

Press release  
St Helier, Jersey  
22 October 2012

## **Black Earth Farming Ltd Signs a Strategic 3 Year Cooperation Agreement with PepsiCo in Russia**

*Black Earth Farming Ltd (“BEF”) has entered into a strategic relationship with PepsiCo and its subsidiaries in Russia. BEF will become a significant supplier of sunflower seeds and potatoes, both used in the production of Frito-Lay’s potato crisps as well as beet for sugar to be used in other PepsiCo products. The strategic 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 relationship will include commitments from PepsiCo which, it is envisaged, will provide the basis for good returns on invested capital for BEF. At the same time PepsiCo will benefit from a competitive market advantage via rouble denominated prices, higher product quality standards, availability and reliability of domestic year-round supply and coordination efficiencies in their supply chain. The relationship has significant scope and potential to extend into further products of strategic interest where the parties will view each other as the respective supplier and customer of choice within Russia. Russia is PepsiCo’s largest market outside North America.

The initial relationship will be for three years, beginning in 2013, while initial volumes of sunflower seeds, sugar beet and potatoes will be supplied from the 2012 harvest. The collaboration will have a major positive impact on BEF’s business as it offers the potential to lock in forward prices for a significant quantity of its production while also diversifying into competitively advantaged higher margin irrigated crops.

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 supply of high oleic sunflower seeds requires no additional investment. BEF intends to finance the expected capital need via a rights issue with preferential rights for current shareholders. Please see separate press release on 22 October 2012 for additional details.

Richard Warburton, BEF CEO, comments;

“We are delighted to be working with such a prestigious global partner as PepsiCo in their Russian supply chain. This agreement is fully in line with the strategic initiatives that we have been working on. It will increase profitability but at the same time reduce risks via lower price volatility and counterparty risk. It also takes us into irrigated crops that broaden BEFs enterprise mix from grains

and oilseeds, and is a logical diversification into crops that fit well with our existing business and geographic location. 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. The PepsiCo contract could potentially represent 30% of BEF's revenue by 2015 and this combined with our export program completely changes our profitability, risk profile and growth potential."

Ramon Laguarta, President, Developing and Emerging Markets-Europe, PepsiCo , comments;

"We welcome this cooperation with BEF, which provides us with secure supplies of high-quality raw materials for our products. PepsiCo is the largest food and beverage company in Russia and CIS and our long-term strategy is to maximize our ability to source high-quality ingredients from our local farmer partners. Our relationship with BEF is an important step forward and represents our 'win-win' approach to developing our business in close cooperation with our suppliers."

### **About the Company**

Black Earth Farming Ltd. is a leading farming company, publicly listed on Nasdaq OMX Stockholm and operating in Russia. It acquires, develops and farms agricultural land assets primarily in the fertile Black Earth region in southwest Russia. Black Earth Farming has gained a strong market position in the Kursk, Tambov, Lipetsk and Voronezh areas, controlling some 310,000 hectares of what perhaps is the world's most fertile soil. In 2012 Black Earth Farming intends to harvest over 222,000 hectares, effectively making it one of the world's largest public farming companies by cropped area. The Company's main products are wheat, barley, corn, sunflower, soya and rapeseeds.

### **For further information please contact:**

Erik Lystedt, Director of Investor Relations, Black Earth Farming Ltd., [erik@blackearthfarming.com](mailto:erik@blackearthfarming.com),  
tel: +44 (0) 2071 178 100