximum usage of machinery, weather and climatic conditions as well as harvest and seeding periods. Improving crop yield performance is a key focus area going forward, which includes several key initiatives. Logistics is also very important as seasonal timeframes when cultivation, planting, harvesting and other field works needs to be executed is limited. For further details on BEF's crops see section "Crops Management" below.

Crop Handling and Storage

After the crop has been harvested, it is transported to storage and/or drying facilities such as elevators. The access to storage and drying is very important since especially humid grain can only be left in the open for a short time without losing quality characteristics. Having access to drying capacity also extends the harvesting period since it enables harvesting in more humid conditions, assuming the crops are taken straight to the dryer. Furthermore, grain prices fluctuate with weather conditions and they tend to be at their lowest during the harvest season since farmers without access to storage facilities must sell their grain immediately, thereby substantially increasing the supply. The Russian agricultural sector suffers from a deficit of agricultural infrastructure such as elevator storage capacity. The 2008 record Russian harvest highlighted the storage scarcity. The deficit of storage created tough competition for the existing facilities, with price increases for storage as a consequence. Black Earth Farming has therefore built up its own portfolio of storage and drying capacity. It consists of elevator complexes, ventilated silos as well as new and old warehouses. As at 30 June 2012, Black Earth Farming's elevator complexes had a storage capacity of 209,000 tons, ventilated silos of 60,000 tons, new and old warehouses of 113,000 tons and 112,000 tons respectively.

Sales and Marketing

BEF has previously sold most of its products domestically in Russia. The list of customers varies from local breweries and oil crushers to large international grain traders. Technical cultures such as rape seed and sunflowers are generally sold to the best bidder among various Russian oil crushing facilities. The Company works to establish more long-term partnerships with off-takers for wheat and barley, which represent the majority of the Company's output. The agreement with PepsiCo is a result of the Company's efforts in this area of operations. In general, sales have historically been conducted on an ex-works basis, i.e. the buyer collects at the Company's farm gate. With the increase of elevator capacity, all with direct rail access, BEF can improve the price per ton received. Contract terms including loading, transport and delivery to buyer can be included in the price as well as providing access to export markets. This is crucial not only for selling at higher prices but also for managing price risk via forward sales, given the general lack of a domestic forward/futures market due to the low trust among counterparties. It also enables consolidation of larger volumes of crops with specific qualities, in larger and better priced contracts.

Land Ownership

A key part of the initial strategy has been to secure ownership rights to the critical production asset: high quality farmland. BEF holds 260 thousand hectares of land in full ownership, 82 percent of the total controlled land bank of 318 thousand hectares, at acquisition cost of USD 58.3 million in total. The land investment per hectare is low by international standards, and thus inherent production potential is high given the right level of investment. Recent Russian farm land transactions suggest that there is potential for appreciating land values in BEF's regions. Acquisition of lots of agricultural land is effected through transactions with parties who have the right to the property according to current Russian legislation. Black Earth Farming's land acquisition approach has been directed mainly towards acquisition of agricultural land owned by private individuals. The rationale behind using this approach is that acquisition of agricultural land owned by states bodies, local authorities or legal entities require substantial financial expenditure, is subject to administrative limitations from state authorities, and/or the areas of available land is limited.

The current near term focus for BEF is, however, on improving crop production and finalising the land registration process, rather than on significant expansion of BEF's land portfolio.

The procedure for obtaining land under control

The Group has primarily used the following procedure for obtaining and registering land ownership (with or without the buildings):

1) Preliminary actions

A Group company establishes relationships with the local authorities regarding operations on the territory of the municipal. The Group company investigates how many landowners are interested in leasing out or selling their land. The majority of landowners agree in writing to proceed in discussions to sell or lease their land to the Group.

2) Conclusion of lease agreements and share purchase agreements

The Group company obtains powers of attorney to survey, measure and separate the land as well as, in some cases, to apply on behalf of the landowner for the preparation of the technical (supporting) documents regarding the plot of land. The Group company concludes preliminary lease agreements and share purchase agreements with the landowners after which the Company's delegates participate in a general meeting of the landowners which has the purpose of defining the area of land to be allotted. The meeting approves the area's location to be allotted from the initial agricultural land. Pre-payments of the consideration payable under the lease or share purchase agreements are also made during this phase.

3) Allotment of a land plot from the land for lease

Surveys of the land are undertaken and cadastral registration takes place. A cadastral plan for the plot allotted specifying the location and boundaries is drafted. The landowners receive new pattern certificates of state registration of title to shares of the allotted land plot. A state duty tax is paid for registration.

4) Signing and state registration of the lease agreement

The Group company concludes the lease agreement with the landowners. State registration of the agreement takes place, and the company pays a state duty tax is paid for the registration. The Group company obtains tenancy rights to the allotted plot of land.

5) Signing of the share purchase agreement and state registration of the shared ownership

The Group company concludes the final share purchase agreement with the landowners. Furthermore, the state registration of the transfer of the shares is made and a state duty tax is paid for the registration. The Group company obtains ownership of the shares in the allotted land plot. If the Company has purchased 100 percent of the shares in the allotted plot of land, the certificate of shared ownership is exchanged for a certificate of total ownership, and the transaction is complete. However, if the Group company has both purchased and leased shares in the allotted plot of land, a sixth phase is required.

6) Allotment of a land plot on account of the share and registration of title to the allotted land plot

A general meeting is held where the delimitated land plot is once more allotted on account of the shares purchased and leased by the Group company. The general meeting approves the borders of land in relation to ownership and lease. Then, a cadastral plan is drafted. The Group company registers the titles to the two allotted plots with the state, and a state duty tax is paid for the registration. The Group company obtains the registered right of ownership to the land plot allotted on account of its shares as well as the registered lease contract for the remaining land plot. Alternative methods of acquisition include:

i) The Group companies purchase privately owned buildings located on state (or municipality) owned land plots through sale and purchase agreements. On state registration of the title to those buildings such company privatizes (purchases) the underlying state (or municipally) owned plots of land through sale and purchase agreements.
ii) The Group companies participate in public tenders, and if successful, either purchase the state (or municipality) owned plots of land (which may include buildings on them) through sale and purchase agreements, or enter into long term leases of municipal land.
iii) A Group company purchases the state (or municipally) owned buildings located on the state (or municipality) owned land, through sale and purchase agreements. Upon state registration of the title to those buildings, the Group company privatizes (purchases) the underlying state (or municipality) owned land through sale and purchase agreements.
iv) The Group companies purchase the shares in respect of privately owned land through sale and purchase agreements.
v) The Group companies purchase shares in other companies which have ownership rights to plots of land, buildings and other immovable property.

Land under control

For the purposes of this Prospectus, the term "land under control" means any land for which Black Earth Farming is in the process of acquiring the freehold or leasehold, including:

(A) ***registered ownership*** – specific plots of land to which a Group company has a registered title;
(B) in the process of ***ownership registration*** – stages 2–6 or (i) to (v) as described above (but not registered yet);
(C) ***long-term registered lease*** – specific plots of land for which a Group company has a registered lease;
(D) ***registered co-ownership*** – method (iv) as described above – specific plots of land for which a Group company has a registered title together with another company outside the Group companies.

In stages one to three of "The procedure for obtaining land under control" above, the right to use and dispose of the land of the former collective farm remains with the local people/entities who have received rights to the land in its privatisation. At any of these stages, the landowners may terminate the process at any time.

In stages four and five of "The procedure for obtaining land under control" above, the Group has an agreement to the freehold or a lease to specific land that has been entered into the cadastral register, or it has a lease covering all the land plots formed from the earlier collective farm. In the registered stage (stages five and six of "The procedure for obtaining land under control" above), the freehold or lease has been registered in the name of a Group company.

The Group begins cultivation of any of the land under control as soon as it has entered any of the stages 2 to 6 and (i) to (v) above. The above procedure sets out a viable deal structure regarding land acquisition which the Group company's approach is based on. The process is complicated and time consuming (lasting for at least 14 to 20 months), and there are multiple events and issues that could substantially delay the process or even jeopardise its completion, for instance the death of a pai holder or the withdrawal of power-of-attorney for concluding transactions.

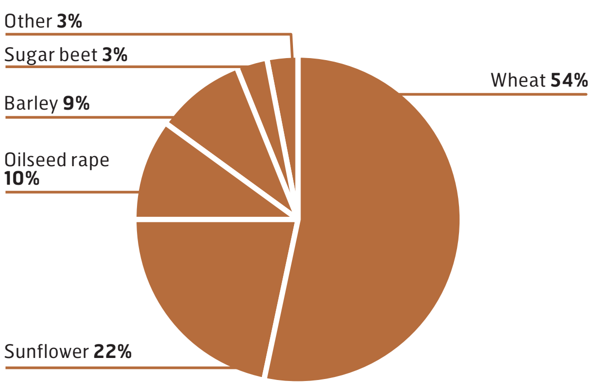
As at 31 December 2011, the Group controlled approximately 318,000 hectares of farmland in total. Approximately 18,000 hectares were in the process of registration with the relevant authorities. The Group leased approximately 40,000 hectares under long-term lease contracts which were registered. At this time the Group had approximately 260,000 hectares at the registered ownership stage. The breakdown of the land under control per region is set out in the table below.

As at 31 December 2011

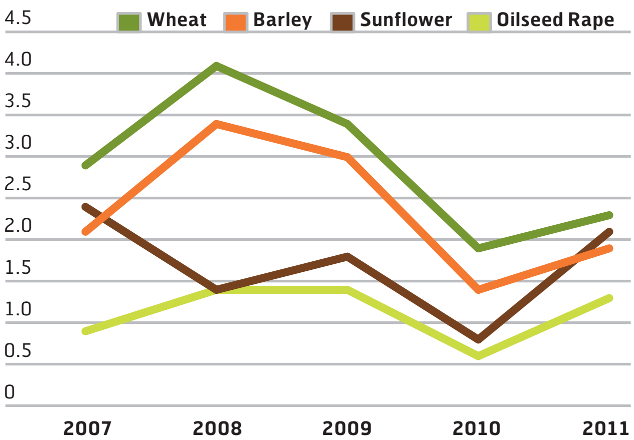
Kursk Region		**Tambov Region**[1]	
Land under control	82,900 ha	Land under control	82,900 ha
Owned land	75,600 ha	Owned land	64,300 ha
Cultivated land	74,300 ha	Cultivated land	49,500 ha
Storage Capacity	149,000 tons	Storage Capacity	83,600 ha
Lipetsk Region		**Voronezh Region**	
Land under control	64,100 ha	Land under control	87,700 ha
Owned land	53,500 ha	Owned land	66,700 ha
Cultivated land	64,000 ha	Cultivated land	64,500 ha
Storage Capacity	139,200 tons	Storage Capacity	122,100 tons

1. Including Samara Region

2011 Revenues by Crop



5 Year Yield Development per Crop, tons per hectare



Crops Management

Black Earth Farming's crop production is focused on generating high yields of good quality at as low cost as possible given certain external conditions, such as soil quality and climatic zone. The choice of crops to grow is governed mostly by operational factors such as crop rotation requirements, maximum usage of machinery, weather and climatic conditions, and harvest and drilling periods. The Company can, however, adjust the crop mix somewhat if it is expected that a certain mix will be especially profitable given market conditions. The climatic zone in the Black Earth Region in Russia where the Company operates allows for one harvest each year, during the summertime, however, different seasonal classes of crops are used to spread the planting and preparation, as well as harvesting work. Winter crops such as winter wheat, triticale and winter rape seed are planted in the autumn of the year preceding any given harvest and are subsequently harvested in July and August. Spring crops such as spring barley, sunflowers, corn maize, spring rape seed and spring wheat are planted during the spring, within the same calendar year as they are harvested. Harvesting of these spring crops normally starts in late July with spring barley and finishes off with sunflowers in October.

Despite the generally very fertile soil in the Black Earth Region, the farmland which Black Earth Farming has acquired has generally been laying fallow for many years and was in such a state that it cannot be planted immediately. In order to fulfil the task of generating high yields at low costs, the Company has therefore first taken extensive actions to restore and improve the condition of the land, as well as to determine the optimal chemical strategy. The methodology, which is extensive and resource heavy, includes steps such as: chemical analysis, disk tilling and levelling. When the fallow has been broken and the fields restored to cropping condition the task of raising yields well above Russian standard levels and utilizing the economies of scale opportunities begins. Improvements are made by implementing international best practice agronomy, utilizing state of the art western machinery as well as western management disciplines.

Given that farming is a very precise science based on multiple trials to adapt the selection of seed varieties, as well as application rates of key inputs, such as fertiliser, depend on the specific soil and climatic conditions in the region. In Russia, such data is not comparable to western standards. BEF has thus, been working continuously to build up this R&D capacity internally in co-operation with a world leading technical partner in order to have all the data needed to make well researched and optimal crop growing decisions.

BEF grows three classes of crops, cereal grain, oilseed and beet. With the PepsiCo agreement in place, the Company will expand its crop portfolio with sugar beets and potatoes with the potential for other irrigated crops and vegetables such as onions or carrots in the future.

Cereal grain

BEF produces wheat, barley and corn maize.

Wheat: most wheat is consumed in the form of baked goods, mainly bread. Wheat is also used as an ingredient in compound feedstuffs, starch production and as a feed stock in ethanol production. The harvest quality of wheat can vary widely from high protein milling quality commanding a price premium versus low quality feed used as animal fodder. BEF uses a combination of different wheat varieties. Winter wheat is planted during the autumn, and is higher yielding compared to the spring wheat due to the higher number of growing days. Winter and spring wheat is harvested during the same period generally commencing in mid-July.

Barley: Barley is mainly used for animal fodder and as a base malt for brewing beer and other distilled beverages such as whiskey as well as a component in various foods. The crop can vary in terms of quality between malting and feed quality, which has an effect on price. BEF co-operates with local brewers and aspires to grow a high share of malting quality barley on a contract basis with harvest starting around early August.

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

Oilseed

Sunflowers: sunflowers are primarily used in food products and oils as well as livestock feed. Due to the sunflower's drought resistant characteristics, it fills an important role in the overall crop mix. Sunflower is normally reaped a week or so after spring rape. The capital expenditures for harvesting for sunflowers are minimal due to the interchangeability of machinery with spring rape.

Oilseed rape (OSR): Rapeseeds are used for producing vegetable oil and biodiesel. Winter rape generates a higher yield than spring rape but carries a higher risk as the winter conditions can kill a large part of the seeded area. Rape characteristics enable a crop rotation system which ensures that winter wheat can be sown the following agricultural year.

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

Beet

Sugar beet: sugar beet is a hardy plant that can be grown commercially in a wide variety of temperate climates, and is normally planted in the spring and harvested in the autumn. Beet sugar accounts for 30–35 percent of the world's sugar production.

Board of Directors, senior executives and independent auditors

Board of Directors

The Board of Directors is currently composed of seven directors including the chairman. The table below contains information on the current directors' name, year of birth, nationality, year of election to the Board of Directors, position, connection to the Company and respective holding of SDRs/shares and warrants in the Company. The table below contains information on the Board of Director's name, year of birth, year of appointment, nationality, position, connection to the Company and respective holding of SDRs/shares and warrants in the Company as at 30 June 2012.

Name	Born	Director since	Nationality	Position	Connection to the Company	SDR holdings	Warrant holdings	Strike price
Vigo Carlund	1946	2012	Swedish	Chairman of the Board	Independent	236,473[1]	0	0
Per Brilioth	1969	2006	Swedish	Non-executive Director	Main Owner	100,000[2]	0	0
Alex Gersh	1964	2007	American and British	Non-executive Director	Independent	0	100,000	USD 7.50
Poul Schroeder	1944	2010	Danish	Non-executive Director	Independent	40,000	0	0
Henrik Persson	1974	2006	Swedish	Non-executive Director	Main owner	4,000	0	0
Magnus Unger	1942	2010	Swedish	Non-executive Director	Independent	150,000	0	0
Richard Warburton	1966	2010	British	Executive Director and CEO	Management	215,000	649,999	SEK 19.24

1. Vigo Carlund's shares are held in an insurance policy
2. Per Brilioth's shares are held in an insurance policy

Vigo Carlund, *Chairman of the Board*
Mr Carlund is a Swedish citizen. Mr Carlund is chairman of the board of directors of Korsnäs Aktiebolag and Net Entertainment NE AB and is a member of the board of directors of Investment AB Kinnevik, Academic Work Solutions AB, AWP Holding AB and iZettle AB.

In the last five years, Mr Carlund has been, but is no longer, chairman of the board of directors of Korsnäs Frövi Holding AB, Korsnäs Frövi AB (which has been merged with Korsnäs Aktiebolag), Tele 2 AB and of the companies of the Inderiva Investment AB group as well as a member of the board of directors of Carlund Invest AB and Modern Times Group MTG AB.

Mr Carlund has been the chairman of the board of directors of Korsnäs Frövi Holding AB which entered into liquidation on 1 December 2007.

Per Brilioth, *Non-Executive Director*
Mr Brilioth is a Swedish citizen. Mr Brilioth holds a BA in Business Administration from the University of Stockholm, and a Master of Finance from the London Business School.

Mr Brilioth is the chairman of the board of directors and managing director of Vostok Nafta Sverige AB, chairman of the the board of directors of Clean Tech East Holding AB and Vosvik AB, a member of the board of directors and managing director of Vostok Nafta Investment Ltd and Vostok Gas Ltd and a member of the board of directors of companies within the Bukowski Auktioner Group, X5 Group AB, Kontakt East Holding AB, Avito Holding AB, RusForest AB, Svenska Fotografiska Museet AB and a deputy member of the board of directors of Digital Agency Ryssland AB and Avitohi JV AB as well as deputy member of the board of directors and deputy managing director of Johan Örtegren AB.

In the last five years, Mr Brilioth has been, but is no longer, chairman of the board of directors and managing director of Vostok Gas Sverige AB, chairman of the board of directors of Bukowski Auktioner Aktiebolag, a member of the board of directors of Väring Capital AB, Port Capital Holding AB, Port Capital AB, Aktiebolaget Custos and a member and deputy member of the board of directors of Otirol Art AB.

Mr Brilioth was employed by the Stockholm-based brokerage house Hagströmer & Qviberg between 1994 and 2000. By the end of his time with Hagströmer & Qviberg, Mr Brilioth was the head of its Emerging Markets department, working close to the Russian stock market.

Mr Brilioth has been chairman of the board of directors and managing director of Vostok Gas Sverige AB which was liquidated in 2010.

Alex Gersh, *Non-executive Director*
Mr Gersh is an American and a British citizen. Mr Gersh holds a Bachelor's degree in Business Administration from Baruch College (City University of New York) with honours and is a member of the Institute of Certified Public Accountants (CPA).

Formerly, Mr Gersh has been, but is no longer, the CFO of NDS Group plc, Flag Telecom, Motorola NGM, NextiraOne LLC and Transora. Mr Gersh has further worked as public accountant at Ernst & Young, as controller at Metro Mobile Communications and as Finance Director in a number of companies, including British Telecommunication Europe, BT Cellnet and Motorola NGM. Mr Gersh was further Chairman of the Audit Commission of VimpelCom Inc. from 2003 to 2010.

Poul Schroeder, *Non-executive Director*
Mr Schroeder is a Danish citizen. He is a graduate in economics from the Aarhus Business School and has completed the International Senior Management Program at Colombia University.

Mr Schroeder is chairman of the board of directors of AlphaCapita and Dan Store.

Mr Schroeder is an independent consultant and has been active in the international agricultural industry since 1966, among others, within the Continental Grain Company and Bunge.

Henrik Persson, *Non-executive Director*
Mr Persson is a Swedish citizen. Mr Persson holds a Bachelor of Science in Business Administration from the University of Lund, with additional courses taken at Georgetown University in Washington DC and the London School of Economics.

Mr Persson is further chairman of the board of directors of Duego Technologies AB, Milvik AB, Kontakt East Holding AB, Avito Holding AB and Saltside Technologies AB as well as a member of the board of directors of Mellersta Sveriges Lantbruksaktiebolag, Emesco Aktiebolag, CDON Group AB, Förvaltningsaktiebolaget Eris & Co, Aktiebolaget Karlskrona Lampfabrik, Relevant Traffic Sweden AB, Millcellvik AB, Relevant Traffic Europe AB, Kinnevik New Ventures AB, Vosvik AB, Vireo Energy AB, Guider Media Group Europe AB, Kinnevik Online Ventures AB, Kinnevik Agri AB, Digital Agency Ryssland AB, Avitohi JV AB, Kinnevik Online Holding AB and Avito Bara AB.

Mr Persson has been employed in various positions within Investment AB Kinnevik (publ) since 2003 where he is currently Head of Investments. Between 1999 and 2003, Mr Persson was employed by HSBC Investment Bank. Mr Persson has been, but is no longer, a member of the board of directors of Korsnäs Holding Aktiebolag, Relevant Traffic Incentive AB and Audit Value International AVI AB as well as chairman of the board of directors of Guitar Media Group Europe AB, in which company Mr Persson is currently a member of the board of directors.

Mr Persson has been a member of the board of directors of Korsnäs Holding Aktiebolag in regard to which a resolution of liquidation was formed in 2011 as well as of Relevant Traffic Incentive AB which was liquidated in 2009.

Magnus Unger, *Non-Executive Director*
Mr Unger is a Swedish citizen. Mr Unger holds a Master of Science in Economics and Business from the Stockholm School of Economics.

Mr Unger is a member of the board of directors of Lundin Petroleum AB and Otirol Art AB. In the last five years, Mr Unger has been, but is no longer, chairman of the board of directors of SystemSeparation Sweden Aktiebolag, Clean Tech East Holding AB and Value Formation Europe AB as well as a member of the board of directors of Bukowski Auktioner Aktiebolag, Quartz Pro Sweden AB, Lundin Energy AB and Regnu AB. Mr Unger has previously worked at SCA/Mölnlycke and Atlas Copco.

Mr Unger has been a member of the board of directors of Lundin Energy AB in regard to which a resolution of liquidation was formed in 2011 and of Regnu AB which was liquidated in 2011.

Richard Warburton, *Executive Director and CEO*
Mr Warburton is a British citizen. Mr Warburton holds a Bachelor of Science degree in Agriculture from the University of Newcastle as well as an MBA from Open University.

Mr Warburton is the managing director of KinnAgri Limited (owned by the management and Investment AB Kinnevik). Mr Warburton is further a board member of Rolnyvik Sp. z.o.o., a wholly owned subsidiary of Investment AB Kinnevik, as well as a member of the investment committee to funds run by Northbridge Capital Partners. Mr Warburton has previously been a partner and worked in various positions for Bidwell's LLP from 1999 to 2010.

Mr Warburton was the CEO of Kinnevik Agri AB from September 2010 to August 2012. Between September 2010 and June 2011, he was also the head of agriculture of Investment AB Kinnevik.

Senior executives

The individuals identified and presented below as senior executives are individuals having important managerial roles and/or responsibility for certain important functions.

The table contains information on the senior executives' name, year of birth, year of appointment, nationality, employment year, position, and respective holding of SDRs/shares and warrants in the Company as at 30 June 2012.

Name	Born	Employed since	Nationality	Position	SDR holdings	Warrant holdings	Strike price
Richard Warburton	1966	2011	British	Chief Executive Officer	215,000	649,999	SEK 19.24
Fraser Scott	1961	2011	British	Chief Operating Officer	57,053	199,998	SEK 27.45
Alexander Betsky	1969	2011	Canadian	Chief Financial Officer	40,000	200,000	SEK 18.92
Richard Willows	1952	2011	British	Director of Sales & Marketing	12,500	99,999	SEK 27.45
Gustav Wetterling	1981	2007	Swedish	Director of Procurement	1,600	149,999 100,000	SEK 29.82 USD 10.29
Erik Lystedt	1984	2010	Swedish	Director of Investor Relations	0	9,999	SEK 26.64

Richard Warburton, *Executive Director and CEO.*
See section "Board of directors".

Fraser Scott, *Chief Operating Officer*
Mr Scott is a British citizen. Mr Scott holds a Bachelor of Science in Agriculture from Newcastle University. Mr Scott has more than 20 years experience of large scale operate farm management, most recently as head of 20 thousand hectares of arable farming and food operations at the Co-operative farms in the UK. Mr Scott has been involved in several large scale agribusinesses as farm and operations manager at Booker, Broad Oak and the Co-operative farms.

Alexander Betsky, *Chief Financial Officer*
Mr Betsky is a Canadian citizen. Mr Betsky holds a Bachelor of Commerce degree and a Graduate Diploma in Public Accounting, both from McGill University. He is also a member of the Canadian Institute of Chartered Accountants. Formerly, Mr Betsky has been, but is no longer, Regional CFO at Weatherford International with responsibility for former Soviet Union countries and CFO and member of the board of directors of Sibir Energy plc. from 2000 to 2008, as well as 1st deputy CEO of the Sibir Energy representative office in Moscow and member of the audit committee of Borets International. Prior to 2000, he worked as a corporate finance executive at Dresdner Kleinwort Benson in Moscow. Mr Betsky has further accounting and audit experience with Ernst & Young and Lippman Leebosh April in Canada prior to 1998.

Richard Willows, *Director of Sales & Marketing*
Mr Willows is a British citizen educated at Wellingborough Technical College with a background in trading of agricultural commodities, specializing in the marketing of quality assured grains and oilseeds for the food industry including direct exporting to key customers in the Baltic States and Europe. He has more than 15 years of experience working in Russia. Mr Willows is currently under the process of resigning from the positions as General Director of OOO Heartland Farms and OOO Grain Origin in the Penza region of Russia.

Gustav Wetterling, *Director of Procurement*
Mr Wetterling is a Swedish citizen. Mr Wetterling holds a Master of Science in Economics and Business from Stockholm School of Business. Mr Wetterling previously held the position of Director for Investor Relations in Black Earth Farming Limited. He has formerly worked for Vostok Nafta Investment Ltd. and Svenska Handelsbanken in Moscow and has additional experience from the finance and consulting sector in Sweden. In the last five years, Mr Wetterling has been, but is no longer, a member of the board of directors of Bostadsrättsföreningen Sjölunten.

Erik Lystedt, *Director of Investor Relations*
Mr Lystedt is a Swedish citizen. Mr Lystedt holds a master of science in Business and Economics from the Stockholm School of Economics. Formerly, Mr Lystedt has worked at Vostok Nafta Investment Ltd and in various investment research positions at the Swedish banks Nordea and Swedbank.

Board of Directors and executive management remuneration

Remuneration of the Directors and senior executives

The table below sets out the total remuneration paid by the Company to Directors and other senior executives for the years 2010 and 2011.

In thousands of RUR	12m. 2011 Board of directors (6 positions)	12m. 2011 Senior executives (11 positions)[1]	12m. 2010 Board of directors (6 positions)	12m. 2010 Senior executives (8 positions)
Salaries and bonuses	10,264	62,588	12,802	81,640
Share-based payments	7,420	18,213	7,277	24,749
Termination payments	–	21,535	–	–
Assessments to the State Pension Fund	–	399	–	338
Total	17,683	102,735	20,079	106,726

In thousands of USD	12m. 2011 Board of directors (6 positions)	12m. 2011 Senior executives (11 positions)[1]	12m. 2010 Board of directors (6 positions)	12m. 2010 Senior executives (8 positions)
Salaries and bonuses	319	1,944	398	2,536
Share-based payments	230	566	226	769
Termination payments	–	669	–	–
Assessments to the State Pension Fund	–	12	–	10
Total	549	3,191	624	3,315

1.Some of the positions were occupied only partly during 2011 (e.g. CFO post)

Guidelines and remuneration policy

Each Director who is not employed by the Company receives EUR 30,000 on an annual basis. The Chairman receives an additional EUR 30,000 on an annual basis, the Chairman of the Audit Committee and the Operations & Responsibility Committee also receive an additional amount or EUR 30,000 on an annual basis and each of the other members of the committees (not more than four other members and with no remuneration for the CEO) receive an additional amount of EUR 10,000 on an annual basis.

Each member of the Board of Directors has been given the option to use the board fee to acquire call options in the Company at a market determined price including a strike price of 20 percent premium to the average share price of the Company. (See further section "Share capital and ownership structure – "Options and warrants").

Remuneration to the senior executives consists of fixed salaries, variable remuneration and other benefits. The total remuneration shall correspond to the prevailing market conditions and be competitive. The fixed and variable remuneration shall correspond to the respective individual's responsibility and authority.

In addition, certain Directors, senior executives and other key personnel within the Group are holders of warrants as part of the established incentive program (see further section "Share capital and ownership structure – Options and warrants").

In general, there is a mutual six months' notice period between the senior executives and the Company during which period the senior executives shall remain in their position. After the expiration of the six months' period, the senior executives are entitled to receive their monthly salary for two additional months. However, the Company can agree with a senior executive that he or she should leave his or her position immediately with compensation corresponding to three months salary.

Pensions and benefits

The Company has not set aside or accrued any amount to provide for pension, retirement or similar benefits to any Directors or senior executives. Furthermore, in addition to the above, none of the Directors or senior executives has service contract with the Company providing for benefits upon termination of his appointment.

Independent auditors

The Company's auditor is Deloitte AB, Rehnsgatan 11, 113 79 Stockholm Sweden, with Svante Forsberg, authorised public accountant, being the auditor in charge. Svante Forsberg is a member of FAR, the Swedish professional institute for authorized public accountants. Deloitte AB has been the Company's auditor since 30 May 2008.

The consolidated financial statements of the Company as at 31 December 2011 and for the year then ended, as at 31 December 2010 and for the year then ended and as at 31 December 2009 and for the year then ended, included in this prospectus, have been audited by Deloitte AB by reference, independent accountants, as stated in their report appearing therein. Deloitte AB has also reviewed the interim report for 1 January to 30 June 2012, as stated in their report appearing therein.

Other information regarding the Board, senior executives and independent auditors

No member of the Board of Directors nor any senior executive has been convicted of any acts of fraud or deception in the last five years. In addition to the aforementioned, no member of the Board of Directors or senior executive has been involved in any bankruptcy, liquidation or bankruptcy proceedings in the last five years other than specifically stated herein. Neither does there exist any indictment or sanction against any member of the Board of Directors or senior executives, and none of them have been forbidden by a court of law from being a member of a company's administration, management or monitoring unit or from having management or senior responsibilities in a company in the last five years. None of the directors of the Board of Directors or senior executives has a private interest that may be in conflict with the interests of the Company, save for that Richard Warburton, executive director and CEO of the Company has a 26 percent shareholding in KinnAgri Limited, a service provider to the Company. KinnAgri, in turn, has a 50 percent shareholding in KCM, which is also a service provider to the Company. All contracts entered into between the Company and KinnAgri Limited and between the Company and KCM are approved by the Board of Directors and scrutinized for arms length nature. Most directors of the Board of Directors and senior executives are likely to have financial interests in the Company through their current holdings of SDRs and warrants in the Company. No member of the Board of Directors or senior executive has any family links to any other member of the Board of Directors or senior executives.

Corporate governance

A new Swedish Code of Corporate Governance (the "Code") came into force on 1 July 2008, as of which date the Code applies to all Swedish companies whose shares are traded on NASDAQ OMX Stockholm. The rules of the Code are a supplement to the main provisions of the Swedish Companies Act (2005:551) regarding a company's organisation, but also to the relatively extensive self-regulation that exists for corporate governance. The Code is based on the principle of "comply or explain". According to this principle, a company may choose whether it wants to comply with a rule in the Code, or explain why it chose not to comply with such rule. The Board of Directors takes great emphasis on sound corporate governance and has chosen to apply the Code in full or, where applicable, explain deviations from it. The principles of corporate governance in Black Earth Farming are described below and governed by the Articles of Association, applicable laws, exchange requirements and market practice, including the Code.

Annual General Meeting

An annual general meeting of Black Earth Farming is held each year, in which all shareholders are entitled to attend in person or by proxy to cast their votes on important company matters. Subject to the provisions of the 1991 Companies (Jersey) Law, annual general meetings shall be held in Sweden or in such other place as may be determined by the Board of Directors and at such time and place as the Board of Directors may determine, in the Swedish and English language, once per year and no later than six months after the end of the financial year.

The regular business that is to be transacted at an Annual General Meeting is:

- the receipt and consideration of the annual accounts;
- the directors' report;
- the auditors' report and any other document required to be annexed to the annual accounts;
- the declaration of dividends;
- the election or re-election of directors and the re-appointment of the auditors retiring (unless they were last appointed otherwise than by the Company in General Meeting); and
- the fixing of the remuneration to the auditors or the determination of the manner in which such remuneration is to be fixed.

Nomination Committee

Shareholders in the Company have a right to nominate members of the Board of Directors, and auditors, to the Annual General Meeting. In accordance with the Code, the Company has a nomination committee which prepares proposals for the election and remuneration of members of the Board of Directors and auditors for the AGM. For the purposes of the Annual General Meeting in 2013, the Annual General Meeting held on 25 May 2012 resolved to establish a nomination committee that shall consist of representatives from the three largest shareholders of the Company. Such ownership shall be based on the shareholding statistics from Euroclear Sweden as per the last business day of August 2012. The names of the members of the nomination committee shall be announced as soon as they have been appointed, which shall take place no later than six months prior to the Annual General Meeting in 2013. In case of a material change in ownership prior to completion of the work to be performed by the nomination committee, it will be possible to change the composition of the nomination committee. The nomination committee's mandate period extends up to the appointment of a new nomination committee. The nomination committee shall appoint a chairman among themselves. If the representatives cannot agree upon appointment of the chairman, the representative representing the shareholder with the largest number of votes shall be appointed as chairman. The nomination committee shall prepare proposals for the following decisions at the Annual General Meeting in 2013: (i) election of the chairman for the meeting, (ii) election of directors, (iii) election of the chairman of the Board of Director, (iv) remuneration to the directors, (v) election of the Company's auditors and (vi) compensation to the Company's auditors, and (vii) proposal for how to conduct the nomination process for the Annual General Meeting in 2014.

The Board of directors

Composition and remuneration

The Company's shareholders have the right to nominate directors to the Annual General Meeting. The Annual General Meeting may by ordinary resolution elect a natural person who is willing to act as a director, either to fill a vacancy or as an addition to the Board of Directors, for a term of one year. The total number of directors shall not exceed any maximum number fixed in accordance with the Articles of Association. Without prejudice to the power of the Annual General Meeting to elect any natural person to be a director pursuant to the Articles of Association, the Board of Directors shall have power at any time to elect any natural person who is willing to act as a director, either to fill a vacancy or as an addition to the Board of Directors, subject to any maximum number set out in the Articles of Association.

The Articles of Association stipulate that there shall be no maximum number of directors unless and until otherwise determined by the shareholders in a General Meeting by ordinary resolution. However, the minimum number of directors (other than any alternate directors) shall be two. At the Annual General Meeting held on 25 May 2012, it was resolved that the Board of Directors until the next Annual General Meeting shall consist of seven directors and the Directors were re-elected to the Board of Directors. For a detailed presentation of the current Board of Directors, see section "Board of directors, senior executives and auditors" above.

Chairman of the Board of Directors

The Chairman of the Board of Directors is nominated by the nomination committee and elected at the Annual General Meeting each year.

Meetings

The Board of Directors may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the Chairman of that meeting shall have a second or casting vote.

Work and responsibilities of the Board of Directors

The Board of Directors adopts resolutions on overall issues affecting the Company with a Group perspective. However, the Board of Directors' primary duties are for the organisation of the Company and the management of the Company's operations including:

- decisions regarding focus of the business and adoption of company policies;
- supply of capital;
- appointment and regular evaluation of the work of the senior executives;
- ensuring that the Company's external communications are open, objective and appropriate for target audiences;
- approval of the reporting instructions for the senior executives;
- ensuring that there is an effective system for follow-up and control of the Company's operations and financial position vis-à-vis the established goals;
- follow-up and monitoring that operations are carried out within established limits in compliance with laws, regulations, exchange regulations and market practice in the securities market;
- keeping of minutes for written Board of Directors resolutions;
- determination of the appropriate minimum number of Board of Directors meetings as well as when and where they are to be held;
- appointment of members and chairman of the audit and investment committees as well as identification of their major tasks; and
- establishing issues that always require a Board of Directors decision or an application to the Board of Directors, such as quarterly reports, major investments, changes of the legal structure, certain management appointments and financial guarantees/pledges.

Committees of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors may delegate any of its powers, authorities and discretions to any committee consisting of one or more Directors. In the autumn of 2007, the Board of Directors established two committees: the audit committee and the investment committee. As the Company has evolved into a more operationally focused stage of development the operations committee was established in 2010 replacing the investment committee.

Audit committee

The audit committee is responsible for considering matters relating to:

- the appointment of external auditors for Black Earth Farming and its main subsidiaries;
- the independence of the Company's auditors;
- the review of the audit fees;
- the review of the integrity of the Company's annual and interim reports, preliminary results' announcements and any other formal announcements relating to the Company's financial performance; and
- the review of the effectiveness of the Company's system of internal control and compliance systems.

The Chairman of the committee must have significant knowledge and experience in accounting and the accounting principles applicable to the Company. The current members of the audit committee are the three non-executive directors Alex Gersh as Chairman, Henrik Persson and Magnus Unger. Former board member Paul Wojciechowski is a fourth specially invited member.

The audit committee shall meet as regularly as deemed necessary by the Board of Directors, but it should be at least four times a year, in connection with the release of the Company's interim and full year financial statements. The Chairman of the committee presents a report to the Board of Directors following each audit committee meeting.

The audit committee regularly reviews the system of internal control, management and reporting of financial risks and the audit process. When relevant and appropriate, the Chief Financial Officer and the Company's auditors are invited to attend the meetings, including a yearly planning stage meeting before the audit and after the audit at the reporting stage. Other directors may also be invited to attend, although at least once a year the audit committee must meet the Company's external auditors without management being present.

Operations committee

The operations committee is responsible for– screening and evaluating key decisions regarding operational matters relating to the Company, in particular preparing decisions regarding:

- capital and operation expenditures outside of the board approved budget;

- review and approval of other key operational activities; and
- hiring of high level positions within the operation company.

The operations committee consists of two of the board members, namely Poul Schroeder as Chairman and Richard Warburton. In 2011, five meetings were held by the operations committee together with senior management addressing the Company's operational progress.

Remuneration committee

The function of a specific remuneration committee, as per the Code's guidelines, is to prepare proposals on remuneration and other terms of employment for the executive management. The Board of Directors has generally felt it more appropriate that the entire Board of Directors performs the remuneration committee's tasks, however without the Board member(s) who are also part of the executive management. In some specific cases, Per Brilioth, Henrik Persson and Alex Gersh have been given the typical task of a remuneration committee, to prepare remuneration proposals. The guiding philosophy of the Board of Directors in determining compensation for executives is the need to provide a compensation package that is competitive and motivating, will attract and retain qualified executives, and encourage and motivate performance.

The Annual General Meeting held on 25 May 2012 resolved to adopt remuneration principles for the senior management. According to the remuneration principles, the remuneration to the Managing Director and other members of the senior management shall consist of fixed salary, variable remuneration and other benefits. The total remuneration shall correspond to the prevailing market conditions and be competitive. The fixed and variable remuneration shall correspond to the respective individual's responsibility and authority. There is, in general, a mutual six months' period of notice of termination of employment between the senior executives and the Company during which period the senior executives shall remain in their position. After the expiration of the six months' period, the senior executives are entitled to receive monthly salary during two additional months. However, the Company can agree with a senior executive that he or she should leave his or her position immediately with a compensation corresponding to three months salary.

Internal control

The Board of Directors is responsible for the organisation and administration of the Company, which includes establishing an effective system of internal control. Internal control in this context refers to those measures taken by the Board of Directors, the senior executives and other personnel to ensure that the bookkeeping and the Company's financial condition in general are controlled and reported upon in a reliable fashion and in compliance with relevant legislation, applicable accounting standards and other requirements related to the Company's listing on the exchange. The Board of Directors has also, as described above, established an audit committee which is charged with the special responsibility of continuously reviewing the internal control of financial reporting within the Company as well as external audit matters. The Company's Internal Auditor also prepares a separate report exclusively for the board, giving his view on the effectiveness of various policies and instructions.

In order to ensure that the organisational structure, chain of command and authority are well defined and clearly communicated, the Company has prepared written instructions and formal routines for division of labour between the Board of Directors on the one hand, and senior executives and other personnel on the other. The Board of Directors has established general guidelines for the Company's activities in internal policies, manuals and codes. The Company's Chief Financial Officer is responsible for the control and reporting of the Company's consolidated economic situation to management and the Board of Directors. Control activities include permanent routines for the presentation and reporting of company accounts, for example monthly cash flow reports and budget follow ups as well as weekly status reports on land acquisition and registration. Controls have also been carried out to ensure that the IT-/computer systems involved in the reporting process have a sufficiently high dependability for its task. The Company has established fixed routines and invested in reliable technical applications to guarantee a fast and reliable way of sharing information throughout the organisation. Internal policies and general guidelines for financial reporting are communicated between the Board of Directors, senior executives and other personnel through regular meetings and e-mails.

Information policy

The Board of Directors has adopted an information policy, which regulates the Company's giving of internal and external information. The policy applies to all parts of the organisation, to all countries and at all times. Information shall be provided using direct as well as indirect means. The means of communications can be website postings, press releases, interim and annual reports, prospectuses, public conference calls, interviews to specialised and general media and investor analysts, as well as participation in public meetings. In order to ensure reliability and consistency of information provided, only corporate staff designated as spokespersons for Black Earth Farming are authorised to speak to the media on behalf of the Company. However, the Company will not restrict public disclosure of information, except where the information is of a commercially sensitive or confidential nature.

All reports and press releases are published on the Company's website www.blackearthfarming.com immediately after proper publication through its news distributor, NASDAQ OMX.

Insider policy

Black Earth Farming has adopted an insider policy as a complement to the applicable insider legislation and exchange regulations in order to satisfy the Company's obligation to prevent unlawful trading by persons related to Black Earth Farming and hence to avoid the severe consequences associated with violations of the relevant insider trading laws and regulations, and to ensure that the Company's insiders are aware of the obligations with respect to reporting authorized trading and with respect to speculative trading. The adopted insider policy is also intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with Black Earth Farming (not just so-called insiders). The insider policy establishes which financial instruments and which persons are covered by the policy, when disclosure of insider information is prohibited, that manipulation of share prices is prohibited, times when trade in such financial instruments is prohibited, and which types of transactions in such financial instruments are prohibited. The insider policy also contains guidelines on the internal insider register that shall be kept by the Company in accordance with applicable law and listing rules.

Business addresses

The business address for all Directors and senior executives is:

Black Earth Farming Limited
P.O. Box 781
8 Church Street
St Helier
Jersey JE4 0SG
Channel Islands

Share capital and ownership structure

Share capital

The Company has only one class of shares. Each share is entitled to one vote at general meetings and carries an equal right to the Company's assets and profits. The shares are denominated in USD and have a quota value of USD 0.01 per Share.

As at the date of this Prospectus, the share capital of Black Earth Farming amounts to USD 1,246,016.67 divided into 124,601,667 issued and fully paid up shares. According to the Articles of Association which were amended on 13 November 2012, the Company's authorised share capital is USD 5,000,000 divided into 500,000,000 shares. The Rights Issue will, if fully subscribed, entail that the number of shares in the Company increases from 124,601,667 to 207,669,445 shares, which corresponds to an increase of 66.7 percent.

Share capital development

The following table sets forth the Rights Issue.

Year	Event	Change in share capital (USD)	Total share capital (USD)	Change in number of shares	Total number of shares
2005	Incorporation	46,666.67	46,666.67	4,666,667	4,666,667
2005	Issue of shares	70,000.00	116,666.67	7,000,000	11,666,667
2006	Issue of shares	300,000.00	416,666.67	30,000,000	41,666,667
2006	Issue of shares	350,000.00	766,666.67	35,000,000	76,666,667
2007	Issue of shares	93,000.00	859,666.67	9,300,000	85,966,667
2007	Initial public offering and listing on First North	336,000.00	1,195,666.67	33,600,000	119,566,667
2008	Issue of shares	750.00	1,196,416.67	75,000	119,641,667
2008	Over-allotment in the initial public offering and listing on First North	48,000.00	1,244,416.67	4,800,000	124,441,667
2008	Issue of shares	500.00	1,244,916.67	50,000	124,491,667
2008	Issue of shares	300.00	1,245,216.67	30,000	124,521,667
2009	Issue of shares	300.00	1,245,516.67	30,000	124,551,667
2009	Issue of shares	500.00	1,246,016.67	50,000	124,601,667
2012[1]	Issue of shares	830,677.78	2,076,694.45	83,067,778	207,669,445

1. The change in share capital for 2012 refers to the Rights Issue.

Owners and ownership

The table below sets out the ownership structure of Black Earth Farming as at 28 September 2012.

SDR holders as at 28 September 2012

Owner	Number of SDRs	Share of votes and capital (%)
Kinnevik New Ventures AB	31,087,097	24.95
Vostok Komi (Cyprus) Limited	30,888,704	24.79
Alecta Pensionsförsäkring	11,600,000	9.31
Länsförsäkringar	9,417,133	7.56
Holberg Norden	2,261,611	1.82
Other, approx. 2,000 holders of SDRs/shares[1]	39,347,122	31.57
Total	124,601,667	100.00

Source: Euroclear Sweden.
1. Approximately 8,000 holders including nominee registered SDRs.

Each SDR entitles the holder to one vote at the General Meeting and carries an equal right to the Company's assets and profits.

BEF's largest SDR holders per 28 September 2012, were Kinnevik New Ventures AB (on behalf of Investment AB Kinnevik) and Vostok Komi (Cyprus) Limited (on behalf of Vostok Nafta Investment Ltd), Alecta and Länsförsäkringar, with in aggregate 82,992,934 SDRs, corresponding to approximately 66.61 percent of the share capital and the votes.

Options and warrants

Warrants

The Company has created a warrant instrument originally comprising of 2,059,000 warrants to subscribe for shares. The number of warrants within the warrant instrument was thereafter increased from 2,059,000 to 10,000,000 warrants at the Annual General Meeting of the Company held on 5 July 2007. As at 31 December 2011, 3,643,000 were outstanding. Each warrant entitles the holder to exchange one warrant for one Share. The warrants are regulated by an agreement dated 11 August 2005, as amended. The Company has undertaken to keep shares available in order to facilitate the future exercise of such warrants.

The warrants are granted to key management employees in accordance with a personal schedule of proportional yearly tranches. Each tranche of warrants can be vested a year after the date of granting of the warrants. Warrants with a lower subscription price shall vest prior to warrants with a higher subscription price. The number of warrants as at 30 June 2012, the subscription price for shares and the number of vesting periods are set out in the table below.

Allocation of warrants is at the discretion of the Board of Directors. The subscription price will be affected by the time of allocation of the warrants. The warrants not distributed to date are expected to be distributed among the senior executives of the Company.

The aggregate amount of all the warrants in the warrant instrument will constitute 7.43 percent of the total issued, fully diluted, share capital of the Company.

Further details about the warrants are evident from the table below. The fair value of services received in return for warrants granted is based on the fair value of warrants granted, measured using the Black-Scholes model. Exercise prices of warrants are stipulated by the warrant certificates. Warrants may be exercised by the holder in the period 31 December 2005 to 31 December 2020, however, warrants issued prior to the annual general meeting 2012 shall be vested prior to the end of 2015, unless the Board of Directors decides otherwise. Up until 2009, all exercise prices were denominated in US dollars and range from USD 2.50 to USD 12.00. Warrants issued during 2009–2011 are denominated in SEK with exercise prices ranging from SEK 16.73 to SEK 39.15. In the event the warrant holders are no longer connected to the Company before the vesting date, warrants which are due to vest will be cancelled.

The warrants are transferable to a maximum of 30 warrant holders. The warrants are diluted on further issues of new shares. If there is an alteration in the capital structure of the Company, warrant holders have rights to participate in such alteration to maintain their pro rata holding of warrant shares.

The Board of Directors intends to issue 500,000 warrants (where 400,000 warrants are issued following the annual general meeting of shareholders 2012 and 100,000 warrants after approximately 12 months thereafter) to the CEO of the Company. The warrants shall have a term of four years and vesting shall take place with one third for each of the first three years. Exercise price shall be equal to 125 percent of the average market price for the Company's SDRs on NASDAQ OMX Stockholm during 10 trading days immediately preceding the issue of the warrants.

The Board of Directors may, in its sole discretion, issue additional warrants pursuant to the warrant instrument of the Company to current and future employees of the Company.

At full exercise of all 10,000,000 warrants, the Company's share capital will be increased by USD 100,000.

As at 30 June 2012, the number of outstanding warrants was 4,132,659. The reserve held by the Company for the outstanding warrants based on the warrants' respective average strike price is USD 4,583,035.26 and SEK 8,010,094.78.

Warrant holder	Currency	Average expected term, years	Average strike price, USD/SEK	Number of warrants at 30.06.2012	Reserve for warrants at 30.06.2012, USD	Reserve for warrants at 30.06.2012, SEK
Alex Gersh	USD	4.02	7.50	100,000	262,332.95	
Alexander Betsky	SEK	2.04	18.92	200,000		308,635.70
Alexander Kim	USD	3.30	8.35	40,000	112,800.00	
	SEK	3.01	33.00	76,000		393,932.35
Alexey Bnatov	SEK	3.01	33.00	100,000		625,000.00
Anna Shtrevensky	USD	5.20	1.47	-	23,250.00	
Colin Hinchley	SEK	2.29	11.24	100,000		1,101.67
Dmintry Kozelkov	USD	3.81	10.29	20,000	56,400.00	
Erik Lystedt	SEK	2.60	26.64	9,999		56,583.03
Fraser Scott	SEK	2.19	27.45	199,998		984,175.00
Gustav Wetterling	USD	3.81	10.29	100,000	231,994.53	
	SEK	2.81	29.82	149,999		779,331.95
Ilya Shestakov	USD	3.65	6.00	350,000	170,169.82	
	SEK	3.01	33.00	100,000		426,948.54
Kaj Petersen	SEK	2.29	11.24	100,000		1,101.67
Mark Lewis	USD	4.10	3.59	-	169,500.00	
Mark Randall	SEK	2.36	26.64	99,999		912,865.47
Martin Leu	SEK	2.60	26.64	30,000		280,500.00
Michael Shneyderman	USD	3.30	8.35	250,000	590,933.03	
	SEK	3.01	33.00	50,000		312,500.00
Michel Orlov	USD	5.20	1.55	-	-	
Richard Warburton	SEK	2.28	19.24	649,999		1,643,779.21
Richard Willows	SEK	2.19	27.45	99,999		492,089.96
Rimma Khaliulina	USD	4.09	7.50	30,000	93,600.00	
Robert Coleman	USD	4.03	6.94	-	171,900.00	
Rupert Boon	SEK	2.29	11.24	100,000		1,101.67
Simon Cherniavsky	USD	4.54	3.31	-	58,999.94	
Sture Gustavsson	USD	4.10	3.59	350,000	1,703,333.30	
	SEK	3.01	33.00	60,000		363,500.00
Vladimir Averchev	USD	4.02	7.50	66,666	187,664.79	
Vyacheslav Bakaev	USD	3.65	6.00	350,000	170,169.82	
Zorigto Sakhanov	USD	3.81	10.29	250,000	579,987.08	
	SEK	3.01	33.00	100,000		426,948.54
		3.27	17.08	4,132,659	**4,583,035.26**	**8,010,094.78**

Performance based incentive programme

At the annual general meeting of shareholders held on 25 May 2012, a performance based incentive programme for a limited number of senior executives of the company was adopted. The programme requires the participants to hold shares in the form of SDRs in the Company. The shares can be already held by the participant or purchased within six months after the notification to participate in the programme. For each SDR held under the programme the Company will grant retention rights and performance rights to the participant free of charge. Subject to the fulfilment of certain retention and performance based conditions during a three year period, the participant maintaining his or her employment with the Group at the release of the interim report for the first quarter in the third financial year following the grant of the rights and subject to the participant maintaining the invested shares during the vesting period ending at the release of the interim report for the first quarter in the third financial year following the grant of the rights, each right entitles the participant to receive a share (in the form of a SDR) in the Company. The retention and performance rights shall be granted free of charge, may not be transferred or pledged and any dividend paid on the underlying share will increase the number of shares that each retention right and performance with entitles to.

The rights are divided into Series A; retention rights and Series B-E; performance rights. The number of shares (SDRs) the participant will receive depends upon the number of investment shares and on the fulfilment of the defined retention and performance based conditions (such as the attainment of certain total revenue levels, return on capital etcetera). The Board of Directors intends to disclose the outcome of the retention and performance based conditions in the annual report of the third financial year following the 2015 financial year.

The programme is estimated to comprise up to 1,050,000 SDRs held by the employees entitling to allotment of up to 5,250,000 rights, granted to the participants over a three-year period.

The maximum dilution is up to 4.2 percent in terms of shares outstanding. The Board of Directors is authorised to issue up to 5,250,000 shares for the fulfilment of the Company's obligations under the programme.

Call options

Each board member has been given the option to use their remuneration for services rendered to the Board of Directors of the Company to acquire call options in the Company at a market determined price including a strike price of 20 percent premium to the average share price of the Company and a maturity date of 30 August 2013.

For information regarding the holdings of call options as at 30 June 2012, see table below.

Name	Call options	Call options, strike price, SEK
Henrik Persson	59,492	26.1
Magnus Unger	59,492	26.1
Richard Warburton	59,492	26.1
Sture Gustavsson	59,492	26.1

Shareholders' agreements

On 27 February 2006, Investment AB Kinnevik and Vostok Nafta Investment Ltd. entered into a shareholders' agreement, as amended, through which the parties have agreed that the Board of Directors shall consist of up to seven Directors, of which each of Investment AB Kinnevik and Vostok Nafta Investment Ltd. shall have the right to nominate and have elected two of the Directors. Pursuant to an amendment agreement, all rights and obligations of Vostok Nafta Investment Ltd. pursuant to the shareholders' agreement have been assumed by Vostok Komi (Cyprus) Limited.

Subject to any mandatory provisions in the 1991 Compnaies (Jersey) Law, the parties shall procure that no action is taken or resolution is passed by the Company or its shareholders, without, in the case of Board meetings, the consent of all Directors nominated by the parties, or, in the case of shareholders' meetings, the consent of both parties. This shall among other things have reference to any amendments of the Articles of Association or any change in the share capital of the Company and the issue of convertibles, warrants and other equity related instruments as well as any changes in the Company's business as described in the shareholders' agreement and decisions to sell, pledge or encumber any assets of the Company or its subsidiaries. Further, the agreement states that the Company shall not, and shall see to it that its subsidiaries do not, sell, pledge, otherwise dispose of or encumber any legal entity or its assets without the prior written consent of Kinnevik and Vostok. In the event of any ambiguity or discrepancy between the provisions of the shareholders' agreement and the Articles of Association (further described below), the provisions of the agreement shall prevail as between the parties.

Through the shareholders' agreement, each party shall have the right to transfer all, but not part, of its SDRs in the Company to a third party, provided that the other party is given a written offer to purchase the SDRs prior to such transfer and that it chooses to decline such offer. The shareholders' agreement shall remain in force during a period of 15 years from the date of the agreement, and thereafter unless and until terminated by either party giving at least 12 months' notice in writing.

Except for the above mentioned shareholders' agreements and as far as the Directors are aware, no other shareholder agreements or equivalent agreements exist between the present shareholders in the Company for the purpose of creating joint influence over the Company.

Dividends and other information

Dividends are declared at the general meetings and payment will be carried out by Euroclear Sweden. Entitlement to dividend belongs to anyone who is registered as a holder of SDRs in the depository receipt register maintained by Euroclear Sweden. If a holder of SDRs cannot be reached through Euroclear Sweden, the SDR holder's claim on the Company regarding the dividend amount remains and is restricted only by rules on the period of limitation. Any dividends which have remained unclaimed for a period of ten years from its due date of payment shall, if the Board of Directors so resolves, be forfeited and shall cease to remain as a debt for the Company and shall thereafter belong to the Company. There are no restrictions on payments of dividends or special procedures for shareholders or holders of SDRs resident outside Sweden. Holders of SDRs are entitled to a share of the surplus in proportion to the number of SDRs owned by the holder in the event of a liquidation of the Company. *For more information, see section "Dividends and dividend policy".*

The SDRs entitle the holder to dividends in Black Earth Farming, if any. If any dividends are resolved to be paid by the Annual General Meeting, such dividends will be administered by Euroclear Sweden or, in the case of SDRs that are registered in the name of a nominee, in accordance with the practice of the nominee.

Swedish depository receipts

Shares in the Company are represented by SDRs. Issuing SDRs is a method to enable trading in foreign shares in Sweden. Pareto Öhman is registered as a shareholder in the Company's share register in accordance with Jersey law. The shares are represented by SDRs registered at Euroclear Sweden. Each SDR corresponds to one Share in the Company with a par value of USD 0.01. SDRs are to be registered in a securities account designated by the holder according to the terms of the Financial Instruments Accounts Act (SFS 1998:1479). The information available in the Euroclear Sweden register of SDRs is not public.

An SDR entails the same right to a dividend as the underlying Share, and an SDR holder has the same right to vote at general meetings as a shareholder. In order to attend a general meeting it is, however, required that the holder of SDRs follows the instructions from the custodian bank. The SDRs are subject to Swedish law, and any disputes arising will be referred for settlement to the Stockholm District Court.

The SDRs have been issued by Pareto Öhman AB, a company registered by the Swedish Companies Registration Office on 10 October 1980. Pareto Öhman's business is governed by Swedish law and its legal form is governed by the Swedish Companies Act (2005:551). The registered office of the company is in Stockholm. The SDRs are denominated in SEK.

For the full terms and conditions applicable to SDRs, see section "Terms and conditions for depository receipts".

Euroclear Sweden connection and account-holding institution

The SDRs of Black Earth Farming are registered at, and its share register is maintained by, Euroclear Sweden. The address of Euroclear Sweden is Box 7822, SE-103 97 Stockholm, Sweden.

The Company's SDRs were admitted to trading on First North on 28 December 2007 and the SDRs were transferred to NASDAQ OMX Stockholm in June 2009.

Taxation

Tax considerations in Jersey

The following is a summary of certain Jersey tax considerations that may be relevant to a holder of the shares. This summary does not seek to address the applicability of, or procedures in relation to, taxes that may be levied on the Company by tax authorities in Russia, in Cyprus or any other jurisdiction except Jersey, Channel Islands. The Russian tax rules applicable to any tax liabilities of future subsidiary undertakings of the Company may be characterised by uncertainties and by a lack of interpretative guidance. Both the substantive provisions of Russian tax law and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable change than in a more developed jurisdiction. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectors in Russia. Other than stated below, this summary does not seek to address the availability of any double tax treaty relief. It should be noted that there may be practical difficulties involved in claiming any such double tax treaty relief. Please note that the only full double tax treaties Jersey currently has are with the UK, Guernsey, Estonia, Hong Kong, China*, Malta, Singapore* and the State of Qatar*. Jersey also has partial double tax treaties with Australia, Denmark, Faeroe Islands, Finland, France, Germany, Greenland, Iceland, Ireland, New Zealand, Norway, Poland* and Sweden. Countries marked with * indicate that the treaty is not in force as at 7 November 2012. Potential investors should consult their own advisers regarding the tax consequences of investment in the shares.

Tax treatment

The following summary of the anticipated tax treatment in Jersey in relation to the payments on shares is based on the taxation law and practice in force at the date of this Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of shares and the receipt of interest and distributions, whether or not on a winding-up, with respect to such shares, or under the laws of the jurisdictions in which they may be taxed.

The Company is incorporated in Jersey and is therefore prima facie tax resident in Jersey. A company which is managed and controlled in another jurisdiction may be treated as tax resident there even though it is incorporated in Jersey. The directors of the Company intend to manage the Company such that the risk that the Company could be regarded as tax resident in a jurisdiction outside of Jersey is minimised. However, there is a risk that that the Company could be tax resident in a jurisdiction outside Jersey due to the location of management.

The Income Tax (Jersey) Law 1961, as amended, provides that the general basic rate of income tax on the profits of companies will be 0 percent and that companies that meet the definition of either a financial services company or a utility company shall be subject to Jersey income tax at a rate greater than this (rates of 10 percent and 20 percent respectively). The corporate income tax regime in Jersey is known as the “Zero/Ten Regime”.

A "financial services company" is defined in the Income Tax (Jersey) Law 1961, as amended, as any company that:
is registered under the Financial Services (Jersey) Law 1998 to carry out:

- investment business; or
- trust company business; or
- fund services business, as an administrator or custodian in relation to an unclassified fund or an unregulated fund; or
- is registered under the Banking Business (Jersey) Law 1991, other than a company registered for business continuity under that Law, pursuant to Article 9A of the Banking Business (General Provisions) (Jersey) Order 2002; or
- holds a permit under the Collective Investment Funds (Jersey) Law 1988 by virtue of being a functionary who is an administrator or custodian mentioned in Part 2 of the Schedule to that Law.

In addition, Jersey property income including profits from Jersey property development and profits from Jersey quarrying (and similar) activities, and, with effect from 1 January 2012, profits from the importation and supply of hydrocarbon oils in Jersey will be taxed at the rate of 20 percent.

On the basis that the Company will not be carrying out any activities profits from which are subject to the higher rates of tax mentioned above, it should be subject to the basic rate of income tax of 0 percent.

Previously, concerns had been raised by the EU’s Economic and Financial Affairs Council that certain aspects of the Zero/Ten Regime relating to business tax could be outside the spirit of the EU Code of Conduct on Business Taxation (“the Code”). Following a meeting held on 13 September 2011, the EU Code of Conduct Group has given its approval to Jersey’s proposals to bring its business tax regime fully in line with the Code. The EU Code of Conduct Group announced that they accepted moves made by Jersey to remove the deemed distribution and attribution elements of the Zero/Ten Regime – elements they had deemed harmful – in order to fully satisfy the Code. The EU Code of Conduct Group’s decision was subsequently ratified by the Council of Ministers of the European Union on 19 December 2011. Following this ratification, the States of Jersey announced that there were no current plans to further amend Jersey’s Zero/Ten Regime.

Taxation of dividends

Dividends by the Company are declared and paid gross in USD as no Jersey withholding tax will be levied on distribution made by the Company to shareholders.

Taxation of shareholders

Non-Jersey resident individuals will not be subject to Jersey income tax on dividends which they receive. The attention of Jersey resident investors is drawn to Article 134A of the Income Tax (Jersey) Law 1961, as amended, the effect of which may be, in certain circumstances, to render such a Jersey resident liable to income tax on undistributed income or profits of the company. Jersey resident shareholders are recommended to seek appropriate professional advice in this area.

In the case of any immediate Jersey resident shareholders, the Company may be required to notify the Comptroller of Taxes of amounts paid to those individuals in dividends. Furthermore, the Company may be required to make a return to the Comptroller of Taxes, on request, of the names, addresses and shareholdings of immediate Jersey resident shareholders.

Taxation of capital gains and estate and gift tax

Under current Jersey law there are no capital gains taxes (other than certain taxes which may apply to real estate in Jersey).

Under current Jersey tax there are no death or estate duties, gift, wealth, inheritance or capital transfer taxes.

No stamp duty or other transfer tax is levied in Jersey on the issue, transfer, conversion or redemption of shares unless such transfer conveys a right to occupy Jersey property.

Probate Stamp Duty ("PSD") is charged on the application for Grants of Probate and Letters of Administration. For individuals domiciled in Jersey, the whole of their estate is subject to PSD, whilst for individuals domiciled outside of Jersey, just their Jersey situs assets (including shares in Jersey companies) are subject to PSD. The current rates of PSD are:
on estates which do not exceed £10,000 no PSD is due;
on estates of more than £10,000, but which do not exceed £100,000, PSD is due at the rate of 0.5 percent;
on estates of more than £100,000, PSD of £500 is due in respect of the first £100,000 of value and then 0.75 percent on the value of the estate exceeding £100,000.

Goods and Services Tax

A sales tax of 5 percent is generally applied to the sale or exchange of goods and services used in Jersey. All businesses with a 12-month taxable turnover in excess of £300,000 must, by Jersey law, register for this tax, unless they meet the definition of, and have made a successful application to be, an International Service Entity within the meaning of the Goods and Services Tax (Jersey) Law 2007.

Black Earth Farming Limited is on the list of entities published by the Jersey Comptroller of Taxes as having International Service Entity status within the meaning of the Goods and Services Tax (Jersey) Law 2007 for the year 2012, and, for so long as it is, a supply of goods or of a service made by or to the company shall not be a taxable supply for the purposes of Jersey law.

The company will maintain International Service Entity status if it continues to satisfy the requirements of Article 59 and the ISE Regulations if:

- the name of the company is entered onto the list of International Service Entities maintained by another international service entity which is:
  - i) authorised by the Jersey Comptroller of Taxes to maintain such a list; and
  - ii) registered under the Financial Services (Jersey) Law 1998 to carry on trust company business;
- the prescribed fee has been paid to the Jersey Comptroller of Taxes; and
- the following conditions are satisfied:
  - i) no more than 10 percent in value of all supplies of goods and services made by or to the company are made to individuals who belong in Jersey or, to the extent that the supplies of goods or services made by the company in Jersey exceed 10 percent of the value of all supplies of goods and services made by it, the supplies in Jersey are made only to an International Service Entity;
  - ii) no individual who belongs in Jersey has the effective use, or the effective enjoyment, of any asset owned or administered by the company; and
  - iii) no individual who belongs in Jersey has the effective use, or the effective enjoyment, of any goods or services, supplied to or by the company.

EU Savings Directive

Jersey is not subject to the EU Savings Tax Directive. However, in keeping with Jersey's policy of constructive international engagement and in line with steps taken by other relevant third countries and territories, the States of Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey (the terms "beneficial owner" and "paying agent" are defined in the EU Savings Tax Directive). The retention tax system will apply for a transitional period prior to the implementation of a system of automatic information exchange with EU Member States regarding such payments. During the transitional period, an individual beneficial owner resident in an EU Member State who does not wish interest payments to be subject to the retention tax system is entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The transitional period will end only after all EU Member States and other relevant third countries and territories have agreed to automatic exchange of information and the EU Member States unanimously agree that the United States of America has committed to exchange of information upon request as defined in the 2002 OECD Model Agreement on Exchange of Information on Tax Matters.

The retention tax system and the disclosure arrangements are implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey.

Based on these provisions and the current practice of the Jersey tax authorities, dividend distributions to Shareholders and income realised by Shareholders upon the sale, refund or redemption of shares do not constitute interest payments for the purposes of the retention tax system.

The EU Council is currently considering a draft directive to amend the EUSD. This could lead to the scope being increased in certain areas such that a wider range of funds and trusts would be covered and with look-through provisions for zero rated companies. As the measures equivalent to the original EUSD are brought into effect in Jersey under the bilateral agreements with each EU Member State, any changes would require the reconsideration and amendment of each bilateral agreement.

Tax considerations in Cyprus

Corporate Income Tax and Special Contribution for Defence

A company is considered resident in Cyprus for tax purposes if its management and control is exercised in Cyprus. A company that is tax resident in Cyprus is liable to tax in Cyprus on its worldwide income, i.e. on all income accruing or arising both from sources within and outside of Cyprus. Companies which are not tax resident in Cyprus (i.e. which are managed and controlled outside Cyprus) are liable to tax in Cyprus on income accruing or arising from sources within Cyprus only. A corporate tax rate of 10 percent is applicable to all companies whether operating locally or internationally subject to the following exemptions: dividends received; profits from the disposal of specific securities (defined by the Cyprus Income Tax Law), irrespective of whether the gain is of a capital or trading nature; interest income, unless it is received in the ordinary course of business or is closely connected to the ordinary course of business in which case it is taxed as normal trade income; and profits of a permanent establishment situated outside Cyprus. The latter exemption does not apply if the permanent establishment engages directly or indirectly more than 50 percent in activities which lead to investment income and the foreign tax burden on the income of the permanent establishment is substantially lower than the tax burden of the Cypriot tax resident in Cyprus (lower than 5 percent).

Special Contribution for Defence may apply to income of persons who are tax residents of Cyprus in the form of dividends, interest and rental income at the applicable rates: Dividends received by a Cyprus tax resident company from a company which is not tax resident in Cyprus are exempt from defence contribution unless: the non-tax resident company paying the dividend engages directly or indirectly more than 50 percent in activities which give rise to investment income and the foreign tax burden on the income of the company paying the dividend is substantially lower than the Cyprus tax burden. Substantially lower has been interpreted to mean less than half of the Cyprus tax rate (i.e. lower than 5 percent). If such dividend is subject to defence contribution, this will be at the rate of 20 percent for the tax years 2012 and 2013. However, from tax year 2014 it is expected to be reduced to 17 percent. Dividends received by a Cyprus tax resident company from another Cyprus tax resident company are exempt from defence contribution without conditions to be met.

Interest received by a Cyprus tax resident company either from a Cyprus tax resident company or from a company not tax resident in Cyprus may be subject to the special contribution for defence at the rate of 15 percent on the amount received or credited provided that the interest is not considered to be derived in the ordinary course of business or closely connected to the ordinary course of business. Rental income is subject to special contribution for defence at the rate of 3 percent after allowing a deduction of 25 percent of the gross rental income.

Under the Cyprus-Russia double tax treaty ("the Tax Treaty") provided that the Company is the beneficial owner of the dividend income and does not create a permanent establishment in Russia, the rate of Russian withholding tax on dividends should be no more than 10 percent. This rate is reduced to 5 percent if the Company has directly invested in the capital of a Russian tax resident company not less than the equivalent of USD 100,000. The Protocol of the Treaty ("the Protocol") which was signed in October 2010 and which will enter into force on 1 January 2013 introduces amendment to this provision of the Tax Treaty such that the applicable amount will be Euro 100,000 instead of USD 100,000.

Relief for withholding taxes suffered abroad is provided in the form of a tax credit for tax paid abroad on income subject to corporate income tax or defence contribution in Cyprus. The relief is given unilaterally irrespective of the existence of a double tax treaty.

Planalto Enterprises Ltd was incorporated in Cyprus. To benefit from the double tax treaty between Cyprus and Russia, this company must be tax resident in Cyprus. Also in accordance with the Protocol to ensure non-applicability of the Limitation of Benefits article, a company must be incorporated in Cyprus. Under the Cyprus Income Tax Law a company is considered to be resident in Cyprus for tax purposes if its management and control is exercised in Cyprus. The law does not provide for further clarifications in this respect. Planalto Enterprises Ltd is a Cyprus incorporated company and has obtained a tax residency certificate from the Cypriot Tax Authorities during the 2011 tax year.

The Cypriot tax implications in relation to interest income in respect of intra-group loans will depend on whether financing is considered to be provided by the Cypriot lender in the ordinary course of business or not. In general, interest income is subject to corporate income tax (10 percent) after the deduction of any expenses incurred wholly and exclusively for its production or to the special contribution for defence (15 percent) on a gross basis.

As provided in the Circular on taxation of interest issued by the Cypriot Ministry of Finance on 19 May 2003, interest income of Cypriot companies which act as vehicles for the purpose of financing group companies (an example would be a holding company, a subsidiary company or an associated company which borrows money and subsequently lends these to other group companies) is considered to be closely connected with the ordinary carrying on of a business and thus should be exempt from the defence contribution and subject to the 10 percent income tax only. Planalto Enterprise Ltd. acts as a group financing company. Consequently, the company treats its interest income as income derived in close connection with its ordinary course of business which is taxable at the corporate tax rate of 10 percent but exempt from the defence contribution.

The Cyprus Income Tax Law contains transfer pricing provisions which provide for the Commissioner of Income Tax to have the authority to adjust a company's taxable profit when it believes that the financial result of a certain transaction was influenced by the fact that the parties to the transaction were related or connected. Therefore, it is required that interest on loans provided by a Cypriot company to its related/connected parties is established at arm's length i.e., using the market rate. There is a risk that the Cyprus tax authorities may consider the terms of intercompany loans as not at arm's length and the company's taxable profit may be subject to upward adjustments.

Dividend distributions from Planalto Enterprise Ltd. to the Company are not subject to any withholding tax in Cyprus by virtue of domestic legislation. The fact that the parent company is Jersey tax resident does not affect this provision. Planalto Enterprises Ltd.'s intra-group loans may not be considered to be at arm's length.

The liquidation of a Russian company in which Planalto Enterprise Ltd. holds participation does not give rise to any taxes in Cyprus, irrespective of the holding period that the investments are held.

Capital Gains Tax

Any gain from disposal of securities by the Company shall be exempt from corporate tax irrespective of the nature of the gain, the number of shares held or the holding period and shall not be subject to defence contribution. Such gains are also outside of the scope of Capital Gains Tax provided that the company whose shares are disposed of does not own any immovable property situated in Cyprus.

The Tax Treaty currently grants Cyprus the exclusive right of taxing capital gains realized on disposal of securities by a Cypriot resident entity, which does not carry on activities in Russia through a permanent establishment. However, in accordance with the Protocol such gains derived by a Cyprus tax resident from the disposal of shares not listed on a registered stock exchange deriving more than 50 percent of their value from immovable property located in Russia will be subject to Russian taxation. This amendment will enter into effect on 1 January 2017.

Stamp Duty

According to the Cypriot Stamp Duty Law, stamp duty is payable on all agreements and documents which involve property situated in Cyprus as well as matters or issues which take place in Cyprus. Due to the fact that the Stamp Duty Law does not provide a definition of the terms "Cypriot property" and "matters or issues", there is often uncertainty as to which documents are subject to stamp duty. However, stamp duty is capped to €17.086 per stampable document.

VAT

Value Added Tax is imposed on the provision of goods and services in Cyprus as well as on the importation of goods into Cyprus. The standard VAT rate is 17 percent. A company is obliged to register for VAT purposes where: (a) the value of taxable supplies recorded in the last 12 months exceeded Euro 15.600 or (b) the value of taxable supplies is expected to exceed Euro 15.600 in the next 30 days. Financing activities and the sale of shares are exempt from Cypriot VAT. All services (with some exemptions) received by a Cypriot company from overseas providers are considered to be self-supplied and may result in the obligation for the Cypriot company to register for VAT purposes (if not already registered) if the VAT threshold above is exceeded under the "reverse charge" provisions.

Tax considerations in Russia

General comments regarding taxation of agricultural entities

The Russian Tax Code provides for two tax regimes with reduced tax rates applicable to qualifying agricultural producers: (i) the unified agricultural tax regime and (ii) the general corporate income tax regime with a beneficial tax rate (for entities which have not transferred to the unified agricultural tax regime).

Qualifying agricultural producers are organisations and individual entrepreneurs producing agricultural products and involved in the primary and subsequent (industrial) processing and sale of agricultural products, provided that the income derived from the sale of own produced agricultural products and products derived from the primary processing thereof constitutes no less than 70 percent of their total revenue.

The list of agricultural products is established by the government of the Russian Federation.

Agricultural companies that do not meet the requirements for "agricultural producer" in the Tax Code have to pay profits tax at the general 20 percent profit tax rate.

Unified Agricultural Tax Regime

The unified agricultural tax regime sets a unified 6 percent tax rate on profits and provides relief from corporate income tax (except for corporate income tax payable in respect of dividends and interest on certain state and municipal bonds), property tax and, in most cases, VAT (except for VAT which is imposed on imports or supplies under simple partnership, trust or concession agreements).

In addition, according to Federal Law No. 212-FZ "On Insurance Contributions to the State Pension Fund, Social Insurance Fund, Federal Obligatory Medical Insurance Fund and Local Obligatory Medical Insurance Fund" dated 24 July 2009, for the period 2011-2014, qualifying agricultural producers applying for the unified agricultural tax regime may pay insurance contributions to these funds at reduced rates.

Having submitted the relevant application to the tax authorities, agricultural producers will normally be liable to pay the Unified Agricultural Tax as well as land tax, transportation tax and social insurance contributions.

Beneficial corporate income tax regime

Alternatively, the beneficial corporate income tax regime can be applied. According to Federal Law No. 110-FZ "On Amendments And Additions To Part Two Of Russian Tax Code And Certain Other Russian Tax Legislation and Alteration Of Certain Other Provisions Of Tax Legislation" dated 6 August 2001, as amended, corporate income tax is payable by qualifying agricultural companies at the rate of 0 percent for the years from 2004 to 2012 inclusive.

Effective from 1 January 2013, the rate of corporate income tax for qualifying agricultural companies will be 18 percent and, starting from 1 January 2016, will be further increased to the level of general corporate income tax which is currently 20 percent. However, there is a proposal of extending the 0 percent tax rate for agriculture companies indefinitely.

VAT and other taxes are payable at the general tax rates according to the usual rules.

Thus, the tax burden of agricultural producers will increase significantly from the year 2013 due to the expiration of the 0 percent rate application.

Profits Tax

The Tax Code provides for the following key elements of the profits taxation.

Taxable profit. Generally, the taxable profit calculation is based on the accrual method.

Deductibility of expenses. Generally, expenses are deductible for tax purposes if they are economically justified, properly documented and related to income generating activities. However, certain business expenses are subject to specific limitations and other specific guidelines which need to be carefully observed. For example, the deduction of certain types of advertising and insurance expenses is limited. The legislation also provides a list of non-deductible expenses, particularly payments to board members and penalties paid to state bodies in accordance with legislation.

Depreciation. All depreciable fixed assets fall within one of ten groups, and the taxpayer should determine the useful life of its fixed assets based on the statutory classification. In addition, taxpayers are entitled to deduct a one-time depreciation allowance (premium) in the amount of up to 10 percent (up to 30 percent for fixed assets in certain depreciation groups) of the historic cost of fixed assets purchased or capital improvements made.

Interest expense. Interest on a loan should be generally deductible regardless of the purpose of the loan, provided that this debt financing is economically justified, appropriately documented, aimed at generating income and the interest rate varies by less than 20 percent from the average interest rate for comparable loans from Russian companies. Under the Tax Code, in the absence of comparable data or at the taxpayer's decision, the deductibility cap is established at the following levels:

- For loans granted in RUB: the refinancing rate of the Central Bank of Russia multiplied by 1.8 (making 14.85 percent at present);
- For loans granted in foreign currency: the refinancing rate of the Central Bank of Russia multiplied by 0.8 (making 6.6 percent at present).

These caps are valid through December 31, 2012. From January 1, 2013, the Tax Code provides for the refinancing rate of the Central Bank of Russia multiplied by 1.1 for RUB loans (making 9.075 percent at present) and 15 percent for foreign currency loans, unless further legislation is passed to amend this.

The deductibility of interest expenses may also be restricted by the Russian thin capitalization rules, as well as the Russian transfer pricing rules. Due to uncertainties in interpreting new transfer pricing legislation there is no assurance on which of these two rules should prevail in case of collision.

Thin capitalisation. The thin capitalisation rules provide for a 3:1 debt-to-equity ratio. The interest on the excessive portion of a loan (i.e. the excessive interest) is re-characterised as a dividend paid and, as such, is not deductible for the borrower's profit tax purposes and is subject to 15 percent dividend withholding tax. Applicability of reduced tax rates provided by relevant double tax treaties in this case is not straightforward.

For further details please see section *"Riskfactors – Current Russian thin capitalisation rules could affect the ability of Russian subsidiaries to deduct interest on certain borrowings and give rise to a withholding income tax liability on excess interest reclassified into dividends"*.

It should be noted that thin capitalization rules are vaguely drafted, leaving wide scope for interpretation by the Russian tax authorities and courts (especially in respect of WHT application). In particular, the priority of the applicable double taxation treaty over the Russian thin capitalization rules is questionable.

Taxes, levies and state duties. Social insurance contributions, property related taxes, custom duties, real estate and land registration duties are deductible from taxpayers' taxable profits.

Loss carry-forward. Losses incurred by a taxpayer may be carried forward for up to ten years following the period in which the loss was incurred. Losses on certain types of activity (e.g. securities, financial instruments) are determined and carried forward separately and may in future be offset only against profit from the same activity.

Taxation of specific operations. Special rules are established with respect to the taxation of certain operations. In particular, taxable profits from securities deals are determined separately; moreover, different fair market price rules are established for such operations.

Taxation of dividends. Dividends are taxed as follows:

- 9 percent withholding tax for dividends paid by one Russian company to another Russian company (unless the 0 percent rate below applies). In determining the tax base, the paying company should deduct the amount of dividends received in the same and preceding tax periods;
- 15 percent – withholding tax for dividends paid by Russian companies to foreign companies (can be reduced under the relevant double tax treaty);
- 9 percent for dividends paid by foreign companies to Russian companies (unless the 0 percent rate below applies). Where a double tax treaty applies, a credit for any withholding tax suffered can be claimed against this liability in accordance with the tax treaty;
- 0 percent for dividends paid to a Russian holding company (by either a Russian or foreign company), provided that this Russian company has owned no less than 50 percent in its subsidiary for at least 365 consecutive days. Dividends from foreign companies registered in certain "low tax" jurisdictions are excluded from this rule.

Taxation of capital gains. Capital gains derived by the Cyprus companies of the Group from the sale of the shares in the Russian subsidiaries may be considered as Russian-sourced income and may be subject to Russian WHT at the rate of 20 percent, in case the assets of the Russian subsidiaries consist of more than 50 percent of immovable property situated in Russia (assuming such income is not related to a permanent establishment of the foreign company in Russia).

Currently, the 1998 Double Tax Treaty between Cyprus and Russia grants the taxing right to the country of residence of the selling entity (i.e., Cyprus). According to the Protocol amending the Treaty, as from 1 January 2017 capital gains should be taxable in the country where the real estate is situated (i.e., in Russia) provided that "more than 50 percent of the value of shares (or other corporate rights) is represented by immovable property situated in the other state". However, if the income is derived from alienation of shares listed on a registered stock exchange, or as the result of a reorganization of the company, the income should only be subject to taxation in the country of residence of the company selling the shares.

Russian DTT network. Russia has a wide network of double tax treaties. More than 70 treaties are in force and approximately further 10 treaties are pending.

Value Added Tax ("VAT")

VAT applies to Russian and foreign companies supplying goods, work/services and transferring intellectual property rights in Russia. VAT is also imposed on the importation of goods into Russia.

Under the Russian place of supply rules, work/services are generally deemed to be performed in Russia if the relevant provider is a Russian company or a foreign company acting through a permanent establishment in Russia. Deviating from this general principle, certain services (such as consulting, engineering, advertising, marketing, research and development, secondment of personnel and assignment of patents, licences or trademarks (or granting patents, licences and trademarks for use)) are, however, deemed to be supplied at the purchaser's place of business. This special rule entails, in particular, that the relevant services are subject to Russian VAT if they are rendered by a foreign company to a Russian company or to a Russian subdivision of a foreign company that is registered with the Russian tax authorities. In this case, the Russian VAT due by the foreign services provider is paid by the purchaser registered with the Russian tax authorities by way of a reverse-charge mechanism.

The standard VAT rate is 18 percent. A reduced rate of 10 percent applies to certain types of agricultural and food stuffs, children's and medical goods. A zero percent VAT rate applies to the export of goods (including the export of agricultural goods) from Russia, international transportation and some other services.

The Tax Code also provides for VAT exemptions for certain types of transactions and business activities (including sale of plots of land, sale of shares, provision of loans in monetary form and securities, etc.). The VAT exemption generally implies, however, that the relevant seller of goods or provider of services is not entitled to input VAT offset.

Further, there is a VAT exemption on the import of technological equipment and their components and spare parts is established. The exemption only applies to equipment having no equivalent produced in Russia and which is included in a list approved by the Russian government. A company that performs activities that are subject to VAT is generally allowed to claim for recovery any input VAT incurred upon acquisition of raw materials, equipment, goods or services. Where input VAT relates to export sales, the input VAT credit is allowed as soon as the export supply outside Russia is confirmed (all documents required to support the application of the zero VAT rate are collected) or VAT at the standard or reduced rates is accounted for on export supplies (due to the failure to gather documents supporting the application of the zero VAT rate within the timeframes established by law).

Other taxes

Social insurance contributions

Social contributions are payable in respect of individuals employed under Russian employment or civil contracts to the following funds:

- State Pension Fund;
- State Social Insurance Fund;

- Federal Obligatory Medical Insurance Fund.

Individuals do not pay social contributions in Russia; this obligation falls wholly on the employer. Failure to pay insurance contributions may result in penalties.

Insurance contributions are paid on top of gross remuneration paid to individuals in cash or in-kind under Russian employment or civil contracts.

The rates established for 2012–2013 are:

- State Pension Fund – 22 percent of the cap + 10 percent of remuneration exceeding the cap;
- Social Insurance Fund – 2.9 percent of remuneration up to the cap;
- Federal Obligatory Medical Insurance Fund – 5.1 percent of remuneration up to the cap.

For the period 2011–2014 qualifying agricultural producers may pay insurance contributions to social funds at reduced rates:

- State Pension Fund – 16 percent (in 2012) and 21 percent (in 2013–2014) of the cap;
- Social Insurance Fund – 1.9 percent (in 2012) and 2.4 percent (in 2013–2014) of remuneration up to the cap;
- Federal Obligatory Medical Insurance Fund – 2.3 percent (in 2012) and 3.7 percent (in 2013–2014) of remuneration up to the cap.

The additional pension contribution of 10 percent does not apply to agricultural producers.

The cap is established as RUB 512,000 (approximately USD 17,100) for 2012 and as RUB 568,000 (approximately USD 19,000) for 2013.

Russian legislation establishes special provisions for social contributions due in respect of foreign employees. Income of foreign employees holding a Highly-Qualified Specialist work permit is not subject to the above social insurance contributions. Social contributions to the State Pension Fund are, however, due on remuneration paid to foreign employees who do not hold work permit of this type.

Accident Insurance Contributions

Employers are liable for obligatory contributions to the State Social Security Fund for insurance of work-related injuries and diseases at rates ranging from 0.2 percent to 8.5 percent of an individual's gross income paid under Russian employment or civil contracts. The rate is assigned depending on the industry and the type of activity carried out by the employer.

Accident insurance contributions are due in respect of remuneration paid to Russian and foreign employees.

Land Tax

Land tax is a local tax, thus its application is governed by local regulations, as well as the Tax Code. The land tax rate is set by the local authorities and may not exceed the limits established by the Tax Code. The Tax Code permits municipal authorities to establish tax incentives for certain categories of taxpayers.

Land used for agricultural purposes is subject to a reduced tax rate. The maximum rate that can apply is 0.3 percent of the cadastral value (determined on January 1 of the reporting year) as compared with a maximum standard tax rate of 1.5 percent. Land tax applies to legal entities owning land or having a permanent right to its use. Legal entities which apply special tax regimes, use land free of charge, or under lease agreements, are not subject to land tax.

Property Tax

Property tax is a regional tax and is currently levied at the rate of up to 2.2 percent of the average annual book value of fixed assets (except for land) per annum. The property tax rate is established by regional legislative bodies. The Tax Code permits regional legislative bodies to establish tax incentives for certain categories of taxpayers (in particular there are tax incentives for agricultural producers in some regions of Russia).

Transportation Tax

The Transportation tax is an annual regional tax payable by persons in whose name the taxable means of transport are registered at the tax rates established for each particular type of transport. Specific types of agricultural vehicles are exempt from the tax. Regional legislative bodies are permitted to establish tax incentives for certain categories of taxpayers.

Transfer pricing

New transfer pricing legislation in Russia became effective in the Russian Federation on January 1, 2012, whilst some provisions are deferred until 2013 and 2014. The new rules are substantially based on the OECD Transfer Pricing Guidelines and are aimed at simplifying the application of transfer pricing legislation both by taxpayers and by the tax authorities.

This legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all “controlled” transactions. “Controlled” transactions include all cross-border transactions with related parties, certain cross-border transactions with offshore residents and with goods traded on commodity markets, as well as domestic related party transactions subject to certain criteria. While ownership of more than 25 percent is one of the main criteria to recognize the parties as being related, a court can recognize parties as such on grounds which are not specified in the law. The law provides detailed guidelines on how to apply each of the permitted transfer pricing methods.

Companies are obliged to notify the Russian tax authorities on controlled transactions and, in certain cases, prepare and retain transfer pricing documentation, which may be requested by the tax authorities.

The tax authorities are authorized to conduct transfer pricing audits. Underpayments of tax detected during a transfer pricing audit may only be collected by court judgement. Symmetric “corresponding adjustments” to the tax base (based on the selected transfer pricing method or as a result of a transfer pricing audit) may be available, although in practice, cross-border adjustments are difficult to implement.

The largest taxpayers are entitled to enter into an advance pricing agreement with the tax authorities. The transfer pricing rules do not apply to transactions between companies which are members of a consolidated taxpayer group.

Tax agent's obligations

There are some cases when legal entities have to act as tax agents with respect to payments to individuals and to foreign companies. The most common example is employer's obligation to withhold individual income tax from payments made to its employees and to pay the tax to the budget. The Russian-sourced income of a foreign entity which is not attributable to a permanent establishment in Russia may be subject to withholding tax at source. Failure by a tax agent to withhold or remit tax may result in a penalty equal to 20 percent of the tax to be remitted.

Tax consolidation

From 2012, Russian tax legislation introduced a limited form of tax consolidation for profit tax purposes. Companies that meet the required criteria may become a consolidated group which pays profits tax, consolidates profits, or offsets losses as a singular taxpayer, though participation is currently limited to only the largest Russian groups. Losses accumulated before the company became a group member cannot be claimed.

Russian subsidiaries cannot offset input VAT against output VAT of other companies of the Group.

Tax considerations in Sweden

The following summary of certain tax issues that may arise as a result of holding shares and subscription rights in the Company. It is based on current Swedish tax legislation and is intended only as general information. The summary applies to holders, who are resident or domiciled in Sweden for tax purposes, if not otherwise stated. Below it is referred to shares; however it is assumed that the corresponding rules in general apply on depository receipts, such as SDRs. The presentation does not deal comprehensively with all tax consequences that may occur in this context. Neither does it cover the specific rules on so-called qualified shares in closely held companies or cases where shares are held by a partnership or are held as current assets in a business operation. Moreover the summary does not address shares that are held on so called investment savings account and that are subject to special rules on standardised taxation. Special tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies, mutual funds and persons who are not resident or domiciled in Sweden. Each holder of shares and subscription rights is recommended to consult a tax adviser for information with respect to the special tax consequences that may arise as a result of holding shares and subscriptions rights in the Company, including the applicability and effect of foreign income tax rules, provisions contained in double taxation treaties and other rules, which may be applicable.

Disposal of shares

Individuals

Individuals and estates of deceased Swedish individuals, who sell their shares, are subject to capital gains tax. The current tax rate is 30 percent of the gain. The capital gain is calculated to equal the difference between the sales proceeds, after deduction for sales expenses, and the shares' acquisition cost for tax purposes. A capital gain on non-listed shares in a Swedish limited liability company, or a foreign limited liability company, that is subject to income taxation comparable to Swedish income taxation, is taxable by five sixths of the gain, i.e. at a rate of 25 percent. The acquisition cost is determined according to the so-called average-method. This means that the costs for all shares of the same type and class are added together and determined collectively, with respect to changes to the holding. Alternatively, the so-called standard rule according to which the acquisition cost is equal to 20 percent of the net sales price may be applied on the disposal of listed shares.

As a main rule, 70 percent of a capital loss is deductible against any other taxable income derived from capital. Capital losses on listed shares and listed securities taxed in the same manner as shares (except for listed shares in mutual funds containing only Swedish receivables) are, however, fully deductible against taxable capital gains on such assets or on non-listed shares in Swedish limited liability companies and foreign legal entities.

Moreover, only five sixths of capital losses on non-listed shares in Swedish limited liability companies and foreign legal entities are deductible. If capital losses pertain to both listed and non-listed shares, the losses pertaining to the listed shares are deductible prior to the losses on the non-listed shares. 70 percent of any excess amount is deductible according to the main rule or five sixths of 70 percent is deductible if the capital loss relates to non-listed shares. Capital losses on listed shares in mutual funds containing only Swedish receivables are currently fully deductible in the income of capital category.

If a deficit arises in the income from capital category, a reduction of the tax on income from employment and from business, as well as the tax on real estate, is allowed. The tax payer is entitled to a tax reduction of 30 percent of a deficit not exceeding SEK 100,000 and 21 percent of a deficit in excess of SEK 100,000. Deficits may not be carried forward to a later fiscal year.

Legal entities

Limited liability companies and other legal entities, except for estates of deceased Swedish individuals, are taxed on all income as income from business activities at a flat rate of 26.3 percent. The Budget Bill (2012/2013:1) includes a proposal to reduce the corporate tax rate to 22 percent. Regarding the calculation of a capital gain or loss and the acquisition cost, see section "Individuals".

A capital loss on shares incurred by a corporate shareholder may be offset only against gains on shares or other securities that are taxed in the same manner as shares. Such capital losses may, under certain circumstances, also be deductible against capital gains on such securities within the same group of companies, provided inter alia the requirements for group contributions are met. Capital losses on shares or other such securities, which have not been deducted from capital gains within a certain year, may be carried forward and be offset against similar capital gains in future years without any limitation in time.

For limited liability companies and economic associations, capital gains on shares in limited liability companies that are held for business purposes are tax-exempt and capital losses on such shares are non-deductible. Unlisted shares are always considered held for business purposes. Listed shares are considered to be held for business purposes provided that the holding represents at least 10 percent of the voting rights or if the shares are held for business reasons. Furthermore, capital gains on listed shares are only tax-exempt if they are held not less than one year from the day they became held for business purposes. Consequently, capital losses on listed shares of the same type and class have been acquired at different dates, shares acquired later are considered to have been sold prior to shares that were acquired earlier (last in first out). When applying the so-called average method, shares that have been held for one year and shares that have not, are not considered to be of the same type and class.

Cash dividends

Individuals

In general, dividends on shares are taxed at a rate of 30 percent as income from capital for individuals. However, dividends on non-listed shares in a Swedish limited liability company, or a foreign limited liability company that are subject to income taxation comparable to Swedish income taxation, are taxable by five sixths of the dividend, i.e. at a rate of 25 percent. No Swedish withholding tax will be levied on dividend distribution.

Legal entities

For limited liability companies dividends on shares are taxed at a flat rate of 26.3 percent as ordinary income from business activities. Special rules apply to certain corporate entities. Limited liability companies and economic associations, except for investment companies, may receive dividend free of tax on shares held for business purposes (for definition of shares held for business purposes, see section “Disposal of shares – Legal entities”). Furthermore, dividends on listed shares held for business purposes are only tax exempt if the shares are not disposed of within one year from the day they were deemed to be held for business purposes. The shares must, however, not have been held continuously for one year at the date of distribution. If the holding period requirement is not fulfilled later the dividend will, however, be subject to tax in a different fiscal year than the dividend was received (a so-called claw-back provision).

Exercise and Disposal of Subscription Rights

The exercise of subscription rights does not give rise to any taxation. The issuing price constitutes the acquisition cost for a share. If subscription rights that are used for subscription of shares have been purchased or otherwise acquired (i.e. that have not been received based on holding of existing shares), the tax basis of such subscription shall be included when calculating the tax basis for the subscribed shares.

For shareholders that do not wish to utilise their preferential right to participate in the rights issue of shares and therefore dispose of their subscription rights a capital gain or loss is calculated. Subscription rights based on a shareholding of existing shares are considered to have been acquired at SEK 0. The total sales proceeds, after deducting sales costs, are thus taxable. The standard rule is not applicable in this case. The tax basis for the original shares is not affected.

For subscription rights purchased or otherwise acquired the price paid for the rights constitutes the acquisition cost. The standard rule may be applied on disposal of listed subscription rights in this case.

A subscription right that is not exercised or sold, and thus expires, is deemed disposed of at SEK 0.

Tax considerations for shareholders residing outside of Sweden

Individual shareholders who are not resident in Sweden are subject to Swedish capital gains taxation upon disposal of shares in non Swedish corporate entities that were acquired during residence in Sweden if they have been residents of Sweden at any time during the calendar year of disposal or ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty for the avoidance of double taxation. Foreign legal entities are not in general liable to pay tax on capital gains on shares, if such gains do not arise from a permanent establishment in Sweden. Furthermore, if a permanent establishment exists, the rules concerning tax-exempt dividends and capital gains and non-deductible capital losses are applicable with certain limitations. No Swedish withholding tax will be levied on dividend distribution.

Swedish CFC rules

Under the Swedish Controlled Foregin Corporation rules (so-called CFC rules), a Swedish-resident holding or controlling 25 percent or more of the votes or the capital in a foreign legal entity, which is subject to tax at a rate less than 14.5 percent, such as the Company, is liable to tax on its pro rata part of the profits (calculated in accordance with Swedish tax laws) of the foreign legal entity irrespective of whether or not the profits have been distributed to the shareholder.

The Swedish CFC rules apply to shareholders holding or controlling such shares on the last day of the fiscal year. It should be noted that both direct and indirect holdings are considered and that holdings of affiliated persons (Sw. *intressegemenskap*) are added together. Specific rules of calculation apply to indirect shareholdings.

Legal matters and supplementary information

The Company

The legal and commercial name of the Company is Black Earth Farming Limited. The Company was incorporated in Jersey as a private limited liability company on 20 April 2005 in accordance with Jersey law (company registration number 89973). The Company became a public limited liability company after a special resolution that was passed by a General Meeting on 30 October 2006 and it intends to operate under this legal form of business entity, which is regulated by the 1991 Companies (Jersey) Law, henceforth. The Company has its registered office at P.O. Box 781, 8 Church Street, St. Helier, Jersey JE4 0SG, Channel Islands. The Company has been established for an indefinite term.

The Group

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 Black Earth Farming group (the "Group"). The organization of Russian subsidiaries goes by the joint name of Agro-Invest.

Planalto Enterprises Ltd.

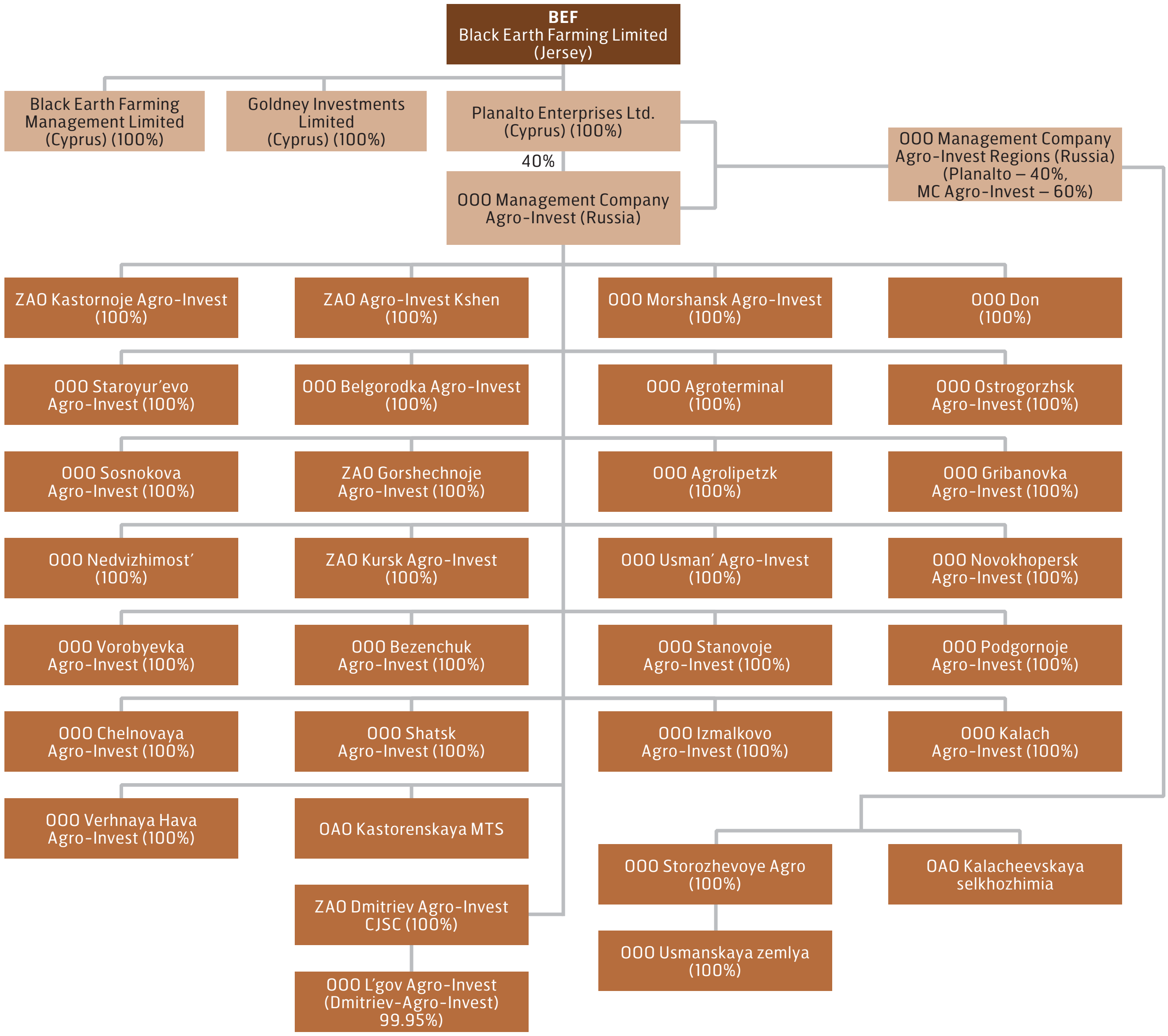
The Company owns 100 percent of the shares in Planalto Enterprises (Cyprus) Ltd. ("Planalto"). Planalto is a holding company incorporated in Cyprus. There are 2 other subsidiaries in Cyprus; Black Earth Farming Management Limited and Goldney Investments Limited, both of which are dormant.

OOO Management Company Agro-Invest and OOO Management Company Agro-Invest-Regions

Under Russian law, a foreign company, or a Russian company with more than a 50 percent foreign shareholding, cannot own agricultural land in Russia. To comply with this prohibition and to enable indirect ownership of Russian agricultural land, Black Earth Farming has established a cross-ownership structure. The limited liability companies Agro-Invest and Agro-Invest Regions control 60 percent of the shares in each other and Planalto owns the remaining 40 percent of the shares in Agro-Invest and in Agro-Invest Regions. Through such a structure, Planalto indirectly holds 100 percent of the shares in Agro-Invest, which in turn holds 100 percent of the shares in the operating companies. The board has financial authority to approve all important transactions of the companies within the Agro-Invest Group before being submitted to the Board of Directors for final approval. OOO Management Company Agro-Invest (Kursk) was previously a part of the Agro-Invest Group and has been liquidated during 2007.

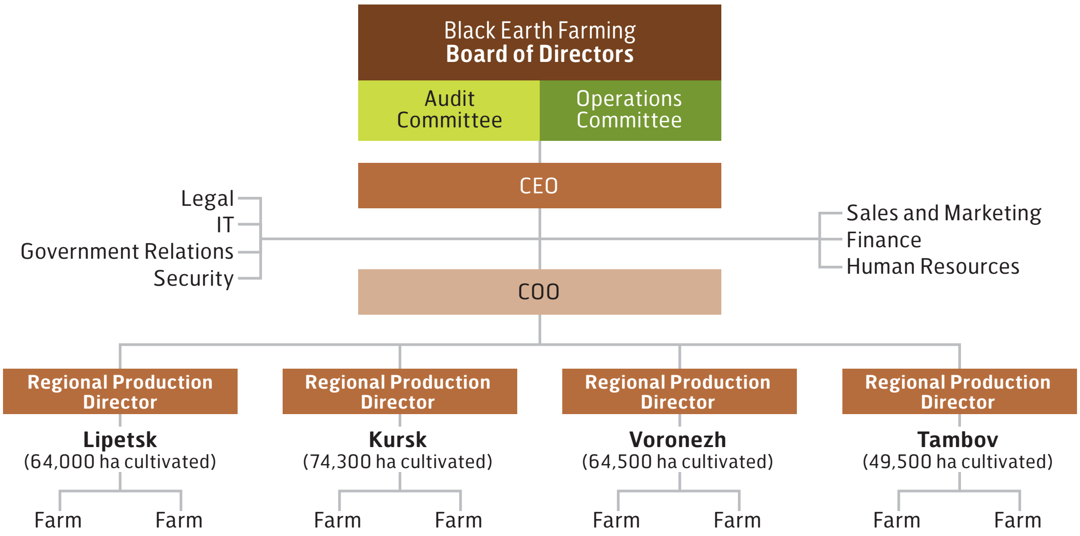
LLC Management Company Agro-Invest has four branches, Kurskiy branch, Tambovskij branch, Lipetskiy branch and a branch in Voronezh city. For each new land project, Agro-Invest establishes a Russian wholly-owned subsidiary which obtains lease and/or ownership rights to the land, except for the plots of land acquired in accordance with the methods described in sections (i) to (v) in "Business of Black Earth Farming – Land ownership". Currently, there are five land-related ZAO's ("CJSC") and twenty-four OOO's ("LLC") registered under Management Company Agro-invest. The land-related ZAO's were established from September 2005 to January 2006 and the land-related OOO's were established from April 2006 onwards. Further subsidiaries will be established as OOO's. There are also two OAO ("OJSC") within the legal group, OAO Kastorenskaya MTS (which does not own any land) and Kalacheevskaya Selkhozhimia OJSC, which are both under liquidation. In addition to the two aforementioned OAOs, Liski-Agro-Invest LLC and LLC Agro-Invest Tekhstroy are also under liquidation. The charter capital of Agro-Invest and each respective subsidiary is RUR 10,000, except for OOO Rus (RUR 69,500,000) and OAO Kastorenskaya MTS (RUR 2,098) and OAO Kalacheevskaya Selkhozhimiya (RUR 5,898), which are in compliance with the Russian minimum charter capital requirements.

The legal structure of Black Earth Farming is presented below. Please note that all companies set out below OOO Agro-Invest are companies incorporated in Russia.



Organisational structure and employees

As of 31 December 2011 the Group had 1,816 employees, while the average number of employees for 12 months 2011 was 1,829. The total number of employees as of 31 December 2010 and as of 31 December 2009 was 1,857 and 1,527, respectively. The Company is organised to efficiently operate large scale farming operations and thus enable economies of scale. The Company has several important group functions such as Legal, IT, Government Relations, Security, Sales and Marketing, Finance, Human Resources and other administration centralised in the Russian head office (central office). The Company's agricultural operations are organised in four regional branches with some representation from the central departments as well as regional and local production and administrative units and staff (See "Black Earth Farming's organisational structure").



Material agreements outside the Company's ordinary course of business

Consultancy agreement with KinnAgri Limited and KCM

During 2011 the Company entered into an agreement with KinnAgri Limited regarding the provision of consultancy services and the evaluation of the Groups crop production performance (see further below under *"Transactions with related parties"*). The agreement relates to the provision of ongoing arable management advice to the AGRO Invest Group following the agronomic audit produced by KinnAgri. The work is intended to support the COO, the Chief Agronomist and the Production Directors in providing world class crop production. The remuneration will be charged per hour in combination with a success fee calculated on annual reduction in cost of production for each crop. After the agreement has been in force for two years it may be terminated subject to 12 months notice prior to 30 September each year. For the purpose of evaluating the crop production performance, the Company has also entered into an agreement with KCM regarding the provision of agronomy consultancy services.

Strategic cooperation agreement with PepsiCo and its subsidiaries

In October 2012, Black Earth Farming Ltd and Frito Lay Trading Company (Europe) GmbH entered into a Frame Work Agreement pursuant to which certain Russian subsidiaries of the respective party have entered into Local Agreements regarding the supply of sunflowers and potatoes (and it is anticipated that an agreement for the supply of sugar beets will be executed in January of 2013.) The initial term of the Frame Work Agreement ends 31 December 2015, provided that no terminating event occurs. The Framework Agreement contains the conditions precedent to the local agreements, in particular the Company having sufficient irrigation & storage infrastructure and raising (by year end) at least USD 50,000,000 to discharge its obligations under the local agreements. The Framework Agreement also contains a mutual indemnity for the losses of each party's Russian subsidiaries under the local agreements. In addition the framework agreement contains customary provisions on warranties, limitations on liability, assignment force majeure, confidentiality and other boilerplate language typical of a transaction of this type. Indicative volumes for the supply of potatoes have been agreed for a period of three years and indicative volumes for the supply of sunflowers are agreed for a period of one year.

Loan Arrangement

On 11 July 2012, the Company announced that it had obtained a USD 25 million credit facility from Kinnevik New Ventures AB and Vostok Komi (Cyprus) Limited to fund working capital needs. The facility is unsecured, carries an annual interest rate of 11 percent and matures in June 2013 (the *"Shareholders' Loan"*).

Subscription Undertaking

Kinnevik New Ventures AB, Vostok Komi (Cyprus) Limited, the Board of Directors and the senior executives have, severally and not jointly, undertaken to exercise their pro rata share of the Subscription Rights (first priority preferential rights) in the Rights Issue (the *"Shareholders' Subscription Undertaking"*). Kinnevik New Ventures AB's current shareholding in the Company amounts to approximately 24.9 percent of the capital and votes and Vostok Komi (Cyprus) Limited's current shareholding in the Company amounts to approximately 24.8 percent of the capital and votes. The Shareholders' Subscription Undertaking corresponds to approximately 50.4 percent of the Rights Issue, which amounts to approximately SEK 267 million, as set out in the table below.

Kinnevik New Ventures AB and Vostok Komi (Cyprus) Limited have undertaken, respectively, not to reduce its existing shareholding by disposing any shares in the Company in any manner prior to the date following the expiry of the Rights Issue subscription period.

Kinnevik New Ventures AB and Vostok Komi (Cyprus) Limited may pay for the New SDRs by way of set-off against the Shareholders' Loan up to an amount of USD 12.5 million each. Payment for any New SDRs in excess of USD 12.5 million shall be made by way of cash payment. Kinnevik New Ventures AB's subscription undertaking is limited to an amount of SEK 138.5 million and Vostok Komi (Cyprus) Limited's subscription undertaking is limited to an amount of SEK 137.5 million. The Shareholders' Subscription Undertaking is conditional upon the subscription period ending on or prior to 31 December 2012. No commission will be paid on the Shareholders Subscription Undertaking.

Shareholders	Undertaking to exercise pro rata Subscription Rights (SEK)
Kinnevik New Ventures AB	132,230,666
Vostok Komi (Cyprus) Limited	131,386,791
Vigo Carlund	1,005,851
Richard Warburton	914,514
Poul Schroeder	170,142
Henrik Persson	17,014
Per Brilioth	425,355
Fraser Scott	242,678
Alexander Betsky	170,142
Richard Willows	53,169
Gustav Wetterling	6,806
Magnus Unger	638,033
Total (SEK)	267,261,162
Proportion of the Rights Issue	50.4%

Bond issue

On 1 July 2010, the Company issued, with Euroclear Sweden as central securities depository and registrar, bonds in the total amount of SEK 750,000,000 (the *"Bonds"*). The Bonds mature on 1 July 2014. The Bonds will bear a fixed annual interest of 10 percent as from 1 July 2010 to the date of maturity. The Bonds were listed on the Corporate Bond List of NASDAQ OMX Stockholm on 24 September 2010.

Consent

On 24 June 2010, Black Earth Farming received the required consent from the Jersey Financial Services Commission (the "Commission") to issue the Bonds. The consent requires that Black Earth Farming must seek prior approval from the Commission to, *inter alia,*:

- change the Corporate Administrator, the Security Trustee or the Ownership of the Company; or
- make any changes association with the Company or the Bonds (the Commission's consent has been obtained as part of the process of approving this document).

The consent is granted by the Commission pursuant to the Control of Borrowing (Jersey) Law 1947, as ameded. The Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from its discharge of its functions under that Law.

Terms and conditions

According to the material terms and conditions of the Bonds the Company undertakes, inter alia:

(i) to maintain a debt to equity ratio of 75 percent or lower;

(ii) to procure that none of its subsidiaries raises any loan or other indebtedness by the issuance of commercial paper, subordinated debentures, bonds or other securities of whatever kind, which are or may be quoted, listed or ordinarily dealt in or traded on any Swedish or foreign stock exchange, over-the-counter or other regulated or unregulated securities market (a "Market Loan");

(iii) not to make a dividend or distribution of capital, redeem or purchase any of its Shares or make other similar distributions to shareholders in an amount exceeding 30 percent of the most recent financial year's net profit on a consolidated basis;

(iv) not to provide or permit to subsist any security or permit someone else to provide or permit to subsist security in the form of a guarantee or otherwise, for any Market Loan raised by the Company for any debt instrument, which is or may be quoted or traded on a stock exchange, over-the-counter or other securities market;

(v) the Company should use the funds raised from the issuance of bonds within the ordinary course of business.

If the Company does not fulfil, inter alia, its obligations listed in (i)–(iv) above, the Bonds may, after a period of 45 banking days from the notification thereof, be accelerated for immediate payment at a price corresponding to nominal value with a certain surcharge plus accrued interest. Note that the above obligations (i)–(iv) are examples of the Company's obligations in relation to the Bonds. Moreover, note that payment may also be accelerated for other reasons than not fulfilling the obligations listed, e.g. as futher set out in section "change of control etc." below.

Change of control etc.

The Bonds contain a change of control clause implying that the Bonds may be accelerated if (i) any person or persons, acting together, acquires or acquire control of the Company; or (ii) a public offer is made in respect of the shares of the Company and such offer has been declared unconditional and the offeror, and any person or persons acting together with the offeror, acquire or acquires control of the Company; or (iii) the Company's shares in the form of SDRs are not listed and admitted to trading on NASDAQ OMX Stockholm or trading of the Company's shares on NASDAQ OMX Stockholm is suspended for more than 15 consecutive dealing days.

Litigation

The process of land registration is regulated by the federal law "Agricultural land turnover/usage", which provisions are controversial and hard to meet, and in some instances cannot be complied with in principle. Please refer to the section "Business of Black Earth Farming – Land ownership" for more information on the process of land acquisition in Russia. This relates primarily to the provisions relating to the acquisition of shares in the right of the common ownership to the land plots (so called "pais"). The difficulties in disputes with pai holders are that the cases against Agro-Invest are considered by local courts, whose objectivity is generally doubtful. A loss by Agro-Invest against the pai holders would result in a two-sided restitution, where each side would be required to return that which they received in the transaction.

Due to the nature of the Company's business and the ambiguities and inconsistencies in the Russian legal system and business practices, the Company is continuously involved in a number of legal proceedings. For example, in relation to its holdings of land (two of which relate to the same plot of land), the total land area subject to disputes is 7,379.61 hectares and the disputes relate to claims from the plaintiffs that the meetings for the pai holders as stipulated by Russian law have not taken place, the minutes from such meetings are invalid and that the sale and purchase agreements for the land shall be declared invalid. In three of the Company's disputes the courts have ruled against the Company and the Company intends to appeal the resolutions, and in a fourth case no resolution by the court has yet been made.

No dependency on intellectual property rights or particular contracts

There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

Ownership of agricultural land

The main methods used in the acquisition of agricultural land have been described above under section "Land Ownership". These methods have been used to obtain approximately 318,000 hectares of 'land under control'. Approximately 18,000 hectares in aggregate are still in the process of ownership registration as set out in "Land Ownership".

Real property

The Company has acquired a number of real property objects, such as:

i) administrative buildings, manufacturing buildings, engineering workshops, office buildings and industrial grounds;

ii) grain warehouses, chemical fertiliser warehouses and hay and silage entrenchments;

iii) animal farms, stables and pigsties;

iv) gas pipelines, petrol stations and garages; and

v) other types of real property objects.

The Company's real property objects are located in the Kursk, Lipetsk, Ryazan, Tambov and Voronezh Oblasts. By acquiring real property objects, the Company generally also receives the right to use the part of the land plot occupied by the building and its surroundings, if deemed to be necessary for the use thereof, on the same conditions and to the same extent as that of the previous owner of the building.

Transactions with related parties

For transaction with related parties carried out in 2012, please see the section called "Loan Arrangement" and "Subscription Undertaking".

During the financial year 2012, the Company has purchased services from KinnAgri Limited in the amount of approximately USD 910,000. All contracts have been scrutinized for arms length and have been approved by the members of the Board of Directors independent from Investment AB Kinnevik.

As stated in the Annual Report 2011, during 2011 the Company has purchased services from related parties to Investment AB Kinnevik in the amount of RUR 123,000 and from KinnAgri Limited in the amount of RUR 38,498,000. KinnAgri Limited has provided consultancy services and a review of the Company's crop production performance to the Company. The contracts have been scrutinized for arms length and have been approved by the members of the Board of Directors independent from Investment AB Kinnevik.

As stated in the Annual Report 2010, in 2010 the Group purchased goods and services from Vostok Komi (Cyprus) Limited amounting to RUR 2,502,000.

As stated in the Annual Report 2009, in 2009 the Group purchased goods and services from Vostok Komi (Cyprus) Limited amounting to RUR 5,487,000.

Insurance

The insurance industry in Russia is not yet well developed and many forms of insurance protection are not available and, if available, can be very expensive. The Company's current use of insurance is therefore selective and includes insurance against some, but not all, potential risks and losses affecting its operations. The Company is currently looking into the possibility of taking out a crop insurance as a way of mitigating risk. For further information, please see section "Risk factors – The Company does not carry the types of insurance coverage customary in more economically developed countries".

Provision of documents

The Company will provide, on request, all reports and other documents, historical financial information, valuations or statements prepared by experts at the Company's request, and any part thereof which is included or referred to in this Prospectus. Historical financial information, the Articles of Association and all information which has been made public is available in electronic form at the Company's website www.blackearthfarming.com. Financial information about the Company and its subsidiaries may also be ordered from the Company directly.

Memorandum and Articles of Association

General
The Company was incorporated under the 1991 Companies (Jersey) Law on 20 April 2005 under the name "Black Earth Farming Limited" with company registration number 89973. The Company is a public limited liability company under the laws of Jersey, Channel Islands. The Company's registered office is at P.O. Box 781, 8 Church Street, St Helier, Jersey JE4 0SG, Channel Islands.

The Company is a par value company under the 1991 Companies (Jersey) Law. The liability of each member arising from his shareholding in the Company is limited to the amount (if any) unpaid on it. Currently, there are no shares that are issued but not fully paid up.

Set out below is a description of certain rights attaching to the shares and related material provisions of the Articles of Association. This information is not exhaustive and reference should be made to the Articles of Association and to Jersey law.

Memorandum of Association
The memorandum of association of the Company does not restrict the activities of the Company and thus the Company has unlimited legal capacity. A copy of the memorandum of association is available for review at the address specified in the section "Business address".

The memorandum of association may only be amended with the sanction of a special resolution of the Company. A special resolution is defined in the 1991 Companies (Jersey) Law as a resolution passed by a majority of not less than two-thirds of members who (being entitled to do so) vote in person or by proxy, at a General Meeting of the Company or at a separate meeting of a class of members of the Company of which in either case not less than 21 days notice, specifying the intention to propose the resolution as a special resolution, has been duly given.

Articles of Association
The current Articles of Association of BEF were adopted on 15 November 2007 and amended on 13 November 2012. A copy of the Articles of Association is available for review at the address specified in the section "Business Address" and in electronic form at the Company's website www.blackearthfarming.com.

The Articles of Association may only be amended with the sanction of a special resolution.

Rights attaching to shares
Issue of shares
Subject to the provisions of the 1991 Companies (Jersey) Law and the Articles of Association and without prejudice to any rights attached to any issued shares, any share may be issued with such special rights or restrictions as the Company in General Meeting may by ordinary resolution determine.

In principle, the Board of Directors has the power to allot, grant options over, offer or otherwise deal with or dispose of shares (or rights to subscribe for or convert any securities into shares) in the authorised but unissued share capital of the Company. However, the Board of Directors may not exercise such power in relation to relevant securities (which includes shares but excludes shares allotted pursuant to the warrant instrument dated 11 August 2005, as amended) unless the Board of Directors is authorised to do so by the Company in General Meeting by ordinary resolution. Such authority may be given for a particular exercise of the power or for its exercise generally, and may be unconditional or subject to conditions. The authority must state the maximum amount of relevant securities that may be allotted under it and the date on which the authority will expire, which must be not more than five years from the date on which the resolution is passed by virtue of which the authority is given, but such authority may be previously revoked or varied by the Company in General Meeting by ordinary resolution.

Pre-emption rights
Subject to the provisions of the Articles of Association, if the Company proposes to allot equity securities (other than equity securities which are, or are to be, wholly or partly paid up otherwise than in cash, equity securities allotted pursuant to the exercise of warrants or equity securities allotted pursuant to an offering then the Company (i) shall not allot any of them on any terms to a person unless it has made an offer to each member who holds relevant shares to allot to him on the same or more favourable terms a proportion of those securities which is as nearly as practicable equal to the proportion in number held by him of the aggregate of relevant shares; and (ii) shall not allot any of those securities to a person unless the period during which any such offer may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer so made. These rights in favour of members are called "pre-emption" rights. The Company in General Meeting may by special resolution disapply such pre-emption rights, in which case such equity securities may be allotted as if members did not have such pre-emption rights. The 1991 Companies (Jersey) Law does not include a statutory right of pre-emption.

Voting rights
Subject to any special rights or restrictions as to voting attached to shares (of which there are none at present), on a show of hands every shareholder who is present in person shall have one vote and on a poll every holder who is present

in person or by proxy shall have one vote for every Share of which he is the holder. A corporate member may, by resolution of its directors or other governing body, authorise a person to act as its representative at General Meetings and that person may exercise the same powers as the corporate member could exercise if it were an individual member.

Each member may appoint multiple proxies in respects of the shares held by him and any proxy validly appointed by such members shall have the right to attend and vote at a General Meeting. When two or more valid but differing instruments of proxy are delivered in respect of the same share for use at the same meeting and in respect of the same matter, the one which is last validly delivered (regardless of date of execution) shall be treated as replacing and revoking the other or others as regards that share.

In the case of joint holders, the vote of the person whose name appears first in the register of shareholders shall be accepted to the exclusion of the votes of the other joint holders.

Dividends

The profits of the Company available for dividends and resolved to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and interests in the profits of the Company. The Company may by ordinary resolution declare dividends accordingly, but no dividends shall exceed the amount recommended by the Board of Directors. No dividends shall be payable otherwise than in accordance with the 1991 Companies (Jersey) Law out of the profits of the Company available for that purpose. There are no fixed dates on which entitlement to dividends arises. Subject to the provisions of the 1991 Companies (Jersey) Law, the Board of Directors may from time to time pay to shareholders such interim dividends as appear to the Board of Directors to be justified by the profits of the Company.

No dividends or other monies payable in respect of a Share shall bear interest as against the Company unless otherwise provided by the rights attached to the Share. Any dividends which has remained unclaimed for a period of ten years from its due date of payment shall, if the Board of Directors so resolves, be forfeited and shall cease to remain as a debt for the Company and thereafter belong to the Company.

Variation of rights and changes of capital

If at any time the capital of the Company is divided into different classes of shares the special rights attached to any class of shares may, subject to the provisions of the 1991 Companies (Jersey) Law, be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of such provision, either with the consent in writing of the holders of two-thirds in number of the issued shares of that class or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of the class, but not otherwise. To every such separate meeting, the provisions of the Articles of Association relating to General Meetings of the Company shall apply with the necessary modifications except that the necessary quorum shall be not less than two persons holding or representing by proxy at least one-third in number of the issued shares of that class.

The Company may from time to time by special resolution increase its share capital by such sum to be divided into shares of such amounts and carrying such rights as the resolution may prescribe.

The Company may by special resolution increase or reduce the number of shares that it is authorised to issue, consolidate all or any of its shares (whether issued or not) into fewer shares or divide all or any of its shares (whether issued or not) into more shares.

The Company may by special resolution reduce its share capital or any share premium account. The Company may, subject to the provisions of the 1991 Companies (Jersey) Law and to any rights for the time being attached to any shares, purchase any of its own shares (including redeemable shares).

Meetings of shareholders

Annual General Meetings

Subject to the provisions of the Law, Annual General Meetings shall be held, either in Sweden or such other country as the Board of Directors may determine, at such time and place as the Board of Directors may determine. An Annual General Meeting shall be convened by not less than 21 clear days' notice in writing or on shorter notice if so agreed by all of the members entitled to attend and vote at the meeting.

Extraordinary General Meetings

The Board of Directors may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by the 1991 Companies (Jersey) Law. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except that stated by the requisition or proposed by the Board of Directors. An extraordinary general meeting convened for the passing of a special resolution shall be convened by not less than 21 clear days' notice in writing and all other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing. An extraordinary general meeting may be held on shorter notice if so agreed by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 percent in number of the shares giving that right.

Meetings generally

In the case of both an annual general meeting and an extraordinary general meeting, the notice must specify whether the meeting is an annual general meeting or an extraordinary general meeting, the place, day and time of the meeting, the general nature of the business (if special business is to be transacted) and the intention to propose a special resolution if that be the case, and with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member. The notice of meeting may specify a time (which shall not be more than 21 clear days before the time fixed for the meeting) by which a person must be on the register of shareholders in order to have the right to attend and vote at the meeting. The Board of Directors may also determine that shareholders who wish to attend and vote at a meeting must notify the Company of their intention to do so not later than a day stipulated in the notice, which day may not be earlier than the fifth weekday prior to the meeting or fall on a Sunday, public holiday, Saturday, Midsummer's Eve, Christmas Eve, or New Year's Eve.

The notice must be given to the members (other than any who, under the provisions of the Articles of Association or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), the Directors and the auditors.

The Board of Directors may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a General Meeting, from time to time make such arrangements as the Board of Directors shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements. The entitlement of any member or proxy to attend a General Meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board of Directors. In the case of any meeting to which such arrangements apply the Board of Directors may, when specifying the place of the meeting:

i) direct that the meeting shall be held at a place specified in the notice at which the Chairman of the meeting shall preside (the "Principal Place"); and
ii) make arrangements for simultaneous attendance and participation at other places by members otherwise entitled to attend the General Meeting but excluded therefrom under these provisions or who wish to attend at any of such other places, provided that persons attending at the Principal Place and at any of such other places shall be able to see, and hear and be seen and heard by, persons attending at the Principal Place and at such other places, by any means.

Such arrangements for simultaneous attendance may include arrangements for controlling the level of attendance in any manner aforesaid at any of such other places, provided that they shall operate so that any such excluded members as aforesaid are able to attend at one of such other places. Any such meeting shall be treated as being held and taking place at the Principal Place.

The Board of Directors may direct that any person wishing to attend any General Meeting should provide such evidence of identity and submit to such searches or such other security arrangements or restrictions as the Board of Directors shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse admission to any person who fails to provide such evidence of identity or fails to submit to such searches or to otherwise comply with such security arrangements or restrictions.

Disclosure of interests

The 1991 Companies (Jersey) Law does not contain any provisions which entitle the Company to require members to disclose interests in the shares.

Distribution of assets on liquidation

If the Company should be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator (or, if no liquidator is appointed, the Board of Directors) may with the authority of a special resolution and any other sanction required by the 1991 Companies (Jersey) Law, divide amongst the members in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division should be carried out as between the members or different classes of members. No member shall be compelled to accept any assets upon which there is a liability.

Directors and the Board

Number of Directors

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate directors) shall be not less than two.

Appointment of Directors

The members are entitled to appoint and dismiss any person as a Director by ordinary resolution. The Board of Directors may also appoint a Director either to fill a vacancy or as an addition to the Board of Directors.

Permitted interests of Directors

Subject to the 1991 Companies (Jersey) Law and provided such Director has disclosed to the Board of Directors the nature and extent of any direct or indirect interest, a Director, notwithstanding his office:

i) may enter into or otherwise be interested in a contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested either in connection with his tenure of any office or place of profit or as vendor, buyer or otherwise;
ii) may hold another office or place of profit with the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his or her firm in a professional capacity to the Company, and in any such

case on such terms as to remuneration and otherwise as the Board of Directors may arrange, either in addition to or instead of any Board fees;

iii) may be a director or other officer of, or employed by, or a party to a contract, transaction, arrangement or proposal with or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested or in which the Company has any powers of appointment; and

iv) is not liable to account to the Company for a profit, remuneration or other benefit realised by such office, employment, contract, arrangement, transaction or proposal,

and no such contract, arrangement, transaction or proposal is avoided on the grounds of any such interest or benefit.

Interested Director not to vote

Save as mentioned below, a Director shall not vote on (but shall still be counted in the quorum in relation to) any resolution of the Board of Directors or committee of the Board of Directors concerning any contract or arrangement or any other proposal in which he has any interest which is to his knowledge a material interest otherwise than by virtue of his interests in shares, debentures or other securities of, or otherwise in or through, the Company.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

i) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

ii) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting in which he is to participate;

iv) any proposal relating to any other body corporate in which he (together with persons connected with him) does not to his knowledge hold an interest of any kind whatsoever;

v) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award to him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; or

vi) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including the Directors.

If any question shall arise at a meeting as to the right of a Director to vote or to the materiality of a Director's interest, and such question is not resolved by his voluntary agreement to abstain from voting, the question may (subject to the 1991 Companies (Jersey) Law) be referred to the Chairman of the meeting (or, if the Director concerned is the Chairman of the meeting, to such other Directors present at the meeting) and his ruling in relation to any other Director shall be final and conclusive.

Remuneration of Directors

The Directors shall be entitled to receive by way of fees for their services such sum as the Board of Directors may from time to time determine. The Directors shall also be entitled to be paid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance by them of their duties as Directors including any expenses in attending meetings of the Board of Directors or any committee of the Board of Directors or General Meetings or separate meetings of the holders of any class of shares or debentures of the Company. Extra remuneration may be paid out of the funds of the Company by way of salary, commission, participation in profits or otherwise as the Board of Directors may determine to any Director who, by arrangement with the Board of Directors, shall perform or render any special duties or services outside the scope of the ordinary duties of a Director and not in his capacity as a holder of employment or executive office.

The Board of Directors may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for, or to institute and maintain any institution, association, society, club, trust, other establishment or profit-sharing, share incentive, share purchase or employees' share scheme calculated to advance the interests of the Company or to benefit any person who is or has at any time been a Director or employee of the Company or any body corporate which is a holding body or a subsidiary undertaking of or allied to or associated with the Company or any such holding body or subsidiary undertaking or any predecessor in business of the Company or of any such holding body or subsidiary undertaking, and for any member of his family (including a spouse or former spouse) and any person who is or was dependent on him. For such purpose the Board of Directors may establish, maintain, subscribe and contribute to any scheme, institution, association, club, trust or fund and pay premiums and, subject to the provisions of the 1991 Companies (Jersey) Law, lend money or make payments to, guarantee or give an indemnity in respect of, or give any financial or other assistance in connection with any of the aforesaid matters. The Board of Directors may procure any of such matters to be done by the Company either alone or in conjunction with any other person. Any Director or former Director shall be entitled to receive and retain for his own benefit any pension or other benefit provided under the Articles of Association and shall not be obliged to account for it to the Company.

Meetings of the Board of Directors

The quorum for a meeting of the Board of Directors may be determined by the Board of Directors and until otherwise determined shall be two persons. In any meeting of the Board of Directors, each Director is entitled to one vote and a simple majority is required to pass a resolution. In the event of an equality of votes the Chairman shall have a second or casting vote. A resolution can be passed without a meeting if all the Directors entitled to receive notice of a board meeting, and being not less than a quorum for a meeting, consent in writing to the proposal.

Powers of the Board of Directors and delegation of the Board's powers

Subject to the provisions of the 1991 Companies (Jersey) Law, the memorandum of association of the Company and the Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Board of Directors, which may exercise all powers of the Company.

Subject to the provisions of the Articles of Association, the Board of Directors may delegate any of its powers, authorities and discretions (with power to sub-delegate) for such time and on such terms and conditions as it thinks fit.

Borrowing powers

The Board of Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and, subject to the provisions of the 1991 Companies (Jersey) Law, to create and issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party.

Right to indemnification

Pursuant to the Articles of Association and subject to the 1991 Companies (Jersey) Law, each present or former Director (including any alternate Director), Secretary or other officer of the Company shall be indemnified out of the assets of the Company against any costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution or discharge of his duties or exercise of his powers or otherwise in relation thereto.

The Board of Directors may authorise the purchase or maintenance of, on behalf of any Director (including any alternate Director), Secretary or other officer or employee of the Company or any other body corporate which is a subsidiary or in which the Company has an interest, such insurance as is permitted by the 1991 Companies (Jersey) Law in respect of any liability which would otherwise attach to such person.

Restrictions on changes in control, mergers, acquisitions or corporate restructuring of the Company

There are no provisions in the Articles of Association that would have the effect of delaying, deferring or preventing a change of control in the Company or that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company.

Financial statements and the statutory auditor

Within seven months after the end of each financial period, the accounts of the Company for that period shall be prepared, and examined and reported upon by auditors and laid before a General Meeting of the Company together with a copy of the auditors' report. A copy of the audited accounts shall, not less than 14 clear days before the General Meeting before which they are to be laid, be available at the premises of the Company and published on the Company's website. The auditors of the Company must be qualified to act as such as a matter of Jersey law.

Documents incorporated by reference

Investors should inform themselves of all information that has been included in the Prospectus by reference and the information to which the reference is made shall be read as part of this Prospectus. The parts of the documents indicated below which are not incorporated by reference do not constitute a part of this Prospectus.

Information to which reference is made shall be read as a part of the Prospectus. This information is available electronically on the Company's website, www.blackearthfarming.com, on Pareto Öhman's website, www.paretosec.com or be obtained from the Company in hard copy format at its registered office on 8 Church Street, St. Helier, Jersey JE4 0SG, Channel Islands during the validity period of the Prospectus.

Information	Source
Audited consolidated statement of comprehensive income, consolidated statement of financial position, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements for the financial years 2009, 2010 and 2011	Annual report 2011 page 43–73 Annual report 2010 page 37–67 Annual report 2009 page 36–65
Annual reports for the financial years 2009, 2010 and 2011	Annual report 2011 Annual report 2010 Annual report 2009
Reviewed interim reports for the six month period ended 30 June 2012	Interim Report 1 January–30 June 2012 – page 11–23
Unaudited interim reports for the six month period ended 30 June 2011	Interim Report 1 January–30 June 2011 – page 12–23

Restrictions on sale and transfer of securities

General

The grant of Subscription Rights and issue of New SDRs upon exercise of Subscription Rights and the offer of unsubscribed new shares in the form of SDRs to persons resident in, or who are citizens of countries other than Sweden may be affected by the laws of the relevant jurisdiction. Investors should consult their professional advisors as to whether they require any governmental or other consent or need to observe any other formalities to enable them to exercise Subscription Rights or purchase New SDRs.

The Company is not taking any action to permit a public offering of the Securities in any jurisdiction other than Sweden and Jersey. Receipt of this prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus is for information only and should not be copied or redistributed. Except as otherwise disclosed in this prospectus, if an investor receives a copy of this prospectus in any territory other than Sweden the investor may not treat this prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the Securities, unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Securities could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this prospectus, the investor should not distribute or send the same, or transfer the Securities to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If the investor forwards this prospectus into any such territories (whether under a contractual or legal obligation or otherwise), the investor should draw the recipient's attention to the contents of this section. Except as otherwise expressly noted in this prospectus: (i) the Securities being granted or offered, respectively, in the Rights Issue may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, Australia, Canada, Hong Kong, Japan, Singapore, South Africa, Switzerland and the US or any other jurisdiction in which it would not be permissible to offer the Securities (the "Ineligible Jurisdictions"); (ii) this prospectus may not be sent to any person in any Ineligible Jurisdiction; and (iii) the crediting of Subscription Rights to an account of a shareholder or other person in an Ineligible Jurisdiction or a citizen of an Ineligible Jurisdiction (referred to as "Ineligible Persons") does not constitute an offer to such persons of the New SDRs and Ineligible Persons may not exercise Subscription Rights.

If an investor takes up, delivers or otherwise transfers Subscription Rights, exercises Subscription Rights to obtain New SDRs or trades or otherwise deals in the Securities, that investor will be deemed to have made or, in some cases, be required to make, the following representations and warranties to the Company and any person acting on the Company's or its behalf, unless such requirement is waived by the Company:

(a) the investor is not located in an Ineligible Jurisdiction;
(b) the investor is not an Ineligible Person;
(c) the investor is not acting, and has not acted, for the account or benefit of an Ineligible Person;
(d) unless the investor is an existing holder of SDRs and a "qualified institutional buyer" as defined in, and in accordance with, Rule 144A under the Securities Act, the investor is located outside the US and any person for whose account or benefit it is acting on a non-discretionary basis is located outside the US and, upon acquiring New SDRs, the investor and any such person will be located outside the US;
(e) the investor understands that the Securities have not been or will not be registered under the Securities Act and may not be offered, sold, pledged, resold, granted, delivered, allotted, taken up or otherwise transferred within the US or to or for the account or benefit of US persons except pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act; and
(f) the investor may lawfully be offered, take up, subscribe for and receive Securities in the jurisdiction in which it resides or is currently located.

The Company and any persons acting on behalf of the Company will rely upon the investor's representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may subject the investor to liability.

If a person is acting on behalf of a holder of Subscription Rights (including, without limitation, as a nominee, custodian or trustee), that person will be required to provide the foregoing representations and warranties to the Company with respect to the exercise of Subscription Rights on behalf of the holder. If such person cannot or is unable to provide the foregoing representations and warranties, the Company will not be bound to authorize the allocation of any of the Securities to that person or the person on whose behalf the other is acting. Subject to the specific restrictions described below, if an investor (including, without limitation, its nominees and trustees) is outside Sweden and wishes to exercise or otherwise deal in or subscribe for Securities, the investor must satisfy itself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The information set out in this section is intended as a general guide only. If the investor is in any doubt as to whether it is eligible to exercise its Subscription Rights or subscribe for the Securities, that investor should consult its professional advisor without delay.

Subscription Rights will initially be credited to financial intermediaries for the accounts of all persons that hold the Company's SDRs as of the Record Date in custody through such an intermediary. A financial intermediary may not exercise any Subscription Rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and may be required in connection with any exercise of Subscription Rights to certify the same.

Subject to certain exceptions, financial intermediaries are not permitted to send this prospectus or any other information about the Rights Issue into any Ineligible Jurisdiction or to any Ineligible Persons. The crediting of Subscription Rights to the account of persons in Ineligible Jurisdictions or to Ineligible Persons does not constitute an offer of the Securities to such persons. Financial intermediaries, which include brokers, custodians and nominees, holding for Ineligible Persons may consider selling any and all Subscription Rights held for the benefit of such persons to the extent permitted under their arrangements with such persons and applicable law and to remit the net proceeds to the accounts of such persons.

Subject to certain exceptions, exercise instructions or certifications sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid and the Securities will not be delivered to an addressee in any Ineligible Jurisdiction. The Company reserves the right to reject any exercise (or revocation of such exercise) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, revocation of exercise or delivery of such Securities, who is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is not acting on a discretionary basis for such persons, or who appears to the Company or its agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, the Company reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of Subscription Rights which appears to it to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction.

Despite any other provision of this prospectus, the Company reserves the right to permit a holder to exercise its Subscription Rights if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the laws or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described further below. In any such case, the Company does not accept any liability for any actions that a holder takes or for any consequences that it may suffer by them accepting the holder's exercise of Subscription Rights.

A further description of certain restrictions on the Rights Issue of the Securities is set out below.

United States

The Securities have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the US and may not be offered, or sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the US except pursuant to an applicable exemption from the registration requirements of the Securities Act and in compliance with the securities laws of any state or other jurisdiction of the US. The Securities are being offered and sold outside the US in reliance on Regulation S under the Securities Act. Any offering of the Securities to be made in the US will be made only to a limited number of existing holders of SDRs who are reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) pursuant to an exemption from registration under the Securities Act in a transaction not involving any public offering and who have executed and returned an investor letter to the Company.

Accordingly, subject to certain limited exceptions, this document will not be sent to, and no Subscription Rights will be credited to, any holders of SDRs with a registered address in the US. In addition, the Company reserves the right to reject any instruction sent by or on behalf of any Euroclear Sweden account holder with a registered address in the US in respect of the Securities.

Until 40 days after the commencement of the Rights Issue, any offer or sale of the Securities within the US by any dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

The Securities have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the US or any other US regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Securities or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the US.

Each person to which Securities are distributed, offered or sold in the US, by accepting delivery of this prospectus or by its subscription for Securities, will be deemed to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for Securities, as the case may be, that:

(i) it is an existing shareholder of SDRs and a "qualified institutional buyer" as defined in Rule 144A under the Securities Act that has executed and returned an investor letter to the Company; and
(ii) the Securities have not been offered to it by the Company by means of any form of "general solicitation" or "general advertising" (within the meaning of Regulation D under the Securities Act).

Each person to which Securities are distributed, offered or sold outside the US will be deemed by its subscription for, or purchase of, the Securities to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the Securities, as the case may be, that:

(i) it is acquiring the Securities from the Company or the Financial Adviser in an "offshore transaction" as defined in Regulation S under the Securities Act; and

(ii) the Securities have not been offered to it by the Company or the Financial Adviser by means of any "directed selling efforts" as defined in Regulation S under the Securities Act.

European Economic Area

In relation to each member state of the European Economic Area, other than Sweden, which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Financial Adviser has represented and agreed and the Financial Adviser and each recipient of this document will be deemed to have represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of the Securities to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State at any time:

(i) to a legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Securities to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Addresses

Black Earth Farming Limited

Registered office
8 Church Street
St Helier
Jersey JE4 0SG
Channel Islands
Telephone: +44 1534 82 33 33

Company secretary
General Secretaries Limited
P.O. Box 781
8 Church St. St Helier
Jersey JE4 0SG
Channel Islands

Manager of the transaction

Pareto Öhman AB
Box 7415
Berzelii Park 9
103 91 Stockholm
Sweden

Legal advisers to the transaction

Linklaters Advokatbyrå AB
Box 7833
Regeringsgatan 67
103 98 Stockholm
Sweden

Carey Olsen *(as to Jersey law)*
47 Esplanade
St Helier
Jersey JE1 0BD
Channel Islands

Clearing house

Euroclear Sweden AB
Box 7822
103 97 Stockholm

Principal banker

ZAO "Raiffeisen bank"
129090,Moscow,
Troitskaya street, 17/1

Representative office in Moscow
17 Vereyskaya Street,
121 357 Moscow,
Russia
Telephone: +7 (495) 589-2211

Annex A: Definitions and explanations

In the Prospectus, capitalised terms have the following definitions:

"1991 Companies (Jersey) Law"	means the Companies (Jersey) Law 1991 as amended
"Articles of Association"	means the Company's articles of association
"BEF" or the "Company"	means Black Earth Farming Limited
"Black Earth"	means a soil type which contains a very high percentage of organic matter in the form of humus, rich in phosphorus
"Black Earth Region"	means a territory located in parts of Russia, Ukraine and Kazakhstan endowed with BlackEarth
"Bonds"	means Black Earth Farming's SEK 750,000,000, 10 percent, 2010/2014, Loan no. 2, with ISIN number SE0003366624
"Board of Directors"	means the Company's board of directors
"BTA"	means any interim shares offered for the New SDRs
"BTA1"	means any interim shares offered for New SDRs to existing SDR holders with first preferential subscription right
"BTA2"	means any interim shares offered for New SDRs to existing SDR holders with secondary preferential subscription right
"Civil Code"	means the civil code of the Russian Federation
"Commission"	means the Jersey Financial Services Commission
"EEA"	means the European Economic Area
"Federal Constitution"	means the 1993 Federal Constitution
"Group"	means the Group of companies of which the Company is the parent
"IFRS"	means the International Financial Reporting Standards
"MFN"	means Most Favoured Nation
"New SDR"	means the new Swedish depository receipts issued pursuant to the Rights Issue
"PCA"	means the European Union Partnership and Cooperation Agreement
"Planalto"	means Planalto Enterprises (Cyprus) Ltd.
"Prospectus"	means this prospectus dated 16 November 2012 which constitutes an invitation to subscribe for shares in Black Earth Farming Limited
"PSD"	means Probate Stamp Duty
"Record Date"	means the date to be applied for determining who shall receive Subscription Rights
"RUR"	means Russian roubles
"SDR"	means the Swedish depository receipt issued by the Company
"Securities Act"	means the United States Securities Act of 1933
"Shareholders' Loan"	means the Company's USD 25 million credit facility obtained from Kinnevik New Ventures AB and Vostok Nafta Investment Ltd (via its wholly owned subsidiary Vostok Komi (Cyprus) Limited)
"Shareholders' Subscription Undertaking"	means Kinnevik New Ventures AB and Vostok Komi undertaking to exercise their pro rata share of the Subscription Rights (first priority preferential rights) in the Rights Issue
"Subscription Right"	means the right to subscribe for SDRs which represent shares in the Company that eligible holders of SDRs will receive
"Tax Treaty"	means the Cyprus-Russia double tax treaty
"USD"	means United States dollars
"VAT"	means Value Added Tax
"WTO"	means the World Trade Organisation

Annex B: Terms and conditions for depository receipts

Representing ordinary shares in Black Earth Farming Limited deposited with Pareto Öhman AB.

This chapter is a translation of the Swedish General Terms and Conditions of Swedish Depository Receipts representing ordinary shares in Black Earth Farming Limited, deposited with Pareto Öhman AB (Allmänna villkor för svenska depåbevis i Black Earth Farming Limited). In the event of any discrepancy between this translation and the Swedish original, the Swedish version shall prevail.

Black Earth Farming Limited (the "Company") has entered into a custodial arrangement with Pareto Öhman AB ("Pareto Öhman") whereby Pareto Öhman, on behalf of shareholders, will hold common shares in the Company (the "Shares") in a depository account and issue one Swedish Depository Receipt ("SDR") for each Share deposited in accordance with these Terms and Conditions ("Terms and Conditions"). The SDRs shall be registered with Euroclear Sweden.

1 Deposit of Shares and registration, etc.

1.1 The Shares which are to be represented by registration in an account in the book entry system of Euroclear Sweden, shall be deposited on behalf of holders of SDRs, with Pareto Öhman (or a bank retained by Pareto Öhman for the purpose of physically safe-keeping the Shares). For each duly deposited Share, Pareto Öhman shall issue one SDR.

1.2 The SDRs shall be registered in a Swedish book entry register maintained by Euroclear Sweden in accordance with the Swedish Financial Instruments Accounts Act (Sw. lag (1998:1479) om kontoföring av finansiella instrument). No certificates representing the SDRs will be issued.

1.3 In these Terms and Conditions an "SDR Holder" means a person registered as holder in the book entry register with Euroclear Sweden as the holder or otherwise is entitled to obtain payments regarding an SDR. In respect of SDRs held by an authorised nominee in accordance with the Swedish Financial Instruments Accounts Act, the nominee shall be regarded as the holder for the purposes of these Terms and Conditions.

1.4 The SDRs shall be governed by these Terms and Conditions.

2 Transfer Restrictions

Pareto Öhman may refuse to accept Shares for deposit under these Terms and Conditions if the transfer of such Shares is restricted pursuant to applicable law in Sweden, Jersey or any other jurisdiction in order to observe and comply with such restrictions, or otherwise in the Pareto Öhman's own discretion in order to comply with applicable laws in Sweden, Jersey or any other jurisdiction.

3 Deposit and withdrawal of Shares

3.1 Following payment of any and all taxes and fees payable in connection with a deposit of Shares, the Shares may be delivered for deposit to Pareto Öhman under these Terms and Conditions provided no impediment exists thereto in accordance with Swedish or foreign law, or decisions of governmental authorities. In connection herewith, the depositor shall provide necessary information to Pareto Öhman relating to the shareholder's or nominee's name, address, and securities account (VP-account) in which the SDRs shall be registered.

3.2 Pareto Öhman shall be entitled to compensation from the SDR Holders for the fees and costs which arise in conjunction with the deposit or withdrawal of Shares and/or issuance of SDRs as set forth in this Section 3, in accordance with the price list applied by Pareto Öhman from time to time.

3.3 Deposits of Shares and the corresponding registrations in the register of Euroclear Sweden take place in accordance with the practices applied by Pareto Öhman from time to time and may be temporarily postponed or declined, during any period when the register of Euroclear Sweden or the share ledger of the Company is closed, or if such action is deemed necessary or advisable by the Company or Pareto Öhman.

3.4 No withdrawals of Shares and de-registrations in the register of Euroclear Sweden may occur other than as a consequence of the Company's or Pareto Öhman's termination in accordance Section 18 in respect of all SDRs representing the deposited Shares. Following payment of any and all taxes and fees payable in connection with a withdrawal of Shares and provided no impediment exists thereto in accordance with Swedish or foreign law, or decisions of governmental authorities, the Shares will be transferred to a deposit account designated by the SDR Holder or as agreed between Pareto Öhman and the SDR Holder following the deregistration of the corresponding SDRs in the register of Euroclear Sweden. No Holder may request withdrawal of the Holder's Shares and the corresponding de-registration of the Holder's SDRs.

4 Transfer and pledge, etc.

4.1 For as long as the Shares are deposited, they may only be transferred or pledged by registration in the Register of Euroclear Sweden of the transfer or pledge of the SDRs by an authorised account operating institute (Sw. kontoförande institut) or, in the event that the SDRs are registered in the name of a nominee, by notification to the nominee. In order for a transfer or pledge to be approved by the Company, it must not be in violation of rules and regulations on restrictions on transferability that may arise under Swedish or other applicable legislation, applicable stock exchange rules or the Company's Memorandum of Association and Articles of Association. With respect to any transfer and pledge of SDRs, the provisions set forth in Chapter 6 of the Financial Instruments Accounts Act shall apply.

4.2 Any registrations in the Register of Euroclear Sweden which are necessary to accurately reflect the transfer of SDRs may, under specific circumstances, be postponed or declined during a time period deemed necessary by the Company or Pareto Öhman.

5 Record Date

Pareto Öhman shall in consultation with Euroclear Sweden and the Company fix a date (the "Record Date") which shall be applied by Pareto Öhman for the determination of which

SDR Holders are, vis-à-vis Pareto Öhman, entitled to receive dividends in cash, shares, rights, or any other property or any proceeds thereof (if the property was sold by Pareto Öhman in accordance with these Terms and Conditions), to submit voting instructions or a proxy for shareholders' meetings or otherwise exercise any rights held by shareholders of the Company. When practically possible, it is the intention of the Company and Pareto Öhman that the Record Date in Sweden for dividends and other rights as set forth above shall reflect the corresponding date in respect of the shares subject to the rules and regulations of Euroclear Sweden.

6 Dividends and taxes

6.1 At present the Company does not intend to declare or pay dividends in the foreseeable future. If and when any dividends are declared, Pareto Öhman and the Company shall use all reasonable efforts to enter into appropriate arrangements with Euroclear Sweden in order to enable distributions of dividends to Holders. Distribution to Holders is subject to such arrangements being put in place and would be payable net of applicable withholding taxes.

6.2 In connection with any distribution to SDR Holders, the Company, Pareto Öhman and Euroclear Sweden or any of their respective agents, as appropriate, will remit to the appropriate governmental authority or agency all amounts (if any) required to be withheld or charged, according to Swedish, Jersey or other applicable tax laws, by Pareto Öhman or Euroclear Sweden or any of their respective agents owing to such authority or agency. Pareto Öhman shall provide Euroclear Sweden with such information regarding amounts withheld as Euroclear Sweden requires in accordance with the Euroclear Sweden Agreement.

6.3 Pareto Öhman shall in consultation with the Company and Euroclear Sweden, determine the manner in which dividends in property other than cash shall be distributed to the SDR Holders. This may entail the sale of the property with the sales proceeds, following deduction for sales costs and taxes, distributed to the SDR Holders.

7 Bonus issues, splits, or consolidations of shares

7.1 Pareto Öhman shall accept delivery of Shares as a result of bonus issues and give effect to splits or consolidations of Shares as promptly as possible and shall ensure that necessary registration measures are taken on VP Accounts belonging to the SDR Holders or rights holders who are entitled to receive such Shares.

7.2 Anyone registered in the Register of Euroclear Sweden on the Record Date as SDR Holder or holder of rights with respect to the measure in question shall be entitled to participate in the bonus issue, split or consolidation subject to these Terms and Conditions.

7.3 Any taxes levied will be handled in the manner set forth in Section 6.3.

8 New issues of shares and bonds, etc.

8.1 Pareto Öhman shall inform the SDR Holders of new issues of shares, bonds or other rights to holders of Shares, where the SDR Holders are entitled (in accordance with resolutions by the Company and applicable law) to subscribe for such shares, debentures or other rights as well as other offerings from the Company directed to the shareholders.

8.2 If the SDR Holders are not entitled to participate in the issue or the offering to the shareholders in accordance with Section 8.1 or if it is not practically and economically feasible for the SDR Holders to participate, Pareto Öhman shall be entitled to sell such rights on behalf of the SDR Holders and distribute the net proceeds received, if any, to the SDR Holders after deduction for any costs, fees and taxes.

9 Fractional rights

9.1 Pareto Öhman will not accept deposits of fractional Shares, exchange SDRs for fractional Shares or accept an odd number of fractional scrip rights (i.e. such number which does not entitle to receipt of a whole number of Shares or SDRs).

9.2 Where an SDR Holder would otherwise be entitled to receive fractional Shares or an odd number of fractional scrip rights or a fraction of a Share as a result of dividends or otherwise, Pareto Öhman and the Company may agree that Pareto Öhman shall sell such fractional l Shares or SDRs or fractional rights etc., and distribute the received net proceeds, if any, to the SDR Holder after deduction for any costs, fees and taxes.

10 Voting at shareholders meetings, etc.

10.1 As soon as possible after Pareto Öhman has received notice of a meeting of shareholders of the Company, Pareto Öhman shall notify the SDR Holders of the shareholders meeting. The notification shall be issued through a press release and shall be made available on Pareto Öhman's web site. The notification shall include i) the contents set forth in the notice which Pareto Öhman has received from the Company, ii) the Record Date for the SDR Holders determined in accordance with Section 10.2 below and, where applicable, Section 5 above and iii) instructions regarding any measures to be taken by the SDR Holder in order to vote for Shares represented by SDRs.

10.2 Pursuant to applicable corporate and securities laws in the Company's jurisdiction, notices to attend shareholders meetings must be sent by the Company not later than 14 calendar days or, in the case of an annual general meeting or any extraordinary general meeting at which a Special Resolution (as defined in the Company's Articles of Association) is proposed, not later than 21 calendar days before the meeting and the Record Date for the Holders' right to participate in the meeting shall be determined in accordance with the rules and regulations of Euroclear Sweden in force at such time.

10.3 Pareto Öhman shall for each meeting provide a power of attorney enabling each Holder who is duly registered for the relevant meeting to vote for the corresponding number of Shares represented by the relevant Holder's SDRs.

10.4 Pareto Öhman undertakes not to vote or otherwise represent Shares for which the SDR Holder has not provided voting instructions.

11 Notices

11.1 Pareto Öhman shall ensure that notices to SDR Holders pursuant to these Terms and Conditions are dispatched to the SDR Holders and other rights holders who are registered in the Register of Euroclear Sweden as entitled to receive notices in accordance with the Swedish Financial Instruments Accounts Act.

11.2 Written notices shall be sent by Pareto Öhman by mail to authorised persons in accordance with Section 11.1 to the address listed in the Register of Euroclear Sweden. Pareto

Öhman may, instead of mailing notices, publish the notice in a daily national newspaper in cases where a Swedish CSD-registered company is entitled to send such notice.

12 Trading in SDRs

The SDRs may in the future be admitted for trading on a regulated market. Information regarding the commencement of trading on a regulated market shall be made public in advance by the Company and Pareto Öhman by sending notice in accordance with Section 11.

13 Fees and costs

Pareto Öhman's costs and fees for administration of the deposit account for Shares and the services rendered by Euroclear Sweden shall be the responsibility of the Company unless otherwise set forth in these Terms and Conditions.

14 Replacement of custodian bank

In the event the Company decides to retain another securities institution as custodian bank in lieu of Pareto Öhman, all of Pareto Öhman's rights and obligations vis-à-vis the SDR Holders pursuant to these Terms and Conditions shall be transferred to the new custodian bank and Pareto Öhman shall deliver the Shares to the new custodian bank. Any replacement of the custodian bank must be notified to Euroclear Sweden AB for approval and shall be carried out not later than six months following the time at which notification regarding the replacement of the custodian bank is sent to SDR Holders in accordance with Section 11.

15 Amendments to these Terms and Conditions

Subject to approval by the Company, Pareto Öhman shall be entitled to amend these Terms and Conditions where such amendment is necessary in order for these Terms and Conditions to comply with Swedish or other applicable law, stock market rules, decisions of governmental authorities or amendments to Euroclear Sweden's rules and regulations. Pareto Öhman and the Company are entitled to jointly decide to amend these Terms and Conditions where, for other reasons, it is deemed appropriate or necessary, provided in all cases that the SDR Holders' rights are not prejudiced in any material respect. Pareto Öhman shall notify the SDR Holders in the manner set forth in Section 11 of any decision to amend the Terms and Conditions.

16 Information regarding Depository Receipt Holders

16.1 Pareto Öhman retains the right to request information from Euroclear Sweden regarding the SDR Holders' ID or corporate registration number, name, address and the number of SDRs held, and to submit such information to the Company.

16.2 Pareto Öhman and the Company are entitled to provide information regarding the SDR Holders and their holdings to such parties who perform share registration duties or to governmental authorities, provided that the obligation to submit such information is prescribed by Swedish or other applicable foreign law. The SDR Holders shall be obliged, upon request, to provide Pareto Öhman with such information.

16.3 Pareto Öhman and the Company shall be entitled to provide information regarding the SDR Holders and their holdings to governmental authorities in connection with restitution and refund of paid taxes, to the extent required.

16.4 Pareto Öhman and the Company are entitled to submit and publish information regarding the SDR Holders to the extent required by any authorised market place or governing regulatory authorities.

17 Limitation of liability

17.1 With respect to the obligations incumbent on them hereunder, Pareto Öhman, the Company and Euroclear Sweden shall not – in the case of Euroclear Sweden taking into account the provisions of the Financial Instruments Accounts Act – be liable for damage as a result of Swedish or foreign legislation, the actions of Swedish or foreign governmental authorities, acts of war, strikes, blockades, boycotts, lockouts, or other similar circumstances. The reservation with respect to strikes, blockades, boycotts, and lockouts shall apply notwithstanding that Pareto Öhman, the Company or Euroclear Sweden itself undertakes, or is an object of, such measures.

17.2 If Pareto Öhman, the Company or Euroclear Sweden shall be prevented from making payments or taking any other action due to the circumstances set forth in Section 17.1 above, such action may be deferred until the hindrance has ceased to exist.

17.3 Neither Pareto Öhman, the Company nor Euroclear Sweden shall be liable for damages, losses, costs or expenses suffered or incurred by SDR Holders arising where Pareto Öhman, the Company or Euroclear Sweden have exercised reasonable prudence. Neither Pareto Öhman, the Company nor Euroclear Sweden shall be liable for indirect damages or lost profits.

17.4 Neither Pareto Öhman, the Company nor Euroclear Sweden shall be liable for losses or damages which the SDR Holders suffer due to the fact that a certain dividend, right, notice or other entitlement which accrues to shareholders of the Company cannot, due to technical, legal or other reasons beyond the control of the abovementioned parties, be distributed or otherwise transferred or provided to those SDR Holders registered in the Register of Euroclear Sweden on a timely basis or at all.

18 Termination, etc.

18.1 Pareto Öhman shall terminate the deposit of Shares by notice to the SDR Holders pursuant to Section 11 if:

18.1.1 the Company has resolved to no longer have Shares in the Company being represented by SDRs in accordance with these Terms and Conditions;

18.1.2 the Company removes Pareto Öhman as custodian in accordance with the agreement governing the custodial arrangement entered into between the Company and Pareto Öhman;

18.1.3 Euroclear Sweden terminates the agreement concerning the registration of SDRs; or

18.1.4 the Company applies for reorganisation, bankruptcy, liquidation, or other similar procedure, or where such a procedure commences upon application by third parties, provided, however, that if a new custodian has been appointed by the Company and approved by Euroclear Sweden the rights and obligations of Pareto Öhman as custodian shall be transferred to the new custodian, in which event the deposit of shares represented by SDRs may be maintained.

18.2 If Pareto Öhman terminates the deposits of Shares in accordance with Section 18.1, these Terms and Conditions shall continue to apply for a period of six months from the day the notice of termination was sent or from the day notice of termination is published in a daily national newspaper.

18.3 In cases other than those set forth in Section 18.1, Pareto Öhman is entitled to terminate the deposits of Shares by notification to the SDR Holders, such termination to take effect twelve months from the date set forth in Section 18.2 or that earlier date, however not less than six months from the said day, as agreed between Pareto Öhman and the Company, provided, however, that if a new custodian has been appointed by the Company and approved by Euroclear Sweden the rights and obligations of Pareto Öhman as custodian shall be transferred to the new custodian, in which event the deposit of shares represented by SDRs may be maintained.

18.4 In the notice of termination, Pareto Öhman shall set forth the Record Date upon which Pareto Öhman shall de-register all the SDRs in the Register of Euroclear Sweden. Immediately following the deregistration, Pareto Öhman shall deliver the Shares as instructed by the SDR Holders. If any SDR Holder has not instructed Pareto Öhman accordingly, Pareto Öhman shall have the right to sell the Shares represented by such SDRs and pay received proceeds to the SDR Holder after deduction for any costs, fees and taxes. Notwithstanding the foregoing, if a new custodian is appointed as contemplated above, the SDRs shall remain registered and Shares represented by SDR shall be re-registered to reflect the new custodian.

19 Governing law etc.

19.1 These Terms and Conditions shall governed by and construed in accordance with Swedish law.

19.2 Disputes regarding these Terms and Conditions or resulting from conditions related to the legal relationships hereunder shall be settled by the court of general jurisdiction and the action shall be brought in Stockholm District Court (Sw. Stockholms tingsrätt), Sweden.

Design & production: Sandsnas Communication, 2012

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